



Bitcoin: Buy the Dip?

Description

Bitcoin has spent much of the past three months in a steep decline. After hitting a high of US\$63,729 in April, it began to sell off, going below US\$30,000 this week. The world's largest cryptocurrency is still way up over a 12-month period but was flirting with a negative year-to-date return as of this writing.

All of this leads to one inevitable question: should you buy the dip?

If you already hold Bitcoin, you might be struggling with whether or not to hold on. There's no shortage of people out there predicting that [BTC will go to US\\$15,000 or lower](#). Whether or not that will happen remains to be seen, but if you hold Bitcoin, this messaging may be making you a little nervous. You have a decision to make here, and it isn't an easy one. The options are basically as follows:

- Sell
- Hold on to what you have
- Buy the dip

In this article, I'll explore the last option on the list in detail and suggest an alternative for those who are nervous.

The case for buying the dip

The case for buying the dip in Bitcoin is mainly based on historical trends. Bitcoin has recovered from every major crash it has ever endured and come back bigger and better than ever. Bitcoin has been around since 2009, so this is a pretty long-term trajectory. This isn't like looking at a daily stock chart and trying to read the tea leaves about what's going to happen; we're talking about a very reliable long-term tendency here.

There is not much of a case for buying Bitcoin based on fundamentals. BTC does not have fundamentals in the traditional sense (earnings, cash flow, assets, etc.). It does have a supply cap and an energy cost, both of which have been referred to as fundamentals, but they can't be reliably used to determine Bitcoin's future price. So, really, when you invest in Bitcoin, you're investing based on price

trends and perhaps some vague idea of it eventually seeing mainstream adoption. The former, at least, seems to have some validity; even Paul Krugman admitted in an anti-Bitcoin article that a very committed group of traders can keep an asset price rising for a long time.

Security concerns

If you're going to buy the [dip in Bitcoin](#), there's one thing you need to watch out for: *security issues*.

If you lose your Bitcoin wallet password, your Bitcoin is gone forever. Exchanges like **Binance** and **Coinbase** have recovery phrases and other tools to help you get your password back, but if they don't work, you have no further recourse. That's a pretty big problem. If it concerns you, you might want to get your exposure to crypto through an ETF like **Purpose Bitcoin ETF** ([TSX:BTCC.B](#)). Such funds have enterprise-grade security, and they hold your crypto for you the same way mutual funds hold stocks. You pay a 1% fee to BTCC.B's managers to manage your investment, but that's more than made up for by the ability to hold the ETF in a TFSA, which spares you all taxes. It's definitely worth the cost.

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