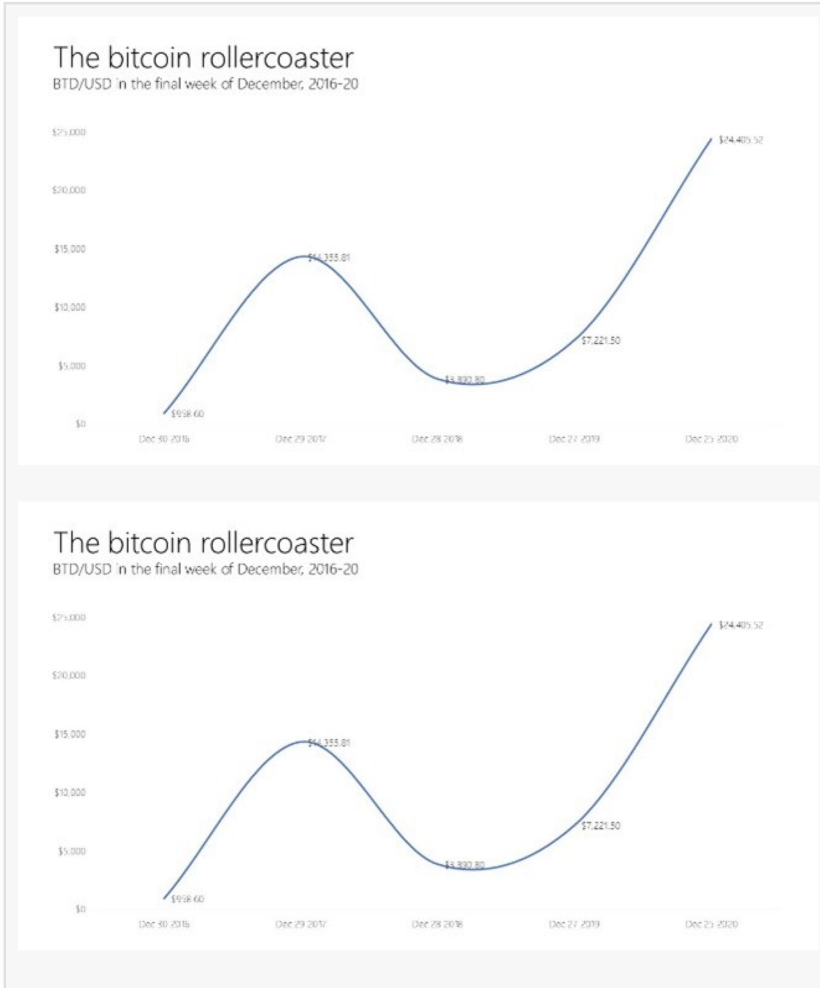
Crypto Makes It Easier To Diversify a Portfolio – Kay Rieck

USA, April 16, 2021 /EINPresswire.com/ -- The first rule of investment has always been to keep your portfolio diverse. There are a lot of ways to explain why, but the simplest is to say that if you keep your eggs in one basket and the basket falls, there is a chance that all your eggs will be broken. The good news is that crypto is making it more possible than ever to diversify.



There's been all sorts of talk about crypto over the last five years. Part of the reason is the attention-grabbing highs and lows of bitcoin, which could probably be described as the first crypto currency.

In December 2016, one Bitcoin was worth less than US$1,000. A year later, one bitcoin was worth around US$17,000, but then a year after that, the price collapsed and one bitcoin was worth around US$4,000. Volatility in the financial markets tends to spell opportunity, but for many investors at that stage, the sector was too unpredictable to call, so it languished in the doldrums for a year.

It subsequently recovered, and then started breaking records. And then kept breaking records. By the end of December 2020, it had climbed to around US$24,000, which would have been considered impressive, except that four months later at the start of April 2021 it was sitting at around US$58,000. As the chart shows, it's been a rollercoaster.

Depending on who you speak to this is either the emergence of a new financial reality or a speculative frenzy and the inflation of a bubble that is only going to end in tears.

Time will tell.

Kay Rieck: Look beyond the bitcoin

Fascinating though bitcoin's price movements are, there is a lot more to the crypto space. One of the key impacts that blockchain, the technology at the base of it all, could have is that it could suddenly make it far easier and cheaper for investors of all sizes to find projects that they want to be involved in. The transparency and speed of execution that the blockchain enables can remove many of the traditional barriers to entry and investment costs could plummet as a result.

If the blockchain lives up to its potential, companies looking for financing will no longer need to rely on brokers to attract investment. And if the brokers are removed from the equation, so are their fees. As an investor, this would mean that the money you have to invest can be spread more widely into a range of different companies and industries, which in short means your eggs can be put in a far wider variety of baskets.

The loss of brokers' expertise and knowledge could well be keenly felt, but the potential benefits are significant and could well change the way that the innovation is financed. While bitcoin attracts a lot of the attention, it could be just the harbinger of more fundamental changes.

About the author
Kay Rieck has been active on the investment side of the oil and gas sector for more than two decades. Starting his career as a financial adviser and stockbroker on the New York Stock Exchange, he quickly developed an interest in natural resources and associated assets building his expertise with investment banking and asset management roles at the New York Board of Trade and the Chicago Board of Trade. Utilising his exceptional network of global contacts, he started his first exploration and production company in the US in 2008, selecting investments across the Haynesville Shale, Permian basin, Eagle Ford shale, Dimmit county and elsewhere that offered exceptional prospective returns.

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