



Bitcoin at US\$42,000: Should You Buy, Sell, or Hold?

Description

Cryptocurrency investors have derived exponential gains in the past decade. The first [cryptocurrency](#) launched was **Bitcoin** ([CRYPTO:BTC](#)) and there are around 13,000 digital tokens in circulation right now. With a market cap of US\$795 billion, Bitcoin continues to account for a significant portion of the overall cryptocurrency market. The world's largest digital asset has also created massive wealth for long-term investors.

In fact, since 2010, the price of one BTC token has risen by a staggering 42,000,000%. So, a \$100 investment in Bitcoin back in 2010 would be worth \$42 million today. Despite its market-thumping gains, Bitcoin prices are down 37% from record highs, allowing you to buy the dip.

However, there are a few factors you need to consider before you gain exposure to this highly disruptive asset class.

Bitcoin prices will remain volatile

Bitcoin prices soared by over 50% in 2021 and touched record highs in November. However, there were [several cryptocurrencies](#) that delivered gains of more than 10,000% in 2021. You should understand that despite the widespread adoption of Bitcoin, investing in cryptocurrency remains highly speculative.

So, while cryptocurrencies might continue to deliver life-changing returns, investors stand to lose a significant portion of their capital as well. The ongoing pullback in the cryptocurrency space may also present an attractive opportunity for investors with a large risk appetite.

If we consider historical trends, the world's leading cryptocurrencies such as Bitcoin and **Ethereum** should stage a rebound going forward. In fact, no Bitcoin investor has lost money over any four-year period. But the prices of BTC and other digital assets have declined by more than 80% multiple times in the past and [Ethereum prices](#) were down close to 95% in 2018.

The risk/reward profile for cryptocurrencies may be attractive but you need to keep your nerve during a

bear market that may last a number of years.

Invest in BTC for the long term

There are several cryptocurrencies that have gained momentum in recent times. In fact, a \$2 investment in **Shiba Inu** back in August 2020 would have been worth \$2 million in May 2021. So, its definitely possible to make a ton of money within a short period of time.

But, it's also very difficult to time the market consistently. Similar to equities, the best way to generate returns with cryptocurrencies is to buy and hold your assets over the long term. Further, it also makes perfect sense to diversify your cryptocurrency portfolio which lowers investment risks.

For example, I invested in Bitcoin and Ethereum back in August 2017. I then initiated a position in **Polygon** in mid-2021 and bought meme tokens such as Shiba Inu and **Dogecoin** in Q4 of 2021. I now intend to buy **Solana** and look for other blockchain platforms that support the execution of smart contracts on their networks.

Investing in crypto is a high-risk proposition given the lack of regulation and volatility surrounding the asset class. Its also difficult to put a value on the utility of a blockchain network. But if you are willing to put some of your capital in BTC and other altcoins, you have the potential to generate substantial rewards over time.

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