



The 1st Bitcoin ETF Is Live! Should You Buy Right Now?

Description

Bitcoin prices continue to be well supported and continue to march higher in dramatic fashion. Since the beginning of the year, the price of a single Bitcoin has increased more than 70%! That's one heck of a short-term return, and investors (even non-crypto investors) are paying attention.

Accordingly, I think there's a tremendous amount of "FOMO" (fear of missing out) taking hold right now. Investors looking to get in may consider [exchange-traded funds](#) like the **Purpose Bitcoin ETF** ([TSX:BTCC.B](#)).

Here's my take on this ETF, for investors considering gaining access to cryptocurrencies like Bitcoin today.

Retail investors stronger than ever

As with the recent rise of "meme" stocks we've seen take Wall Street by storm, cryptocurrencies really have been the original "meme" stocks.

Thinking back a few years ago, I was getting a **Lyft** ride from a guy who asked me if investing in Bitcoin was a good idea. I knew then it was either going to be an asset class that lived or died by retail investment. I thought that no smart, institutional money manager would touch these assets, right?

Wrong. In fact, large U.S. investment banks have been piling into trading these securities of late. Canadian banks are expected to get on board. Accordingly, it's easy to get swept up in the mania and follow the smart money into trades like this.

This ETF is targeted toward the retail investor segment. Accordingly, those seeking an easier method of buying Bitcoin may choose this ETF as a primary option. I think this ETF provides value for unsophisticated investors looking to trade Bitcoin. However, I also view this ETF as a trading vehicle rather than a long-term holding.

A number of analysts have predicted Bitcoin could increase above the US\$100,000 level this year.

That would provide another incredible leg of growth for speculative investors. However, investors need to be reminded of the risks of speculative investing in such asset classes. This brings me to my next point.

Cryptocurrencies still too speculative for my blood

In my view, all cryptocurrencies, including Bitcoin, are far too speculative to justify as a portfolio investment for any investor with a reasonable risk tolerance.

Yes, Bitcoin has rebounded from every crash in the past. This is an asset class that continues to climb higher over time and has proven itself. However, any asset that can appreciate or depreciate double digits on a given day is a trading vehicle, not an investment. Those making money on Bitcoin over the long term are going to be traders operating with more information than you or me.

Thus, I think the retail investor is likely to be the one who gets burned at the end of the day. I'd recommend those interested in Bitcoin and have some funny money to play with do so elsewhere. For those who can't help themselves, keeping an allocation tiny (especially if one expects incredible growth) is the safest way to go.

CATEGORY

1. Investing

POST TAG

1. bitcoin
2. crypto
3. cryptocurrency

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1. TSX:BTCC.B (Purpose Bitcoin ETF)

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