

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Where is the Bitcoin Bottom?

By: www.ProfitableInvestingTips.com

In November of 2021 one Bitcoin sold for \$67,582 and by beginning of May 2022 that same Bitcoin sells for \$29,724. Talk about Bitcoin reaching \$100,000 by the end of the year is no longer heard. Rather, investors and traders are asking where is the Bitcoin bottom? An argument for investing in Bitcoin is that it holds its value when currencies like the US dollar lose theirs. What has become apparent is the Bitcoin tracks with the Nasdaq and both are currently in freefall as the dollar goes up.

Bitcoin Is Not a Store of Value

Bitcoin was developed as a medium of exchange. However, it gradually and then spectacularly became a speculative asset. Everyone wishes they had bought Bitcoin when it was \$1, \$10, \$100, or even \$1000. But do you want to buy it now? Where is the Bitcoin bottom? Will it ever become a secure medium of exchange to the degree that its function will support its value? Now, as it is in free fall, it is clear that Bitcoin is not a store of value during times of chaos, when recession looms, and when war tears nations apart.

Does Fundamental Analysis Apply to Bitcoin?

When [investing in stocks](#) investors do [fundamental analysis](#). The point of such an exercise is to determine profitability going forward. How well prepared is a company for an economic downturn? How will the company do within its market niche and in coming years? Does it pay a dividend and, if so, how much and for how long? The problem when trying to apply fundamental analysis to Bitcoin is that it does not pay interest or a dividend. It is not like Coca Cola, McDonald's, Kellogg, or a utility, all of which tend to survive and prosper during recessions because people still buy and consume their products in good times and bad. The "fundamental" of Bitcoin is that its value is based on the belief of those who buy, hold, and trade it that it will keep going up in value over the years. This is not like the "full faith and credit" of the US government which has taxing authority to support its revenue stream as well as the ability to raise interest rates which is one of the main reasons that the stock market and Bitcoin are still heading down today.

Bitcoin vs Gold

Gold is a traditional hedge against inflation. It can be held in your hand and carried across international frontiers in times of war and chaos. Gold also can fall in value when the economy is strong as it does not pay interest or dividends. The fundamental value of gold is in its use in industry and for jewelry. This value is commonly much lower than its market value when spooked investors flee to it as a store of value. The fundamental value of Bitcoin as well as other cryptocurrencies is their use as mediums of exchange.

Can NFTs and DeFi Support Bitcoin's Value?

Practical uses of Bitcoin and other cryptocurrencies include use in the worlds of [non-fungible tokens](#) and,

more so, [decentralized finance](#). However, Bitcoin will not necessarily be the leader in either of these. Our opinion is that there will be a practical bottom to the price of Bitcoin based on these fundamental uses. That bottom will be substantially lower than the speculative highs the cryptocurrency has achieved. A looming threat to Bitcoin and others is the development of a [US digital currency](#) which could supplant any and all of the speculative digital currencies.

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