



Crypto Investors: What to Do After Bitcoin's Plunge

Description

Cryptocurrency investors have been under a considerable amount of pain over the past few quarters, with the speculative appetite for such securities going out in a puff of smoke.

Bitcoin ([CRYPTO:BTC](#)) now trades at around US\$23,000 per coin — a far cry away from its all-time high just north of US\$64,000, which was hit in the back half of 2021. It was such a short time ago, yet so much value has been wiped out. Indeed, it's discouraging for many beginner investors who dipped a toe into the crypto waters for the first time last year.

Though Bitcoin and the broader basket of cryptocurrencies have seen a bit of relief in recent weeks, the collapse of various brokerage firms does not bode well for the confidence of your average investor. Further, the dissipation of speculative activity across the broader market also does not bode well for a timely recovery in Bitcoin or other cryptocurrencies.

Bitcoin's positive correlation ruins the case for its use as a gold alternative

Undoubtedly, many investors are likely disappointed by crypto's positive correlation with the broader equity markets during the first-half bear market. If anything, crypto has amplified the downside experienced by the broader Nasdaq 100.

Indeed, the case for crypto as the new gold seems to be fading. In numerous prior pieces, I've warned investors that cryptocurrencies were likelier to trade more like an unprofitable tech stock than a stable, proven precious metal like gold. Like high-multiple tech stocks with zero profits that were bid up to the sky in 2021, Bitcoin eventually overshot and plunged viciously.

After such a boom and bust, many crypto investors are likely wondering where the asset class is headed next. Though continued relief would be likely if risk assets (think the most beaten-down tech stocks) enjoy a sustained rally, I'd argue that "crypto winter" (a prolonged bust in the crypto market) seems to be a plausible scenario amid rising interest rates.

Cash isn't as easy as it used to be, and with inflation increasing the costs of living, there's less disposable income out there to play the Game of Greater Fools (based on [the Greater Fool Theory](#), which notes that an investment is only worth as much as someone else is willing to pay for it).

What should crypto investors do next?

With Bitcoin and the tech sector at a critical turning point, I'd much rather look to deploy cash in beaten-down tech stocks. Unlike Bitcoin, tech stocks are capable of producing cash flows — perhaps huge cash flows — in the future. Though it's harder to evaluate speculative tech stocks versus proven cash flow generators with reasonable price-to-earnings (P/E) multiples, such "speculative tech" plays can be assigned a value, unlike Bitcoin.

Sure, crypto and blockchain are enticing technologies. However, it seems that fintech or big bank firms are the likeliest to leverage such technologies to create actual cash flow streams. Indeed, there are many things that tech-savvy firms can do with such technology. And if you're still a believer in the blockchain, I'd argue that tech firms like **Block** (formerly Square) are far better bets at today's levels. At the very least, you'll gain clarity from a proven leader in Jack Dorsey.

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