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Stock Market Investing Tips, Techniques, and Resources



Can You Predict Bitcoin Ups and Downs?

By: www.ProfitableInvestingTips.com

Bitcoin is doing much better this December than it was a year ago. It is trading in the \$40,000 range instead of the \$16,000 range. However, its path from last year's price to this year's price has been a series of ups and downs. This degree of fluctuation poses an issue for those who would like to invest in Bitcoin as opposed to those who want to trade it. The ideal investment vehicle is one that you buy and forget about. It steadily increases in value even as you are not thinking about it day by day. Quite often there are those who make better profits by timing the market with assets that are volatile. The profits do not actually depend on long term appreciation of the asset's value. In this regard, we are thinking this. Can you predict Bitcoin ups and downs? And is Bitcoin more suited to market timing and trading or investing and forgetting about it?

Trading Versus Investing

On the surface the clear difference in [trading vs investing](#) is the time frame of buying and selling. Investors purchase an asset like a stock, real estate, or a cryptocurrency when they believe it will appreciate in value over the years. They focus on the kinds of fundamentals that have to do with the desired appreciation. As such they pay attention to the economy, long term interest rates, and the capacity of the asset to generate income or at least maintain value. Success when investing comes when assets appreciate over the long term and do not depend on daily, weekly, or monthly fluctuations.

Traders are aware of the same sorts of fundamentals that investors pay attention to but they primarily focus on technical indicators. These are signals derived from market pricing. There are price patterns in markets that repeat themselves again and again. When a trader identifies the first part of the pattern they can reliably predict how the pattern ends. In other words, technical traders use price patterns to predict when tradable assets like stocks or Bitcoin will rise or fall. Trading success comes not from whether an asset is profitable over the long term. It comes from identifying and taking advantage of short term opportunities.

Where Does Bitcoin Fit in the Investing Versus Trading Picture?

Why invest in Bitcoin for the long term? Bitcoin does not pay dividends like a stock or interest like a bond or US Treasury bill. It is not a company that sells products, generates income and becomes more valuable as it grows. Thus the traditional [intrinsic value](#) approach used in stock investing does not apply to Bitcoin.

Bitcoin As a Commodity

Bitcoin is much like a commodity such as gold or platinum. It can be viewed as a store of value for when traditional currencies decline due to inflation. Bitcoin may be going up in value which attracts novice investors. Sadly, this phenomenon of FOMO or fear of missing out usually ends badly because the smart money gets in early and sells at the top of the curve. Latecomers typically lose out. This is what happened to many who got in before the 2021 Bitcoin peak and then suffered through crypto winter. Bitcoin has gone up again but we do

not have a good reference point for how high it will go this time and when it will crash again.

Like gold, Bitcoin appears to have its peaks and valleys but not increase in value forever and ever. Thus the more profitable route seems to be trading as opposed to long term investing.

Risks When Trading Bitcoin

The same technical analysis approach that works for stocks is commonly used for trading Bitcoin. Traders pay attention to things like trading volume as an indicator of how many traders are part of an upward trend. A lot of folks trading is generally an indicator of an established trend that will keep going up. A real problem with Bitcoin is that there is a massive amount of [wash trading](#). Distorts the market and leads to a FOMO-like scenario where naïve traders are sucked in just before the market falls. An alternative approach is to look at trends as temporary and stay with a trade just long enough to make a profit and then get out! We noted this approach recently in our [buy on the rumor](#) article about Bitcoin.

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