



Bitcoin Selloff: Don't Panic!

Description

You might have noticed that Bitcoin is in the middle of a selloff.

As of this writing, BTC is down 12.5% for the day and 25% for the week. These losses are nothing out of the ordinary for Bitcoin — which has always been volatile — but are an unpleasant wake-up call to new investors. This past year has witnessed unprecedented numbers of new investors rushing into BTC. That includes countless individuals, as well as institutions. For those who didn't own Bitcoin in 2018 or earlier, these losses are a scary sight.

But now is not the time to panic. Bitcoin has gone through bigger corrections than this before and will go through them again. It would be unreasonable to expect a totally new asset class not to encounter some turbulence. In this article, I'll make the case that Bitcoin holders shouldn't panic right now but should maybe consider diversifying into other asset classes. I'll start by looking at Bitcoin's historical volatility and then move on to other asset classes investors can diversify into.

This is normal volatility

It might sound strange to refer to a 25% five-day drop as normal volatility. For stocks, that's an outright bear market — at least if over a long-enough period. But for Bitcoin, it's [really quite typical](#). BTC has always been volatile, and the current downswing is nothing compared to ones observed in the past. In 2018, Bitcoin declined 80% in price. Prior to that, it experienced an 80% correction from December 2013 to mid-2015. In the earliest days of Bitcoin, 10% swings were almost a daily occurrence.

What does this mean?

Put simply, what's happening with Bitcoin right now is quite normal, historically speaking. Sure, a 25% loss in any asset class is painful. But with Bitcoin, it's just something you have to expect. With high volatility comes big losses on the downswing, and Bitcoin is nothing if not volatile.

You might want to consider some less-risky assets

If Bitcoin's current selloff has you freaking out, you might want to consider diversifying into less-risky assets. Among stocks, bonds, and crypto, crypto is by far the riskiest of the bunch, and that probably won't change any time soon.

So, getting some highly [diversified exposure to stocks through ETFs](#) like **iShares S&P/TSX 60 Index Fund (TSX:XIU)** could help you enormously going forward. The more you diversify your investments, the lower your overall risk. XIU gives you two diversification benefits if you add it to your portfolio, along with Bitcoin and other cryptocurrencies:

1. It reduces the risk in your portfolio by adding another asset that's not Bitcoin.
2. The fund has diversification "built in," as it's based on a portfolio of 60 stocks.

When you invest in XIU, you get a portfolio of the 60 largest Canadian stocks by market cap, with a 2.5% dividend yield and a low (0.16%) management fee. No, it's not going to make you rich like Bitcoin could have in its early days. But by adding it to a portfolio that already has Bitcoin in it, you lower your overall risk while still enjoying the potential for solid returns. If you're a crypto holder worried about volatility, buying such a fund is an idea very much worth researching.

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