Will Bitcoin Hit $100K Before the End of the Year?

Description

Bitcoin has already created massive wealth for long-term investors. For example, $1,000 invested in Bitcoin six years back would have ballooned to more than $200,000 today. Despite its astonishing gains, Bitcoin is trading over 20% below its record highs, allowing investors to buy the dip. In fact, the world's most popular currency fell briefly below $30,000 after touching an all-time high of $63,000 in May 2021.

Investors looking to purchase Bitcoin should note this alternative asset class remains highly volatile and carries significant risks. The price of a single Bitcoin, in fact, fell from $19,800 in late 2017 to less than $3,500 in early 2020. However, exposure to high-risk assets also provides an opportunity to derive exponential gains. Let's see if the price of one Bitcoin can reach $100,000 by the end of 2021.

Widespread adoption remains key for Bitcoin

The most important factor that will push the price of Bitcoin is the adoption of digital assets as a form of payment by enterprises and governments. Earlier this year, cryptocurrency prices witnessed a spike after **Tesla's** CEO Elon Musk disclosed the electric vehicle company would accept Bitcoin as payment for its deliveries. However, Tesla quickly shelved its plans, citing the high energy costs associated with Bitcoin mining.

El Salvador owns 400 Bitcoins, and the country has adopted it as legal currency along with the U.S. dollar. According to El Salvador's president Nayib Bukele, this move will allow residents living as ex-pats in other countries to save on bank fees and commissions associated with wire transfers for fiat currencies.

Institutional volume increases in cryptocurrency trading

Coinbase ([NASDAQ:COIN](#)), which is the largest cryptocurrency exchange in the world, confirmed institutional trading volumes on its platform accounted for 68.6% of total volume in the second quarter of 2021. This was higher than the 60.7% figure in the year-ago period.

The increase in institutional investment can also be attributed to the rise of other digital assets such as Ethereum. In fact, Ethereum's trading volumes on Coinbase surpassed Bitcoin for the first time ever in Q2 of 2021 due to the rising popularity of non-fungible tokens and decentralized finance.

Coinbase explained, "an increasing share of our clients now consider BTC to be a mainstay in their long-term portfolios and an emergent store of wealth that competes with gold … BTC stored $657 billion in global wealth at the end of H1 as institutional investors such as traditional hedge funds, endowments, and corporates increased their exposure over the period."

Regulation and transparency

Another factor that might drive the prices of Bitcoin higher going forward is the increase in accessibility to buy, sell, or hold cryptocurrencies. The astonishing rise in the number of applications that support Bitcoin and other digital coins has led to the introduction of sophisticated reporting tools that includes tax accounting and yield farming.

The lack of regulation in the cryptocurrency space is a major hindrance for risk-averse investors. Regulation will provide investors with protection in a volatile marketplace, and there is a good chance for the SEC to get involved and monitor cryptocurrency exchanges.

The Foolish takeaway

While it's difficult to predict the price of Bitcoin and other digital assets, long-term investors need to focus on dollar-cost averaging allowing them to create wealth over time. But given the [volatility associated with this asset class](#), you need to invest the amount you can afford to lose while purchasing cryptocurrencies.

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