



Bitcoin: When Will the Pullback End?

Description

It's been a terrible week for **Bitcoin** ([CRYPTO:BTC](#)) and the broader basket of cryptocurrencies. With stocks, bonds, and even gold taking massive hits to the chin, it's clear that this "everything" selloff is pressuring [new investors](#) from all sides. Unless you've overweight your portfolio in energy stocks, you're likely licking your wounds this year.

Bitcoin slipped to US\$23,000 on Monday in what was a move that amplified damage done to the S&P 500. Undoubtedly, Bitcoin and its like have gained a reputation as a suitable alternative asset to improve one's diversification. It's been referred to as millennial gold or the new-age gold. Still, I questioned the asset's ability to hold up during times of market chaos. Thus far, I'm not at all convinced.

Could crypto winter be approaching?

If anything, I have viewed Bitcoin as a speculator's playground, warning that the next market selloff would likely see amplified downside in the crypto space. Could the summertime be the beginning of a long and hard crypto winter? I'd say that it seems likely.

With Bitcoin down over 65% from its high, many investors and speculators have gotten crushed. The big risk with Bitcoin and other cryptocurrencies is what the next cyclical downturn could entail. Bitcoin could easily lose 90% of its value and stay depressed for many years at a time. The 2017-18 drop in Bitcoin was a slog. Unfortunately, many investors got out at the worst possible time, as interest in cryptos seemingly vanished overnight.

Those TV commercials and ads could dry up, and you may not hear of anything crypto related on your favourite financial shows for many months at a time. Indeed, crypto winter is a bear-case scenario that seems to be unfolding, as investor appetite for speculation erodes.

It's hard to catch Bitcoin amid the selloff

It's hard to value Bitcoin, and for that reason, I've been comfortably sitting on the sidelines. Though gold has faltered in recent weeks, the magnitude of downside is not even comparable to the likes of your average cryptocurrency.

As negative momentum picks up in Bitcoin, I'd urge investors to only invest what they're willing to part with. It's hard to catch a bottom in any asset. Timing the market is impossible to do, whether it's the stock market or the crypto markets. At this pace, trying to be a hero with a fast-falling knife like Bitcoin may be unadvisable for those unwilling to see their investment shed half of its value in a matter of weeks.

Personally, I'm a bigger fan of equities, especially low-cost dividend payers with resilient enough cash flows to make it through a recession. Utility stocks like **Fortis** come to mind as better stores of cash than almost anything else, including bonds and Bitcoin. Though the 3.5% dividend yield isn't enough to offset all of the inflation that could be to come, I'd argue that it's still one of the best bond-proxy-like assets in an environment where there aren't too many places to hide.

The bottom line for Bitcoin investors

The latest plunge in Bitcoin is discouraging. Nobody knows when the pullback will conclude. It's trading like a high-multiple growth stock, and I suspect it will continue to amplify losses posted by the Nasdaq. If anything, the case for Bitcoin as the new gold is dead. And if we are on the cusp of another crypto winter, crypto fanatics may wish to gravitate back to lower-beta stocks with handsome dividends.

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