Should I Invest in Bitcoin? (Part II)

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In December 2017, we published a newsletter titled "Should I invest in Bitcoin?" At the time, Bitcoin was still a fringe asset gaining momentum. The price of one Bitcoin hovered above $10,000, and our advice then was to avoid it due to extreme volatility and uncertainty. That caution proved prudent: after quickly rising further, Bitcoin's price came crashing down, losing over two-thirds of its value during 2018. Early investors who bought near the 2017 peak (around $19,000) saw the value plummet to under $4,000 by the end of 2018 in one of Bitcoin's worst bear markets on record.

Fast forward to late-2020, and Bitcoin began a stunning turnaround. The cryptocurrency broke out to new highs, surpassing $50,000 per coin by the first quarter of 2021. Institutional interest and global economic factors (such as pandemic-era stimulus and inflation fears) helped drive Bitcoin to nearly $65,000 by April 2021.

However, the wild ride continued: Bitcoin's price experienced drastic swings, including a drop to below $17,000 after the crypto market turmoil in late 2022 (following events like major exchange failures). It wasn't until 2023-2024 that another sustained rally took hold. Now, as of late 2025, Bitcoin has rocketed above $110,000 per coin, reaching new all-time highs.

This raises the question: What is behind this rapid ascent, and should investors consider Bitcoin now despite its history of significant price swings and volatility?

What's Fueling Bitcoin's Recent Surge?

Several developments over the past couple of years have contributed to Bitcoin's steep rise and renewed enthusiasm for cryptocurrencies:

• **Market Confidence:** Tether – the company behind the world's largest stablecoin (USDT) – recently revealed plans to raise as much as $20 billion in a new funding round, which would value the firm near $500 billion. To put that in perspective, a half-trillion-dollar valuation would make Tether one of the most valuable companies globally, on par with the likes of private behemoths SpaceX and OpenAI, and larger than many Fortune 500 firms. This development has been seen as a vote of confidence in the crypto ecosystem's growth. Tether's USDT stablecoin currently has a market capitalization of over $170 billion and plays a critical role in crypto trading liquidity. The fact that the company is going to market with such a lofty valuation suggests broader market validation of the sector's importance.

• **Regulatory Tailwinds in the United States**: Perhaps the most dramatic shift has come from U.S. policy. Since taking office in January 2025, President Donald Trump has adopted a notably pro-crypto stance, positioning the United States as a global leader in digital assets. His administration moved quickly on several fronts. In March 2025, the White House announced the creation of a Strategic Bitcoin Reserve (treating Bitcoin as a reserve asset for the nation) and a U.S. Digital Asset Stockpile for other cryptocurrencies, using seized crypto assets and ensuring the government holds them rather than immediately selling. These actions signaled a strategic recognition of crypto as something akin to digital gold for national reserves. President Trump also vowed to "make America the crypto capital of the world," a promise on which his administration has been actively delivering. In July 2025, he signed into law the GENIUS Act ("Guiding and Establishing National Innovation for U.S. Stablecoins"), the first-ever federal regulatory framework for stablecoins. This legislation established strict standards (like 100% reserve backing and disclosures) to ensure stablecoins are safe and trustworthy, integrating them into the financial system. The pro-crypto policy pivot has provided regulatory clarity that was lacking in earlier years, potentially reducing one of the key risks that kept some institutional investors away for fear of regulatory crackdowns.

• **Crypto in Retirement Plans and Wall Street Adoption**: Another notable driver is the mainstreaming of crypto within traditional finance. In August 2025, the U.S. administration issued an Executive Order to “Democratize Access to Alternative Assets” for retirement investors. It instructs the Department of Labor to work with the Treasury and SEC on allowing alternative investments – including cryptocurrency – to be offered in 401(k) and other retirement plans. This initiative argues that assets like crypto can provide “competitive returns along with diversification benefits” and calls on regulators to facilitate their inclusion in defined-contribution plans. If successful, this could open the floodgates for retirement funds to allocate a small portion to digital assets, vastly enlarging the investor base. Wall Street has also made crypto more accessible through familiar investment vehicles. Notably, Bitcoin exchange-traded funds (ETFs) finally gained approval in the U.S. in 2024 after years of delays. By early 2024, the SEC had authorized several spot Bitcoin ETFs and by that fall even approved options trading on a Bitcoin ETF. The launch of these ETFs was a watershed moment for Bitcoin’s mainstream acceptance, allowing institutions and individuals to get Bitcoin exposure through regulated stock exchanges. As Reuters reported, cryptocurrency moved “closer to mainstream acceptance” once Bitcoin ETFs became available.

Risk vs. Reward

For investors, Bitcoin and the broader cryptocurrency market present a mix of compelling opportunities: high growth potential, growing mainstream acceptance, diversification, increased transparency, and regulatory support. All these factors contribute to the bull case for Bitcoin, as an asset that arguably justifies a modest allocation in a diversified portfolio.

However, despite the optimistic narrative, a prudent investor must also weigh the significant risks associated with Bitcoin and cryptocurrencies: extreme volatility and boom-bust cycles, regulatory and political risks, market manipulation concerns, lack of cash flow or a valuation anchor, and security/custody concerns.

Given these uncertainties, investing in Bitcoin or cryptocurrencies is not a slam-dunk decision and should be weighed within the context of someone’s risk tolerance. Limiting one’s exposure, having a long-time horizon, and being prepared for high volatility are all important factors when investing in this space. It also means staying informed: crypto is a fast-changing space and investors must stay well informed on regulations, technological updates, and market dynamics.

Conclusion: A Balanced Approach for Investors

Eight years ago, we were skeptical of the timing of investing Bitcoin – and in the short term, that skepticism was validated by a major crash. Today, the landscape has evolved. Bitcoin and other cryptocurrencies have undeniably “grown up” to an extent: prices are higher, yes, but more importantly the ecosystem is more mature, with greater institutional participation and regulatory support.

However, the core question for any individual investor remains the same: does Bitcoin fit your investment objectives and risk tolerance? - That answer will differ for everyone.

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