



1st Tesla and Now China: Is Bitcoin Finished?

Description

Bitcoin has been taking a beating lately. After Elon Musk announced that **Tesla** would stop accepting BTC, the world's largest crypto went into a free fall, declining 32% in price. Much of that decline occurred relatively slowly over the course of a month. But today saw a particularly sharp downturn after the Chinese government announced that it was banning crypto trading by banks and institutions. The most extreme action China has taken against crypto yet, it sent Bitcoin into a tailspin. At one point earlier today, Bitcoin [shed 6% of its value in just five minutes](#). The question investors need to ask themselves is this: Is this a sign of things to come or just a blip on the screen?

China bans crypto trading by banks

The first thing to know about China's crypto ban is that it isn't the first such action China has taken. China has threatened to ban crypto many times before and nothing much has come of it. The current action doesn't look that dramatic. What China has outlawed is crypto transactions by banks and financial institutions. It still allows

- Mining operations;
- Buying and selling on foreign exchanges; and
- Crypto-related investment products.

This move probably won't be devastating to the crypto market on its own. It may, however, be ominous when viewed *in tandem* with other large entities' actions on crypto. So far this year, we've seen China, Turkey, and Tesla all [move to restrict crypto transactions](#) after previously allowing them. The big-picture trend certainly doesn't favourable to Bitcoin. Of course, there is also a trend toward increasing crypto adoption by U.S. institutional investors. But you never know when regulations will throw a wrench in that one as well. Recently, Bitcoin was used as the currency of choice in an extortion attack against a major U.S. oil pipeline. That's exactly the type of thing that tends to get regulators' attention, and the SEC is getting more and more vocal about the matter by the day.

A word to the wise

If you're a crypto holder looking at all that's going on, you might feel a little bit nervous. Here we've got countries and major corporations banning Bitcoin, and it's by far the most "mainstream" crypto out there. How can this possibly be good news for the broader crypto universe, most of which isn't nearly as socially acceptable as Bitcoin is?

We'll have to wait and see how it all plays out. Bitcoin has taken dips bigger than the recent one and still survived. But a word to the wise: If you currently own an all-crypto portfolio, you might want to diversify a bit more.

By buying ETFs like **iShares S&P/TSX 60 Index Fund** ([TSX:XIU](#)), you can take much of the volatility out of your portfolio while retaining the upside. Most modern investing experts recommend diversification in stocks and bonds, with "ultra-risky" plays like Bitcoin making up just a tiny portion of your portfolio. There's room in a portfolio for some high-risk stuff. But ETFs like XIU should be your meat and potatoes. With a fund like XIU, you get built-in diversification (XIU has 60 stocks in its portfolio), high liquidity, and much less volatility than you get with crypto investments. In exchange, you pay only a small fee (1.6%). If you throw a bond fund like the **BMO Mid-Term U.S. Corporate Bond ETF** into the mix, you reduce the risk even more. It all adds up to a diversified portfolio that dramatically cuts back on volatility. And yes, you can still keep a bit of Bitcoin in there if you wish.

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Author
andrewbutton

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