



Bitcoin: Will it Bounce Back From the April Dip?

Description

Bitcoin and the broader crypto market ran into turbulence in the last weeks of April. The top digital currency was trading above US\$57,000 in early afternoon trading on May 3. Crypto has well and truly burst into the mainstream over the past year. Moreover, crypto markets have proven resilient in bouncing back from dips in recent months. Is this another buying opportunity? Let's dive in.

Why Bitcoin and cryptocurrencies hit rough waters in April

Last month, I'd [discussed](#) the reasons bitcoin encountered volatility. The weekend of April 17-18 saw a massive power outage in the Chinese autonomous region of Xinjiang. According to the Cambridge Bitcoin Energy Consumption Index, Xinjiang represents nearly 25% of the global hash rate.

When this region was hit with a widespread blackout, crypto enthusiasts were alarmed. The same weekend saw the largest daily drop in total bitcoin network hash rate since November 2017. This led to \$4.9 billion worth of bitcoin liquidations and \$4.4 billion in margin calls in the altcoin markets. Some analysts pushed back against this assumption.

Crypto bulls have also been spooked by rumours of a forthcoming crackdown on digital currencies. Jesse Powell, CEO of the bitcoin exchange Kraken, recently warned that crypto was in the sights of regulators who were concerned with illicit transactions. However, these rumours have failed to materialize at the time of this writing.

How digital currencies bounced back last week

Digital currencies have hit major milestones in 2020 and 2021. Bitcoin is now offered on major payment platforms like **PayPal**. Canada launched the first-ever bitcoin-focused exchange-traded fund in February, the **Purpose Bitcoin ETF** ([TSX:BTCC.B](#)). Elon Musk, the influential Tesla founder and one of the richest men on the planet, made a \$1 billion bet on the top crypto earlier this year.

Major banks have also started to jump into the crypto arena. **Morgan Stanley** became the first major

U.S. bank to offer its high net worth clients access to bitcoin funds. This exclusive offering also illustrates the view of these institutions that crypto is highly volatile. In April, **JPMorgan** announced that it would also let clients invest in bitcoin funds for the first time. The bank released a note in January that projected bitcoin could climb above US\$140K as it continued to compete with gold as an alternative currency.

What should investors do today?

Canadian investors with interest in bitcoin have the option of snagging the recently launched ETF. Shares of the Purpose Bitcoin ETF have climbed 4.4% since its debut. The volatility in the crypto market is not for the faint of heart. Investors who cannot stomach these violent swings should stay far away from bitcoin and its peers.

In late April, I'd looked at [tech stocks](#) I'd [prefer to stash](#) over crypto or any crypto linked equities. There are other troubling signs for the top digital currency right now. In Q1 2021, Elon Musk dumped some of his sizable bitcoin purchase for a US\$272 million profit, trimming the position by 10%. Moreover, murmurs of a regulatory crackdown should keep crypto investors on their toes. Bitcoin has beaten expectations before and could certainly do it again. However, I'm looking elsewhere in May.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BTCC.B (Purpose Bitcoin ETF)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing

Date

2025/08/28

Date Created

2021/05/03

Author

aocallaghan

default watermark