



By: Daniel Lacalle

Bitcoin - worthless speculative asset or a true monetary alternative?



The recent **correction in Bitcoin** has created a familiar debate. Is it a worthless speculative asset or a true monetary alternative? At \$67,000, the price may be volatile, but it is hardly worthless.

Bitcoin may be both a warning and an opportunity. It remains a strong hedge against the destruction of fiat money and financial repression for many citizens in the world, but it is also a volatile asset that can damage investors who believe its price can only rise.

For many investors, the recent correction in bitcoin is a concern. However, this is only if we look at bitcoin in US dollars, euros or world reserve currencies.

For citizens all over the world, from Cuba to Iran, suffering the elevated inflation and currency demolition created by their governments, bitcoin is certainly a haven.

The huge growth in bitcoin's price over the past few years shows that many investors have lost faith in fiat currencies and the solvency of states that are getting more in debt.

Bitcoin and **gold** are showing that purchasing power is going down in a way that official CPI inflation measures aim to hide. Global money supply is rising faster than nominal GDP, and governments are reliant on deficits and financial repression.

Bitcoin is a teenager that is slowly becoming a digital, decentralised, and nonforfeitable asset for many savers. It makes it harder for governments and central banks to steal wealth through inflation.

Bitcoin adoption outpaces expectations

This doesn't mean that Bitcoin is going to take over the US dollar as a **reserve currency** or immediately become an alternative to fiat currencies in the world.

It can't supply the liquidity, depth, and

network effects of the main reserve currency, and it can't totally replace fiat currency in everyday economic activities.

However, Bitcoin has become, like gold, a limit on predatory fiscal policy and a visible example of the results of monetary disorder since it is outside the control of politics and bureaucracy.

Bitcoin is more like a tech startup than a regular currency when you look at its price. However, many state currencies are more volatile than Bitcoin and have lost all their purchasing power.

It is undeniable that bitcoin adoption today is much larger than what most predicted, both for transactions and as a reserve of value

For an asset to be money, it must be a reserve of value, a generalised means of payment and a unit of measure. Dozens of state-issued currencies globally fulfil none of those criteria. Furthermore, money does not need to be issued by a state. That is simply a political construct.

Volatility is typical of what I call a teenager start-up currency. Some people can say that it has gone up a lot more than its current fundamentals or that it is still very inexpensive compared to its prospective market, depending on the assumptions they make of global adoption.

However, it is undeniable that bitcoin adoption today is much larger than what most predicted, both for transactions and as a reserve of value.

Investors need to keep in mind, though, that bitcoin is still very volatile and has significant execution risk. Understanding these challenges and how they work is essential, and the best thing to do is not to "chase the wave" but to look at it with a long-term view.

At the centre of the quest for independent money

The rise of spot Bitcoin ETFs has changed the way the market perceives Bitcoin risk by letting both institutions and individuals buy and sell it through regulated vehicles.

Inflows into ETFs have soared in the past two years, with major funds like **BlackRock** and Fidelity adding it into portfolios.

In recent weeks we have seen substantial net withdrawals from many US spot Bitcoin ETFs, driven by overleveraged bets. Investors should not confuse the positive factors of an ETF with a promise of stability or guaranteed price increases.



Bitcoin may be young, but it remains at the centre of the quest for independent money, with all its risks and possibilities - Daniel Lacalle

Cleaning leveraged ETF bets is a positive in the long run but may create short-term volatility. For short-term investors, adding excessive volatility with leverage is a recipe for disaster.

A 10% drop in a day can wipe away 30% of capital, and a significant price drop added to substantial margin calls can kill a position even if the long-term trend is good.

Margin calls, forced liquidations, and automated risk systems are symptoms of an excess of leveraged bets but also an opportunity to clean up the buyer base.

If you use Bitcoin as a hedge against the destruction of money instead of a speculative

asset, you would be staying away from leveraged products.

Bitcoin is not yet a total substitute for equities, productive assets, or gold within a cohesive wealth preservation plan; rather, it is a complementary asset.

In a world where central bank balance sheets are getting bigger, government debt rises and the threat of digital currencies that may be used for monitoring and control is growing, keeping a small amount of decentralised, nonforfeitable assets makes sense, not as a fashion.

The most important thing is to think of Bitcoin as just another way to protect yourself, along with stocks in real businesses, real assets, and precious metals.

The main recommendations for investors are to never use leverage on an asset that is so volatile, size positions based on extreme drawdowns and know that price corrections caused by ETF flows or liquidations do not change the long-term adoption pattern.

If governments keep eroding the value of fiat money and making it harder for people to be financially independent, investors will look for ways to protect their wealth. Bitcoin may be young, but it remains at the centre of the quest for independent money, with all its risks and possibilities.