



Bitcoin vs. Tech Stocks: Which Should You Buy?

Description

Bitcoin has been taking a beating lately. Down 43% over the last month, it's in the midst of its steepest correction since 2018. That year, Bitcoin tumbled a full 80%, tumbling all the way down to \$3,000. Since then, Bitcoin has mostly been on the rise, but the current selloff threatens to take it back to late-2017 prices.

This naturally leads to the question, "is there a safer place for investors to put their money while still getting superior returns?" Certainly, Bitcoin has delivered solid returns historically, but with all this volatility, it has made for a jittery ride. In light of this, it's natural to wonder whether there's somewhere investors can put their money as an alternative.

In fact, there is: tech stocks. Like Bitcoin, tech stocks have outperformed the broader stock market by a wide margin over the last decade. Up 400%, the tech-heavy NASDAQ has easily beaten the S&P 500. By picking individual tech stocks, some investors have gotten far better returns than that — in some cases, returns that rival even Bitcoin. In this article, I'll outline some points to keep in mind when choosing between investing in Bitcoin and investing in tech stocks.

The case for Bitcoin

Historically, the case for [investing in Bitcoin](#) over tech stocks was that it offered better returns. The NASDAQ may be up 400% over 10 years, but Bitcoin is up thousands of percentage points over the same timeframe. If you go all the way back to when Bitcoin was invented in 2009, it has outperformed pretty much every stock on earth. That's something investors think about a lot when they consider investing in Bitcoin. But remember: past results don't indicate future results. Every trend ends sooner or later. And with Bitcoin now having a \$600 million market cap, its future returns are unlikely to be as good as past returns.

The case for tech stocks

The case for [investing in tech stocks](#) over Bitcoin is less straightforward. Unlike the case for Bitcoin,

there are actually several arguments to be made here rather than just one. I'll start by listing a few of the most important ones, then move on to some concluding thoughts.

1. **Tech stocks can be analyzed.** When you look at a tech stock like **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)), there are a million factors you can analyze to determine its value. Like Bitcoin, you can look at technical factors (chart patterns, moving averages, etc.). On top of that, you can look at the stock's fundamentals — that is, things like earnings, cash flows and financial ratios. Put simply, you can do a much more robust analysis of a stock like Shopify than you can for Bitcoin.
2. **Tech stocks are less volatile.** Compared to most stocks, tech stocks are pretty volatile. The NASDAQ swings up and down much more dramatically than the S&P 500, and some individual tech stocks have been more volatile than the NASDAQ. However, even an individual tech stock like Shopify is nowhere near as volatile as Bitcoin. Bitcoin has dropped 80% or more on two occasions and is a stone's throw away from a third. SHOP has never fallen more than 50%.
3. **Tech stocks are productive.** When you buy tech stocks, you're investing in real businesses with productive use cases. Shopify, for example, helps people run online stores. With Bitcoin, it's really questionable whether the asset you're buying has any social utility. So far, its only widespread use case is buying and selling in black markets.

Foolish takeaway

Bitcoin has in many ways been the financial success story of the past decade. Over the that period, it has returned more than 10 times the NASDAQ 100. No doubt, it's been a wild ride. But the future is never 100% clear. Bitcoin faces a number of headwinds, ranging from vendors dropping it to regulators seeking to ban it. Overall, tech stocks are a safer bet.

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1. Investing
2. Tech Stocks

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