Bitcoin or Stocks: What's the Better Dip Buy for Investors?

Description

Bitcoin (CRYPTO:BTC) has been taking a hit on the chin alongside the broader markets. Indeed, as I've explained in many prior pieces, cryptocurrencies are an alternative asset that aren't proven to hold their own in the face of broader stock market volatility. Indeed, many may view Bitcoin as a modern form of gold.

Some have referred to Bitcoin as millennial gold, after all. Although it may exhibit some characteristics of the much-loved, albeit pressured precious metal, they're fundamentally different, and there's not enough evidence for one to simply swap all their gold (or silver) with Bitcoin or any other token (think **Ethereum** or **Solana**).

During the 2020 stock market crash, Bitcoin crumbled, just like the stock market did. This time around, Bitcoin is fading hand in hand with stocks. Given the magnitude of the latest decline, it's arguable that cryptocurrencies are no better than your average speculative tech stock without earnings in the face of a tech wreck. In fact, it may be at the epicentre of the latest bout of market chaos.

Bitcoin is trading like a speculative tech stock

Indeed, Bitcoin is trading like a stock — a ridiculously volatile one. Why? There was a strong desire for market newcomers to make quick riches. The speculative activity was remarkable, but now that the tides have turned, such get-rich-quick assets, whether they be unprofitable growth companies trading at 50 times sales, or high-flying cryptocurrencies with nothing to go by other than the technicals, are on the retreat.

Many beginner investors should have seen the "correction" (more like a crash) in speculative stocks of 2020 from a mile away. Chasing momentum is a dangerous game. And, unfortunately, many beginners are learning this the hard way in a rude awakening thus far in 2022.

Beware Bitcoin's cyclicality

Given Bitcoin's cyclical nature (remember, it took a few years to recover when Bitcoin imploded nearly four years ago), the stakes are high for dip-buyers betting on a quick bounce, as the technicals get hideous. With Bitcoin attempting to sustain a move above US$37,000, it may be tempting to buy the dip, given that the toxic combination of higher interest rates and slowing economic growth could spell trouble for stocks.

Still, given Bitcoin's recent positive correlation during stock market corrections, I don't think it's wise to go against the technicals here, even as Bitcoin looks to steady. Remember, Bitcoin has lost over 80% of its value from peak to trough before. Though the 45% drop seems excessive, it's tough to gauge the crypto's next move. Given the hideous technicals and a double-top formation that looks to be in the works, it's my opinion that Bitcoin is likely to head lower from here.

Volatility coming in at all sides: The case for nibbling the gold miners

Whether the stock market sinks is anyone's guess. In any case, I think that picking and choosing value names in the stock market is the way to go. Instead of Bitcoin, gold and its miners may be poised to finally shine. **Barrick Gold** strikes me as an intriguing way to play the space.

While Barrick has best-in-class operations with solid management, it needs gold prices to move higher if its stock is to recover meaningfully. Given my bearish outlook for Bitcoin, I see gold benefiting from a further souring of the "millennial gold" trade. Bitcoin has challenged the gold standard, but at the end of the day, I think gold, not Bitcoin, will be the best place to park cash, as inflation takes a toll on cash hoards.

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