



Crypto Gains Wiped Out: Buy or Sell Bitcoin?

Description

Based on what kind of investor you are, the current market is either in a highly depressing state for you or a host of opportunities. The TSX fell 10% between April and mid-May, the most drastic slump in the last 12 months. And even though it has already started to jump back, it has a long way to go.

However, a different market is experiencing an even harder slump, and it has been going on for months. [Most cryptocurrencies](#) have been going down since November 2021, and the fall is led by **Bitcoin** ([CRYPTO:BTC](#)).

Will the Bitcoin decline continue?

You might plan to take advantage of the current fall by buying Bitcoin at a heavy discount. Or, if you already have invested in Bitcoin, you might be wondering whether you should just cut your losses now and sell at the current price instead of holding it and experiencing a further decline.

Both decisions require predicting how Bitcoin will perform a few months or even a few years from now. And that's a difficult question to answer. If we look at its history, there is only one decline of a comparable magnitude. After peaking in 2017, Bitcoin fell over 83% before it started moving upwards.

If that's what is expected to happen again, Bitcoin hasn't even entirely fallen yet, and recovery might be well over a year away.

But we also have to take factors driving the crypto market up or down into account as well. One of the stable coins, **Luna** (Terra), has experienced a massive fall, and **Ethereum's** decline is quite close to Bitcoin's. There is another variable/factor that can become a catalyst to drive the stock up or down — a change in Bitcoin's consensus mechanism, which is expected to minimize its energy footprint.

Bitcoin is currently down enough that if you buy now, you can at least double your money if it reaches its former peak again. However, the prudent thing for all investors would be to hold. The ones who have it can wait out the current storm, while the ones who wish to buy might see a higher discount.

Alternate exposure

If you want to capture a magnified fall in order to benefit from inflated gains when Bitcoin recovers, a miner like **Bitfarms** (TSXV:BITF)([NASDAQ:BITF](#)) might be worth considering. Compared to Bitcoin's 52% fall, Bitfarms's fall has been quite significant — i.e., 74%. At its current \$2.7 price, it can offer you three-fold growth easily, even if it misses the former peak mark.

[Bitcoin mining](#) has already come under fire from an environmental perspective, and it has affected the reputation of even Canadian crypto mining companies that predominantly use green energy.

But if Bitcoin changes its consensus algorithm, it might have many unintended consequences for large-scale mining operations, as their main asset (mining hardware) might lose its value. Even if it doesn't, the perception alone might devastate companies like Bitfarms.

Foolish takeaway

In Canada, where you can take advantage of great tax-sheltered accounts like a TFSA or RRSP, [crypto investing](#) via an alternative asset class (stocks or ETFs) is often recommended since they can be placed in the registered account, unlike crypto itself. But now might not be the appropriate time to buy Bitcoin directly or through stocks/ETFs.

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