



Bitcoin Rally: US\$100,000 or Another Slump?

Description

The current Bitcoin rally seems to have ended, and earlier than many crypto investors would have liked. While the crypto *did* reach new heights, the peak was more in the ballpark of the previous peak and not even close enough to the height it's expected to reach: the six-digit mark of US\$100,000.

But two peaks in a year and fewer than seven months apart is new, even for a [volatile asset](#) like Bitcoin. This gives confidence to the crypto investor community that the potential height of US\$100,000 might be within reach, if not in 2021, then in 2022.

This hope, while endorsed by a lot of realistic projections, cannot account for certain macro factors that can wildly swing the value of Bitcoin and the interest in the currency either way. Many Bitcoin miners, especially publicly traded ones, have already started to take measures to make the process of mining "greener" to get rid of the environmentally dangerous stigma.

The question is, will [Bitcoin rally](#) (if it can still be considered a rally) to the US\$100,000 mark, or will Bitcoin slump under US\$30,000?

Spike or slump?

Bitcoin recently hit a new low, and the currency slumped beneath the US\$60,000 mark for the first time in the last two weeks or so. It quickly recovered, but the slump can be taken two ways: as an indicator of waning interest in the asset or a supply crunch created by miners. The latter is speculation from Kraken, the crypto exchange.

This supply "shock" is expected to push the value higher, ideally pushing it closer to the US\$100,000 mark, but it can just as easily go the other way. If a few major Bitcoin investors (especially institutional investors) dump a large number of coins in the market to take advantage of the current gains and in anticipation of an upcoming slump (so they can buy low again), it might be enough to trigger serious devaluation.

A stock to consider

Maybe it won't happen now, but Bitcoin *is* expected to reach US\$100,000 sooner or later. It's not a certainty, but the probability is quite aggressively high. And if you don't want to invest in the asset directly, you may consider buying into a crypto mining company like **Bitfarms** (TSXV:BITF). It's a [tech stock](#) worth considering to gain exposure to Bitcoin.

It's a Bitcoin infrastructure company, and the premise is that even if Bitcoin loses its value as an investment asset if it *is* adapted as a medium of exchange, companies like Bitfarms that already have the computing power necessary to sustain the blockchain might stay reasonably profitable through contracts with businesses and governments relying upon Bitcoin/crypto transactions.

But the short-term growth prospects of the company are powerful enough. The stock has grown over 840% since the end of 2020, so if you buy during the next slump and wait for the next spike in Bitcoin valuation, you might experience gains parallel to or even significantly higher than what Bitcoin might offer itself.

Foolish takeaway

Bitcoin is an intriguing investment, whether or not the current rally continues or turns into a slump. The crypto has the potential to hit US\$100,000, but if you want to gain maximum returns from that peak, you would be better off with a slump than a spike. If the crypto falls down to US\$25,000 (and you buy it), the US\$100,000 peak will get you about four-fold gains. However, if you buy at US\$60,000, it would have to go to US\$120,000 just to double your money.

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Date

2025/08/25

Date Created

2021/11/04

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