Rational Cryptocurrency Investing

By: www.ProfitableInvestingTips.com

Cryptocurrencies did not exist until 2009 and today their total value comes to between 1 trillion and 3 trillion in US dollars depending on whether crypto is in a bull or bear market. Is there a manner of rational cryptocurrency investing that helps you take advantage of the growth of this market and not get sideswiped by its inherent volatility? Detractors of bitcoin and others say that there is nothing supporting its value. So, should an investor go with a stablecoin that attempts to peg itself to something like the US dollar?

Why Does Bitcoin Have Value?

Bitcoin was invented in order to make the transfer of money via the internet more efficient, secure, and less expensive. It was also meant to work outside of the traditional financial system. It does all of that although government regulation is coming as evidenced by Biden's recent executive order. Thus, bitcoin and other cryptocurrencies as well as the blockchain system that underlies these currencies all have value. And, when an asset makes money it attracts investors and speculators. When they make more money the asset takes off which is what has happened to bitcoin and others. In that sense cryptocurrencies are backed by the faith that buyers have in them just like the value of a US Treasury note has the trust of investors when they seek a safe haven for their money.

Cryptocurrencies Are Volatile

When we wrote about cryptocurrencies as safe haven investments we noted that bitcoin and others are not safe havens in the shorter term because they fluctuate too much. Bitcoin was worth $67,000 in November of 2021 and trades in the $30,000 range at the start of March of 2022. Volatility is great for traders who can time the market. Unfortunately, most investors do not have the skills, time, or inclination to successfully time the cryptocurrency market.

Rational Cryptocurrency Investing

If you believe that bitcoin, for example, will continue to go up in fits and starts over the years, you need to buy using a dollar cost averaging approach. With dollar cost averaging you will purchase less of bitcoin when the price is high and more when it drops down. Because the eventual number of bitcoins to be issues, ever, is limited and already determined, it has an advantage over very government-issued currency on earth. Rational cryptocurrency investing using the dollar cost averaging approach should be limited to cryptocurrencies like bitcoin that have a set limit.

How About Investing in Stable Coins?

As we noted, cryptocurrencies have two useful purposes. One is for investment or speculation and the other (first) is for monetary transactions. Because cryptocurrencies like bitcoin tend to fluctuate so much an

alternative called a stablecoin has been devised. Stablecoins are pegged to assets like the US dollar which fluctuate much less than bitcoin and others. As such, if you are holding assets in a cryptocurrency before making a large payment, you are surer of having the correct amount to make your payment if you keep in a stablecoin than if you hold it in bitcoin which could just as easily fall in price as go up. Because a stablecoin pegged to the dollar is simply going to retain the value of the dollar over the years it is not a great investment except if and when the US goes into massive deflation with negative interest rates.

For more insights and useful information about investments and investing, visit www.ProfitableInvestingTips.com.

FREE training materials.

Free Weekly Investing Webinars

Don't miss these free training events!

http://www.profitableinvestingtips.com/free-webinar

Forex Conspiracy Report

Read every word of this report!

http://www.forexconspiracyreport.com

Get 12 Free Japanese Candlestick Videos

Includes training for all 12 major candlestick signals.

http://www.candlestickforums.com

Disclaimer: Trading and investing involves significant financial risk and is not suitable for everyone. No content on this document should be considered as financial, trading, or investing advice. All information is intended for educational purposes only.