



Is Now the Time to Invest in Bitcoin?

Description

Bitcoin has been on a wild ride lately. Just recently, it hit an all-time high of approximately US\$66,000, before sliding 5% in a single day. Bitcoin is normally volatile, but the recent action was truly something else. It's not often you see an asset hit an all-time high and then retreat so sharply in a single day. True, Bitcoin has seen 5%, 10%, and even 20% daily swings in the past. But the cryptocurrency is currently at a market cap that makes the dollar value of such swings much larger.

This raises an important question: *Can investors really know whether now is the right time to invest in Bitcoin?*

Even with BTC's transition to large-cap status, significant volatility remains. In fact, the past week was one of the most volatile in months. Given this information, it's hard to know whether Bitcoin is investable today. In this article, I will look at some factors for investors to think about when considering whether to invest in Bitcoin.

Bitcoin's historical returns

There is one thing about Bitcoin that nobody can deny: its historical returns have been phenomenal.

When BTC started in 2009, it was worth pennies.

Today, it is [worth about US\\$60,000](#).

The total return since Bitcoin was invented is several million percent. This is the main reason why so many people are interested in it. Not everybody needs BTC to buy goods and services with, but most people would like to get rich quickly. So, Bitcoin has attracted an enormous amount of speculative interest — far more than the interest in it for use as a currency.

Can these returns continue?

It's clear that Bitcoin has had an amazing run in its 12 years of existence. The question is whether it can continue. At this point, Bitcoin has a \$1.1 trillion market cap. It's already worth more than most of the world's biggest companies. If Bitcoin were to return another 1,000%, it would be worth about as much as all the gold in the world. The likelihood of Bitcoin continuing to "moon" year in and year out at its current scale is very low. Size is the anchor of performance, and Bitcoin is too big for it to deliver another million-percent return. If it did so it would be worth more than all the money in the world.

At this point, Bitcoin is as much an industry in itself as an asset. We've now got crypto mining companies like **HIVE Blockchain Technologies** ([TSXV:HIVE](#)) that exist almost exclusively to mine Bitcoin. HIVE technically mines two coins: Bitcoin and Ethereum, but a huge share of its revenue is Bitcoin alone. If you add HIVE's market cap to Bitcoin's own, it becomes clear that BTC and related businesses are a huge part of the global economy at this point.

So, Bitcoin will probably not continue delivering jaw-dropping returns going forward. It could still deliver good returns, though. Despite Bitcoin's market cap putting somewhat of a cap on its growth, there are many reasons to believe it could become more valuable. Just recently, the nation of El Salvador made BTC legal tender. As a result, [more Salvadorans now own Bitcoin wallets than bank accounts](#). That definitely looks like a bullish sign. So, maybe Bitcoin will continue rising well into the future.

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