



Is Bitcoin About to Rebound?

Description

Bitcoin's been on a spectacular run this year. The value of each token has more than doubled since January. However, it's been tumbling ever since April and has now lost roughly a third of its market price. That's a big dip that should make investors wonder whether this is a minor correction in an extended bull run or a shift in the long-term market cycle.

Here's a closer look.

Bitcoin's market cycles

We now have 12 years of history to see how Bitcoin behaves during different market cycles. Over the past decade, the digital asset has been through numerous extended bull runs that usually end in extended drawdowns. Industry veterans call these drawdown periods "crypto winter."

During such a crypto winter, Bitcoin (and most other digital assets) lose tremendous value and stagnate for multiple years. These periods are difficult to predict, but they often share the same characteristics, namely, an event that triggers widespread skepticism about Bitcoin and a decline in investor enthusiasm for the industry.

In previous cycles, the collapse of Mt. Gox and the Bitfinex-Tether scandal triggered skepticism. When Mt. Gox collapsed in 2014, several traders lost their BTC forever. This revealed a weakness in the Bitcoin ecosystem, which made other investors pessimistic. BTC would remain under US\$1,000 until 2017.

The 2017 bull run ended when the Bitfinex-Tether scandal revealed another vulnerability. The fact that the underlying collateral for Tether's USDT tokens couldn't be verified created skepticism yet again. Bitcoin would lose value throughout 2018 and stay range bound until 2020.

In our current bull run, Bitcoin's value has escalated from US\$3,000 to over US\$65,000 in a year. However, Elon Musk's growing frustration with the Bitcoin community and his decision to suspend BTC payments for his company may trigger skepticism. Bitcoin's environmental impact is now a key concern.

In short this could be another crypto winter.

How to invest

It may be too early to say whether we're in a crypto winter or a bear market for digital assets yet. Bitcoin has lost 30% of its value since April and is struggling to rebound at the time of writing. It could go either way.

But regardless of what lies ahead, crypto winter or swift rebound, investors should probably use the most time-tested strategy: accumulation. Buying small quantities of BTC over time will help you apply the dollar-cost averaging technique. Over the long run, your performance may be greatly enhanced by this.

Accumulating the **Purpose Bitcoin ETF** ([TSX:BTCC.B](#)) could also be a good idea. [These ETFs](#) allow you to buy and hold Bitcoin exposure in your Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP). That means you can combine the power of dollar-cost average with tax mitigation.

Bottom line

Bitcoin's environmental impact may have triggered some concern. If this concern is widespread enough, Bitcoin could decline in the months ahead and stay range-bound for years. It has done so in the past. If that's the case, accumulating more BTC over time could be the best strategy, assuming you're optimistic about Bitcoin's future.

Good luck!

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