

Is cryptocurrency a safe-haven asset?

By [Cephas Forichi](#), issued by [Mlpark Education](#)

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Have you ever thought of adding cryptocurrency to your portfolio as a safe-haven asset? Many investors believe that cryptocurrency (e.g. Bitcoin, Ethereum and the like) is a safe-haven asset. However, what are the characteristics of a safe-haven asset?



A safe-haven asset is less correlated to the general market and economic activities. It can therefore gain value even when the economy is underperforming. Moreover, it is resilient to market crashes and economic downturns, while returning positive returns in economic booms as well. More importantly, however, a safe-haven asset has low volatility.

Let's take a closer look at Bitcoin. After astronomical price gains of [1600%](#) since 2015, and seeing highs of around [\\$64,000](#) per Bitcoin during the Covid-19 era, Bitcoin has plummeted to lows of around [\\$16,000](#) per Bitcoin in 2022 and has failed to gain traction. Regardless of its popularity and ability to survive since its inception, Bitcoin has proved to be incredibly volatile, raising questions about whether it (and other cryptocurrencies) is indeed such a safe-haven asset as its proponents like to advocate.

Other cryptocurrencies (e.g. [OneCoin](#), [Bitconnect](#) and [DIMCoin](#), to name a few) have seen violent deaths and had a short lifespan, while others (such as [Galaxium](#) and [TaishaCoin](#)) failed to take off during the Covid-19 era and post-Covid-19. To make matters worse, some of the cryptocurrencies were based on entirely [fraudulent schemes](#) in which investors lost all their money.

Some of the main reasons why cryptocurrency is so volatile is due to it being driven by speculation, 'influencers' and '[whales](#)', who purchase and sell vast amounts of cryptocurrency in one go. In other words, cryptocurrencies are not driven by fundamentals – which, generally, form the basis of other markets.

Bearing these factors in mind, it is critical to note that cryptocurrency is most definitely a risk asset – and should not be considered a safe-haven one.

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