Bitcoin Down 40%: How to Protect Your Portfolio From the Crypto Fallout

Description

This May, Bitcoin is sensing a disturbance in the force, with the coin down 40% since May 10. What is causing this disturbance? Is it something you should panic about? First things first. If you have exposure to any crypto, be it Bitcoin, Ethereum, or Dogecoin, you have to live with disturbance. There will be steep dips and rallies. There could also be a crypto bubble. But if you have protected your portfolio, there is nothing to panic about.

Why did Bitcoin dip 30% on May 19?

On May 19, BTC fell almost 30%; Elon Musk had nothing to do with it. He was busy tweeting about **Tesla**. But this time, it was China. Indeed, three Chinese organizations cracked down on crypto trading, sending ETH and Doge also down as much as 25% and 29%, respectively. These organizations are the National Internet Finance Association of China, the China Banking Association and the Payment and Clearing Association of China.

This is not a new thing. Cryptocurrency trading has been illegal in China since 2019, and no world government has legalized or regulated it. Yet Chinese could trade crypto online, which has made these organizations anxious.

Crypto trading has a huge risk of money laundering. Hence, whenever cryptocurrencies rise to unprecedented levels, a regulatory crackdown follows. The same thing has happened now. The Chinese organizations have banned banks and online payments channels from offering cryptocurrency-related services like registration, trading, clearing and settlement.

Volatility: The ugly side of Bitcoin

This China regulatory crackdown has created a temporary panic as more than 75% of the Bitcoin mining in the world happens in China. Before the China crackdown, Bitcoin fell in late April when U.S. President Joe Biden increased the capital gain tax, making BTC profits subject to higher taxes.

Leaving aside regulatory crackdown, Elon Musk has been manipulating Bitcoin prices. First, Tesla invested US$1.5 billion in BTC in January, and then Musk tweeted that Tesla might consider BTC payments. This led to an 80% BTC rally in 65 days. Then came the Biden news, sending the BTC price down in the second half of April.

BTC still recovered in May. Musk dropped another bomb last week when he tweeted that Tesla won't accept BTC payments for the coin because it's not green. He also hinted that Tesla is mulling taking out its US$1.5 billion BTC investment.

Protecting your portfolio from the disturbance in the force

In *Star Wars*, the Jedi Council worked toward bringing balance to the force. In the crypto wars, the force is too strong with Musk, which creates a disturbance in the force. If the crypto bubble bursts, only a few will be rich and the rest will lose.

Hence, it is imperative you protect your portfolio from this disturbance by investing in conventional dividend stocks. I'm not saying that you should sell your crypto-related stocks if you feel the panic will subside. But invest only the amount you are willing to lose and try to earn back that amount from dividend income.

BCE (TSX:BCE)(NYSE:BCE) offers a 5.9% dividend yield, and this dividend is going nowhere. BCE has Canada's largest communications infrastructure and is now upgrading to 5G. The 5G network will increase internet penetration further and help endpoint devices become smarter. An uninterrupted high bandwidth internet connection will make self-driving cars, artificial intelligence robots and the smart city a reality.

The growing usage of the internet in more devices will convert into higher subscriptions, leading to higher cash flows for BCE. The company's dividend will keep coming. It might also increase the dividend rate every year as it has for the last 12 years.

If you invest $5,000 in BCE, it will give you $295 in dividend income. You can invest $300 in BTC, thereby protecting your portfolio from the crypto bubble.

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