

# Profitable INVESTING Tips

## Stock Market Investing Tips, Techniques, and Resources



### Bitcoin As a Risk Off Asset

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In the last few days the stock market went up on the hopes of a Federal Reserve pivot away from higher interest rates and then went down as those hopes proved to be unfounded. Meanwhile Bitcoin has most recently crept up a bit above \$20,000 causing pundits to talk about the “decoupling” of Bitcoin from the stock market. This also brings on renewed talk of Bitcoin as a risk off asset despite the fact that the leading cryptocurrency has fallen by two-thirds almost in tandem with the Nasdaq since November of 2021.

### Bitcoin Correlation With Traditional Markets

Bitcoin is relatively new to the world as it was invented in 2008. As it grew from a potential way to carry out monetary transactions on the internet it created fortunes as its price soared again and again. The core tenet of the Bitcoin world is that this cryptocurrency is unrelated to traditional currencies and traditional markets, a store of value during difficult times, a hedge against inflation, and a way toward fantastic wealth. Despite the wild swings up and down of this cryptocurrency that mystique held until this last year. Then the concept of Bitcoin of a risk off asset when others are failing has been sorely tested. Bitcoin has pretty steadily gone up and down in parallel to the Nasdaq.

### Is Bitcoin Decoupling From Other Markets?

*CoinDesk* writes about whether or not Bitcoin is **decoupling** from other markets. As the Federal Reserve persists in its rate increases in the face of continuing high inflation stock markets are suffering and a global recession appears to be in the works. The stock markets are heading down while bond markets are heading up due to progressively higher rates. The Bitcoin catechism says that Bitcoin should be going its own way and that argument resurfaces just days ago when Bitcoin went up 5% while the Dow, S&P 500, and Nasdaq all fell a few percent. The argument is made most loudly by those with the greatest stake in Bitcoin, folks like Cameron Winklevoss who co-founded Gemini and, along with his twin brother, **owns about 70,000 BTC** as well as other digital assets according to his profile by *Forbes*.

Bitcoin has tracked with the Nasdaq for months and has “decoupled” for a few days. So that does not qualify Bitcoin as a risk off asset.

### Bitcoin Trading Like a Tech Stock

In the traditional world of long term investing folks like Warren Buffett have made fortunes with a basic approach. They only invest in stocks when they fully understand how a company makes money and how that company will continue to make money for years to come. They use a concept called **intrinsic value** when choosing, tracking, and either getting out of or buying more of an investment. This concept is based on an examination of likely future cash flow generated by the company using its business plan and supported by

protective factors like low debt, strong brand names, and dominant research and development efforts.

In the years following the Financial Crisis the Fed kept interest rates historically low which introduced a new aspect to investing. Stocks tended to go up as a rising tide took all ships higher and this was especially true in the tech sector. Thus an investor only needed to put their money in a company like Apple or Microsoft or an ETF that tracked the S&P 500 to see handsome profits. As Bitcoin soared in value with its up and down swings new investors saw the same opportunities in the crypto markets.

Thus, an investor did not need to investigate how an asset made money and would continue to do so but would simply invest in the upward trend and follow the hype. That worked until inflation raged and the Fed got serious about raising rates. The low-interest-rate-party was over and stocks fell. Meanwhile, so did Bitcoin and other cryptocurrencies. Our belief is that Bitcoin and other digital assets will eventually find a floor price based on their fundamental or intrinsic values. These values will be based on practical uses in the worlds of [decentralized finance](#), non-fungible tokens, and the [Metaverse](#). In the meantime we expect to see many [long term investors](#) disheartened by the Bitcoin slide get out including those with the biggest stakes although we do not expect to hear any of the Bitcoin whales say so as the Bitcoin aura of being a risk off asset fades.

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