



BTC: Will Bitcoin Reclaim Record Highs by the End of 2021?

Description

At the time of writing, the price of **Bitcoin** is trading at US\$56,800, which means it has nearly tripled in value this year. However, the world's most popular [cryptocurrency](#) is also trading below its all-time high of US\$68,789, according to data from CoinMarketCap. Bitcoin is now valued at a market cap of over US\$1 trillion, and let's see if it can surge higher to end 2021 near record highs.

How has Bitcoin performed historically in the month of December?

While it's difficult to value cryptocurrencies fundamentally, we can analyze historical price trends to make predictions of future movements.

Bitcoin has made the following moves:

- It declined by 29% December 2013.
- It declined by 17% in December 2014.
- It rose by 20% in December 2015.
- It rose by 34% in December 2016.
- It rose by 44% in December 2017.
- It fell by 6% in December 2018.
- It fell by 5% in December 2019.
- It rose by 48% in December 2020.

If Bitcoin gains over 20% this month, it will end the year at record highs. However, if the new Omicron variant continues to weigh heavily on the global economy, there is a good chance for the cryptocurrency market to experience a steep pullback in the near term.

Why Bitcoin remains a top long-term bet

Despite the volatility and the lack of regulation associated with cryptocurrencies, it makes sense to allocate a small portion of your investment capital towards this highly disruptive asset class. Bitcoin was the first cryptocurrency launched back in 2009 and enjoys a first-mover advantage. It has increased by more than 14,000% in the last six years creating massive wealth opportunities for long-term investors.

We have seen inflation rates in the U.S. rise to more than 6%, which is a 30-year high. So, you also need to invest in asset classes that have the potential to beat inflation rates over the long term.

While equities remain an attractive bet, Bitcoin is now viewed as a hedge against inflation and a store of value. The total number of Bitcoin that can ever be mined is limited to 21 million, making the digital asset anti-inflationary in nature. Comparatively, there is no limit to the amount of fiat currencies that can be printed by federal banks all around the world. If inflation fears persist in 2022, demand for Bitcoin should gain momentum, increasing its prices further.

Another key driver that will positively impact Bitcoin demand is the increase in institutional investments in the future. **Silvergate Capital** [manages an exchange](#) called SEN in order to facilitate crypto payments 24/7. It provides a platform for cryptocurrency market participants and has onboarded 1,305 institutional investors at the end of Q3, up from 928 in the prior-year period.

Wall Street executives, including Elon Musk, Michael Saylor, Jack Dorsey, and Cathie Wood are betting big on Bitcoin, and countries such as El Salvador have adopted it as a form of legal tender.

Last month, Bitcoin's blockchain network also undertook a major upgrade called Taproot, allowing it to facilitate DeFi transactions.

The Foolish takeaway

Bitcoin is a lucrative bet for investors with a high-risk appetite. But you need to invest as much as you can afford to lose in this asset class given the wild swings it has experienced historically.

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