

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Who Do You Trust to Predict Bitcoin Price Changes?

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Bitcoin has risen significantly from its crypto winter lows. How high will it go? Is now the time to buy before it surges to \$100,000 as some are predicting? Who do you trust to predict Bitcoin price changes? There are financial planners, investment consultants, and money managers who help people make informed financial decisions. They are grouped under the term [financial advisors](#) and regulated under the U.S. Investment Advisers Act of 1940 by the SEC (U.S. Securities and Exchange Commission). Does the celebrity on social media or TV who is promoting a cryptocurrency meet the requirements for doing this sort of work?

How Can We Predict Where Bitcoin Goes Next?

Successful long term investors make money in the stock market by using an approach called [intrinsic stock value](#). They do not invest in anything unless they understand how it is that the investment will make money in the coming years. While Bitcoin was going up in value from March 2020 to the end of the year, so was Microsoft. Microsoft was making money hand over fist. As its earnings soared, investors were willing to pay more for the stock. Bitcoin went up because it went up. How is that? Investors saw Bitcoin going up and assumed it would keep going up.

Bitcoin Follows the Nasdaq Stock Market Up and Down

Something that became clear over the last few years is that Bitcoin went up around the time that the Nasdaq stock market went up and down when it went down. The amplitude of the relative price changes were not one to one but a pattern was established. Some who invested in the Nasdaq simply bought because they saw the market going up. Seasoned investors who have made money for years in the market bought because the intrinsic value of stock in the Nasdaq was higher than the current market value. This indicates that a stock will, in fact, go up in price. The take home here is that Bitcoin prices are eventually driven by the same things that drive the stock market. These are interest rates, the state of the economy, and levels of employment.

Who Is Your Bitcoin Investment Financial Advisor?

When crypto was flying high before higher interest rates caused crypto winter, several [celebrities were promoting crypto](#). One of them, Kim Kardashian, got in trouble with federal regulators for neglecting to mention that she first of all was being paid to say nice things about crypto and second of all she had no particular expertise in this area of investment. The law says basically that if a person gets paid for giving financial advice they fall under the regulations for financial advisors. The law requires that the person doing this has a "fiduciary duty to act in the best interest of their clients." The law goes on to state that a person needs to avoid conflicts of interest in giving investment advice. They may not take unfair advantage of clients or overreach. They are obliged to be careful not to give any advice that is not totally disinterested from their own needs.

Is the Trendy 20-something Guy Promoting Bitcoin Your Financial Advisor?

Will the Federal Reserve accomplish the difficult task of achieving a soft landing for the economy as they rein in inflation? If this happens one can expect the stock market to go up. If the Nasdaq goes up, we might expect Bitcoin to go up too. If that is the case Bitcoin could well hit its previous high in the \$60,000 range or even get to \$100,000. That is what you hear from Bitcoin promoters. Then, if Bitcoin follows the pattern we saw before crypto winter will pull back as Bitcoin traders take profits. That is not something you hear from the trendy 20-something guy promoting Bitcoin.

The point of this discussion is to have a reasonable set of expectations when dealing with Bitcoin and other cryptocurrencies. Be clear about how much risk you are willing to take. To the degree that you are willing to invest based on the advice of someone who is not constrained by the laws that apply to a financial advisor, be very careful with your money.

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