



Bitcoin Rally: Should You Add or Drop the Crypto From Your Portfolio?

Description

There have been few investment assets as controversial as **Bitcoin** (and other cryptocurrencies). Few, if any, took them seriously when they came out in 2009. The early adopters used to trade it for free between them, and it was offered as “consolation prizes” in some early online competitions.

And it wasn't the fault of the investment community. Bitcoin didn't start out as [an investment asset](#). It came out as an alternative to fiat and as a borderless medium of exchange — something that has a lot of reasonable and unreasonable stigma still attached to it.

But then people started investing in Bitcoin mining and started trading it on exchanges built specifically for cryptocurrencies. More cryptocurrencies came online, and well-known names of the internet era started joining the crypto race. And now, many institutional investors and well-established business personalities like Elon Musk are officially backing Bitcoin.

2021 has been great for this crypto leader so far. It has reached new heights twice in the year, and many are hoping that it crosses the US\$100,000 threshold by the end of this year.

How should existing and prospective crypto investors react to the current market movements?

Should you sell or hold?

If you already have invested in Bitcoin, you might be wondering whether to keep holding on to the digital asset or sell it when it's trading so near to its recent peak. The answer is not so straightforward and depends on multiple factors, including your risk appetite and what price you bought it for. One good approach would be to sell enough Bitcoin to retrieve your capital and earn a small profit and hold the rest.

Should You buy?

The peak is not the best time to buy an investment asset, but the peak for Bitcoin hasn't been identified

yet. If you think it's likely to go to US\$100,000 and you buy at its current price, you can expect more than 50% growth. But if it takes too long to reach this mark, then you might be better off with other assets that offer 50% growth with less volatility and more safety.

You can also invest in [Bitcoin stocks](#) like **Bitfarms** (TSXV:BITF) that offer slightly different returns than the underlying asset. If you had bought Bitcoin exactly 12 months ago, you would have seen about 313% growth in your investment. But if you had bought into Bitfarms around the same time, the growth up till now would have been about 1,570%.

However, a much better time to buy this stock would be when it's trading below \$1 per share, and that's not unlikely. If Bitcoin craters just below US\$30,000, the speculation might cause the Bitfarms stock to drop much further.

Foolish takeaway

For now, the Bitcoin rally is not gaining enough momentum to break through the US\$100,000 mark yet. But since it's such a volatile asset, it might only take it three to four weeks to reach that point with the right trigger. It might be China relaxing its crackdown on crypto mining or institutional investors buying in bulk. Then Bitcoin and [tech stocks](#) that rely on Bitcoin as the underlying asset could rocket upwards.

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Date

2025/08/18

Date Created

2021/11/18

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