



## ***Harry's Take***

April 20, 2021

### **Bitcoin Trades Mostly With Stocks, and Both Trade Mostly Opposite Gold**

Bitcoin is in the news again, with its sudden crash from a near-\$65,000 high to a \$52,000 low; that's 20% in a few days. I warned my *HS Dent Forecast* subscribers on Thursday, April 14, that Bitcoin's new high looked feeble and a fall below \$60,000 would be ominous and could signal a coming top for stocks.

So, soon we'll see if Bitcoin can make a quick strong comeback, but I think that is unlikely for now. Bitcoin has had two clear patterns: (1) it makes most of its gains in rare, strong 3- to 4-month surges like this one and (2) it has thus far peaked near year-end every 4 years, in late 2013 and late 2017.

Hence, here's the issue for me: Did we just see that 3- to 4-month surge for a long time to come, or will Bitcoin surge one more time into year-end on that 4-year cycle before the next major crash?

It brings me back to the embarrassing confusion on Wall Street and in the media about Bitcoin. They tend to see it as an inflationary hedge and/or a safe haven—more like a digital gold. Bitcoin is clearly neither to me. I showed in the February issue how it is more like the emerging dot-com stocks in the latter stages of the first tech bubble, coming similarly in the late stages of this tech bubble.

And like the dot-com stocks into early 2000, Bitcoin is trading mostly like stocks, just in a more dramatic and volatile way.

## Bitcoin Correlates Most With Stocks, Only Diverges in 4-Year Busts



Source: Investing.com

[www.HSDent.com](http://www.HSDent.com)

You can see in this chart how much in sync stocks and Bitcoin have been. The exceptions, shaded in yellow, are the rule here, and they simply tend to come after Bitcoin's sharp bubble peaks, as in late 2013 and late 2017. In 2014, Bitcoin was down while stocks were largely up. For most of 2018, it was the same. In the second half of 2019, Bitcoin was up more than stocks but then crashed more strongly into March 2020, which shows its volatility.

**If Bitcoin is trading mostly like stocks but is more volatile, how can it be a safe haven in a crash?**

And how can Bitcoin be like gold if gold has traded mostly opposite it (and stocks)?

## Gold Trades Opposite Bitcoin Booms; Bitcoin Not an Inflation Hedge



Source: Investing.com

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This chart shows in yellow when gold most diverges from Bitcoin: in its bold rallies! In the 2013 bubble, gold went down strongly, and in the 2017 bubble, gold went largely sideways and a bit down. Gold started diverging from Bitcoin again in late 2019 and has gone down sharply in this Bitcoin surge into April.

### **Bitcoin does not trade like gold, so how can it be an inflationary hedge?**

I'll have more on this in the next *HS Dent Forecast*, but don't confuse Bitcoin with gold and don't think of it as a safe haven. It will have the biggest crash ahead, likely as much as the 95% dot-com crash in 2000-2001, as I showed in the February issue of my newsletter.

Harry

Got a question or comment? You can reach us at [info@hsdent.com](mailto:info@hsdent.com).

