



## The Bitcoin Trade Is Heating Up Again! Here's What I'm Doing

### Description

Forget about crypto for a moment. While many investors, both retail and institutional, are warming up to digital tokens like Bitcoin, Ethereum, and, yes, even Dogecoin, I still don't think it's a good idea to dive into the speculative asset, even as a diversifier, given its limited track record. Undoubtedly, it's hard to stand on the sidelines as you watch almost everybody else get rich over a concise timespan.

Still, I'd be willing to side with Warren Buffett and Charlie Munger by sticking with [investing in what you know](#). Bitcoin and other cryptocurrencies are based on blockchain technology, which, in itself, is pretty incredible. But how many crypto investors can actually explain the differences between digital tokens and why they're [deserving](#) of a spot in one's portfolio?

## Millennial gold: Still an unworthy portfolio diversifier in my books!

Indeed, Bitcoin and the like are viewed as the "new gold" by many investors in the millennial cohort.

It may be the millennial gold through the eyes of some, but what is stopping the digital asset from imploding like a paper overnight or over the weekend? I'm not so sure. Like gold, crypto doesn't produce anything. It's only worth as much as someone is willing to pay for it. And given its positive correlation to the equity markets during the 2020 stock market crash, I'm not so sure the low or no correlation argument holds for crypto.

What's the reason for Bitcoin's positive correlation to stocks in the last crash? Securitization and the rush for cash. These days, almost every alternative asset has been securitized. Today, you don't even need to set up a wallet to gain exposure to Bitcoin with the wide range of Bitcoin Funds (**The Bitcoin Fund**) and ETFs (**Purpose Bitcoin ETF**) that are live at an exchange near you. Not to mention the wide range of miners and other plays like **Coinbase** that tend to amplify moves made in the broader markets.

Sure, I may stand to leave a lot of quick gains on the table by passing on Bitcoin and crypto. But until

there's a crypto that's proven to be a better store of value in times of market-wide panic, I'll probably stick with good, old-fashioned precious metals over millennial gold, as sexy as it may be to invest in these days.

Criticize gold for being boring all you will. But it did a better job of holding up when the market nosedived back in early 2020!

## Why Bitcoin and crypto doesn't tempt me here as the trade heats up again

It's not just the questionable correlation to stocks that has me holding off on crypto.

The biggest reason I'm not joining in on the "sexy" crypto trade is that it's drawn in the speculative crowd who are only in the asset to make quick riches over the near term.

Crypto may very well be a worthy asset class that isn't going anywhere. But you'll probably only make money if you don't overpay for the asset. Undoubtedly, I've urged investors to take a raincheck on Bitcoin and other cryptos at times when they hogged the limelight of the financial media while encouraging those keen to dollar-cost average into crypto miners like **HIVE Blockchain Technologies** after the dust settled, and it seems as though the Bitcoin trade was dead.

There will always be volatile, double-digit percentage crashes in the crypto universe. And if you don't see yourself buying more on a crash, you should probably not get involved in the first place, unless you're trading. Like it or not, you'll be playing the game of greater fools by punching your ticket to crypto as the trade heats up and everybody keeps talking about it at the watercooler.

## Bottom line

If Bitcoin can hold its own in a couple of future crashes, I'll reconsider my stance on crypto as a long-term investment. And should the hype die down, as it did like in late 2018 and early 2019, I may very well change my tune and nibble on a few coins. Until then, I'm content with sitting on the sidelines.

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