



Will Bitcoin's Price Tumble in 2022?

Description

Bitcoin ([CRYPTO:BTC](#)) has been a massive wealth creator for long-term investors. Back in 2010, the price of one BTC token was just US\$0.09. At the time of writing, it is currently priced at US\$47,400, indicating cumulative gains of 47,399,900%. So, a \$100 investment in Bitcoin in 2010 would be worth close to \$47 million today.

In the last five years, Bitcoin has risen by over 5,000%, valuing the cryptocurrency at a market cap of US\$896 billion. The cryptocurrency market has more than tripled in 2021 to US\$2.2 trillion and peaked at US\$3 trillion in November 2021. However, Bitcoin has underperformed the crypto market last year and gained "just" 60% in 2021.

Let's see if Bitcoin will [continue to gain momentum](#) this year or if it will fall off a cliff in the next 12 months.

The bull case for Bitcoin

Bitcoin was the first [cryptocurrency](#) launched in 2008. It's built on blockchain technology, which is basically a database spread across a decentralized network of computers. The blockchain network is secured by cryptography, where miners verify transactions. Bitcoin successfully created a secure network to execute electronic transactions without the need for an intermediary, making it a viable alternative to legacy payments systems.

Bitcoin's source code ensures the maximum amount of BTC tokens in circulation is limited to 21 million. This limitation makes Bitcoin an anti-inflationary asset, and it's now described as digital gold. So, if supply is constant, an increase in demand should translate to higher prices over time.

A report published by Fidelity also suggested that institutions are increasing exposure towards this highly disruptive asset class. Around 71% of institutional investors plan to buy cryptocurrencies in the future, while 52% already own these digital tokens.

Bitcoin enjoys a first-mover advantage and remains the largest cryptocurrency in the world. It's also a

widely held cryptocurrency among institutions. Several companies, including **Tesla**, **Block**, and **MicroStrategy**, hold Bitcoin on their balance sheets.

El-Salvador has recognized Bitcoin as legal tender while the introduction of BTC-focused exchange-traded funds offers investors a safer way to access the cryptocurrency. The widespread adoption of Bitcoin will act as a key driver of prices in 2022 and beyond.

The bear case for Bitcoin

Bitcoin is [a first-generation blockchain network](#) and is not as robust as peer networks such as **Solana** ([CRYPTO:SOL](#)), **Polygon** ([CRYPTO:MATIC](#)), or even **Ethereum** ([CRYPTO:ETH](#)). Solana and Ethereum have gained significant traction as these platforms can be used to create and execute smart contracts, allowing users to access the DeFi (decentralized finance) and NFT (non-fungible tokens) space.

There are several other blockchain networks that are faster, cheaper, and more scalable compared to Bitcoin, which might delay the acceptance of BTC as a form of payment at the global level.

Finally, the volatility associated with cryptocurrencies makes Bitcoin an ideal bet for investors with a high-risk appetite. Most digital tokens including the BTC can fluctuate wildly and often without a reason.

It will be impossible for Bitcoin to replicate historical gains. But you can still allocate a small portion of your capital towards the BTC token and outpace the broader markets over time.

CATEGORY

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