

The Positive Correlation Between Bitcoin, the S&P 500, & the Inflationary Hedge

SAN FRANCISCO, CA, UNITED STATES, March 15, 2021 /EINPresswire.com/ -- Bitcoin has largely been viewed as an asset that plays by its own rules and was widely considered unstable. With the recent attention from big tech companies such as Tesla, however, Bitcoin is now getting a fresh look as a held asset on companies' balance sheets. Along with Tesla, large public companies Galaxy Digital Holdings, PayPal and MicroStrategy have added Bitcoin to their balance sheets. Not only are companies adding Bitcoin on their balance sheets, but more and more financial institutions and institutional traders are getting involved as well. With the support from these companies and others to come, the value of Bitcoin will only become more stable as it becomes a held - not traded - asset.



Bitcoin Image

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Why are these companies adding Bitcoin to their balance sheets?

Well, the main argument would be as an inflationary hedge. While our Treasury continues to print the dollar as if it's toilet tissue, Bitcoin has a limited supply. When Satoshi originally created Bitcoin it was expressly conditioned that it would be limited to 21 million only. With approximately 18 million Bitcoin in circulation, only 3 million or so more will ever be produced. So again - unlike the dollar - Bitcoin is limited to a finite supply. While we continue to print money, the value of the dollar keeps

going down; Bitcoin, on the other hand, continues to go up in value -- again, because of its limited production.

Is Bitcoin positively correlated with the market?

The original thought on Bitcoin was that when the market was down, Bitcoin would go up as sort of a haven against a market drop (similar to gold). However, this is no longer the case as we have researched. Over 55 similar trading days, (remember Bitcoin trades 24 hours 7 days a week, and the market takes a breather on weekends and holidays), Bitcoin traded in the same direction as the S&P 500 nearly 70% of the time... meaning that when the S&P 500 was up, Bitcoin was also up. This indicates that Bitcoin is not a haven but it is positively correlated with the market as a whole. If it were a haven, its value would go down when the S&P 500 goes up and vice versa.

A couple ways to play Bitcoin without actually owning Bitcoin

1. You can own companies that create products for Bitcoin miners. Examples are NVDA and CAN. Canaan makes computers that are preferred by Bitcoin Miners, Nvidia makes the high end chips that reside in many of the Bitcoin mining machines.

2. GBTC or the Grayscale Bitcoin Trust - This ETF will give you exposure to Bitcoin without the need to actually own an individual Bitcoin. Keep in mind that the management fee here is expensive at 2%, so buyer beware. Grayscale is one of just a couple of Bitcoin ETF's that have been allowed by the SEC so far.

Jeffrey Kamys
Inherent Wealth Fund
+1 415-399-9733

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