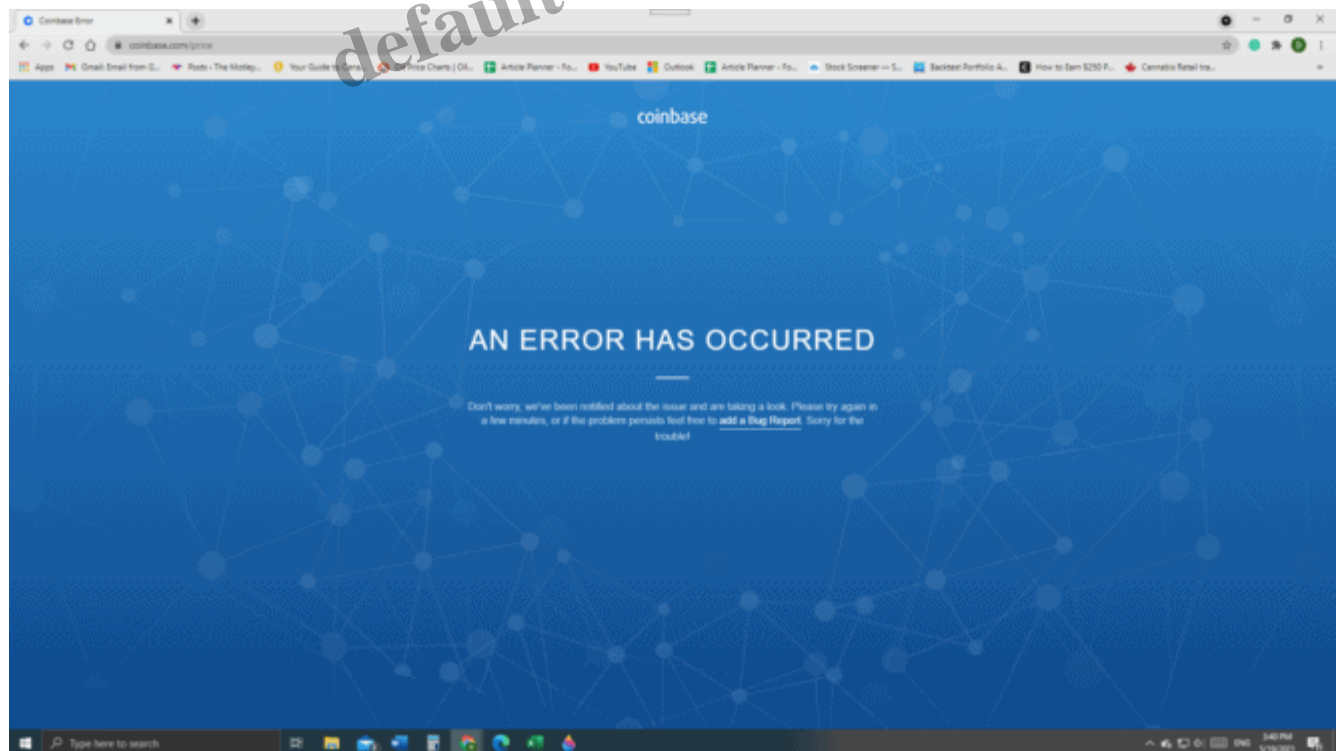


Should Investors Sell Bitcoin, Ethereum and Dogecoin Today?

Description

Trying to open one of the major cryptocurrency data websites, Coinmarketcap.com was fruitless at one point on Wednesday morning as the site returned the annoying “bad gateway,” indicating an error with the host. Even the **Coinbase Global** site indicated an error at the same time. The crypto market’s authority sites probably crushed on elevated traffic when Bitcoin, Ethereum, Dogecoin, and a host of other cryptocurrencies were taking heavy losses.



Coinbase's website down Wednesday Morning:Source: Author

What happened?

Bitcoin (BTC/USD) crumbled by 37% to US\$35,600 and Ethereum (ETH/USD) was down 44% at US\$2,400 after hitting a 24-hour low of US\$1,952.46 by 09:50 a.m. Toronto time. Similarly, Dogecoin had lost about 32% of its value at the time of writing.

Why are Bitcoin, Ethereum, and Dogecoin prices falling?

The news is that China, a country with earth's largest population within one national border, is [cracking down heavily on the cryptocurrency market](#). The latest development comes after earlier market shocks when the trading public's perceived innovation and crypto patron Elon Musk announced on May 12 that Tesla will no longer accept Bitcoin for car purchases.

It's intriguing that Tesla, of all other institutional adapters of the largest cryptocurrency, has all of a sudden changed its policy on cryptocurrency.

In March, Tesla CEO Elon Musk was named the "Technoking of Tesla." Company CEO Zach Kirkhorn got the new title of "Master of Coin" after the company built a US\$1.5 billion Bitcoin portfolio.

It's just hard to believe that Tesla's sudden turnaround on Bitcoin is purely driven by environmental concerns. One may be tempted to speculate that the company's intelligent systems somehow picked up some wind of a pending Chinese crackdown on the crypto market. As a key growth market for Tesla, it makes sense for the electric vehicle maker to be proactive and some show some hint of alignment with a host government's policy.

Well, the reality is that both Tesla's sudden policy shift and China's heavy-handedness are key events that trigger mayhem for cryptocurrencies.

Time to sell Bitcoin and Ethereum?

There's negative momentum built upon cryptocurrency valuations right now. Prices could go much lower this week. This is the time when cryptocurrency investors' faith in this asset class as the value hedge of the future gets severely tested – more so as volatility spikes on the traditional stock market.

That said, the fickle cryptocurrency asset class is notorious for its speculative gyrations. One Bitcoin or Ethereum coin is only worth as much as the next buyer is willing to pay for it. The digital currencies do not have much in fundamental cash flows or use that may protect their valuations when such volatility spikes are triggered.

Perhaps there could be an exception for [Ethereum, which is powering most decentralized finance \(DeFi\) applications](#).

It's true that cryptocurrencies still threaten to replace gold as a safe haven asset someday. However, unlike gold which has no regulatory headwinds for investors, cryptocurrencies still face some regulatory risks internationally.

Investors should therefore contain the stomach-churning volatility on these alternative assets. Otherwise, taking heavy losses today could hurt one's long-term financial goals. Now isn't the best time

to sell beaten-down Bitcoin and Ethereum unless one bought well below current valuations.

Personally, I would wait for the dust to settle. However, it could still take several months or years for the coins to recover to recent highs.

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