



## Fire Sale: Should You Buy the 40% Dip in Bitcoin?

### Description

The price of **Bitcoin** ([CRYPTO:BTC](#)) has risen by almost 700% since March 2020. Despite these market-beating gains, the world's largest cryptocurrency is also down 40% from all-time highs. This gives us the opportunity to "buy the dip."

Valued at a market capitalization of US\$791 billion, the BTC token is well poised to benefit from multiple tailwinds going forward. The [widespread adoption](#) of digital tokens and the increase in institutional investments will remain key to the long-term growth of cryptocurrencies. Let's see if Bitcoin can replicate its 2021 gains to reclaim record highs this year.

## What drove BTC token to all-time highs in 2021?

The last year was quite revolutionary for Bitcoin and the [cryptocurrency](#) space. In February 2021, **Tesla** disclosed it bought Bitcoin worth US\$1.5 billion. The automobile maker even announced customers could buy its electric vehicles with BTC. Later that month, software company **MicroStrategy** raised US\$1 billion in debt to purchase Bitcoin. These developments led to a surge in institutional investments enabling the BTC token to surpass the US\$60,000 barrier for the first time ever in March.

However, Tesla soon suspended its decision to accept payments via BTC citing environmental concerns. This reversal dragged BTC prices lower. China then launched a crackdown banning all crypto-related activity in the country. Bitcoin prices took a nose-dive and lost over 50% in market value between April and July 2021.

Last September, El-Salvador adopted Bitcoin as its legal tender. The SEC approved a Bitcoin Futures ETF in October which enabled the BTC token to hit a new all-time high on November 8.

At its peak, Bitcoin was worth more than US\$1 trillion. But it also remained extremely volatile, making many traditional investors nervous.

## Bitcoin is a solid long-term bet

Bitcoin is often called digital gold. Similar to the yellow metal, Bitcoin prices are not tied to a particular economy or even a fiat currency. It's decentralized and is not regulated by a central bank.

Cryptocurrencies such as Bitcoin are an international asset class that [reflects global demand](#) and supply.

In fact, Bitcoin might seem a viable investment option as it circumvents a range of political or economic risks associated with a particular economy, offering an enticing risk/reward profile.

Further, the BTC token enjoys a first-mover advantage and is synonymous with cryptocurrencies. The number of BTC tokens in circulation is limited to 21 million coins. Around 18 million of maximum available Bitcoins have already been mined, making it inherently anti-inflationary in nature.

Similar to gold, Bitcoin is scarce, durable, and easily interchangeable. But it's also easily transferable, and portable. Traditional investors will argue that gold has intrinsic value and is a store of value whereas Bitcoin can seem like a fake currency. But the value of a digital token is directly related to the utility of its blockchain network.

We know that Bitcoin's blockchain technology has a variety of use cases. In terms of legal tender, Bitcoin's use cases will be limited in developed countries. But it is ideal for countries wrestling with hyper-inflation and other structural issues.

Investing in Bitcoin and other cryptocurrencies also carries significant risks due to the volatility and lack of regulation associated with the asset class.

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