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A Comparison Between Crypto And Stocks

New to financial markets? Not sure what is the most profitable investment option? Here is a detailed and neutral analysis of crypto vs stocks. Find out which asset you chose!

For people who are just getting into investments, deciding where to start can be extremely difficult. So many different instruments are available to choose from. Index funds, bonds, stocks, or forex, which is the right market for you? Over the past year, more and more people are starting to add crypto to that list as an element of a serious long-term portfolio. In today's article, we will compare cryptocurrencies to traditional financial markets.

First, we'll look at the returns in both stock and crypto markets, before comparing [crypto](#) to the S&P 500, Nasdaq, and FTSE 100, three major stock market indices. I'll wrap up the article with some thoughts on which instrument is best. Let's look at some returns!

Crypto vs Stock Market

Comparing the returns of stocks to crypto is a difficult task. The S&P 500 has returned 10.9% annually over the last 10 years, whereas the Nasdaq on average returned 14.4% in the same period. The FTSE 100 returned an average of 7.4%. When comparing these figures to Bitcoin (195%) and Ethereum (663%) since their inception, it seems like the winner is clear.

However, this is comparing apples to oranges. After all, we are comparing baskets of companies to individual crypto assets with far lower market caps. A fairer comparison would be to compare the returns of certain tech stocks to crypto, but even then, Amazon (28.5%), Google (19.7%), Tesla (62.9%) and Microsoft (26.4%) don't come close to the returns of the two major crypto assets.

Over the past year, stocks have done better though. The S&P 500 is up 5.4% since this time last

year, whereas Bitcoin is down by over 30%. It seems the two classes perform very differently in the mid-term. However, despite these differences, crypto has become increasingly correlated to stock market returns. Recent data published by Arcane Research showed the 90-day correlation between [Bitcoin](#) and the S&P to be as high as 0.58.

Crypto vs S&P 500

As I said before, the S&P 500 is up 5.4% this year, whereas Bitcoin and Ethereum are down significantly. In the past 10 years though, crypto has outperformed by a huge margin. The question is, will crypto stand the test of time. Obviously, the S&P has proven its worth in the real world. A basket of 500 long-standing companies that generate revenue and create real-world value can be considered a safer bet than crypto, which is still relatively in its early stages.

Crypto vs NASDAQ

Nasdaq (Nasdaq-100) is an index of 101 (non-financial) stocks trading on the Nasdaq exchange. Over the past year, a 28% rally followed by a 24% correction brought us to exact break even at the time of writing. Over a year of strong moves, only to bring us back to square one. Quite a feat. The entire crypto market cap is up 22% over the same period, but the only way to trade that is to construct your own crypto index. The larger cryptocurrencies – as discussed – are down over the last 365 days.

Again, the Nasdaq is a basket of time-tested organisations, and while comparing its performance to that of an up-and coming asset class is interesting, we should not forget that in investment, return on investment is not the only factor to consider. For example, risk and investment size should be considered just as much.

Crypto vs FTSE 100

Finally, the FTSE 100 (sometimes referred to as the Footsie) is the lesser-known British brother of the Nasdaq 100. Contrary to its American competitors, the British stock market has had very little problems in the past months and, as a result, has remained strong. The index is up 10% over the past year. Ergo, the FTSE 100 outperformed the 10-year average, and all other assets considered in this comparison. In terms of naked reward, and perhaps risk relative to reward too, the Footsie takes the crown. The chart below shows the FTSE 100 since 2019.

Can We Really Compare These Assets to Cryptocurrency?

I always find it really difficult to compare any asset to crypto. Stock market indices (or individual stocks, for that matter) have revenue streams, annual reports and dividend payments to back up the value, whereas crypto is a much more speculative investment.

This is fine but it places the two assets in completely different leagues. In other words, you're comparing apples to oranges. In a risk on environment, stocks and crypto are complementary parts of a diversified portfolio, if you ask me. A comparison on pure returns, without considering the risks, size of the investment and time horizon associated with each investment is counterproductive.

Maximalists will tirelessly fight to defend the superiority of their investment choices, and that's okay. I'll be comfortably using any to my advantage, whatever the situation at hand calls for. I personally think that all asset classes have their own uses and diversification can be very profitable in a portfolio.

If you are currently investing money in just one market, whether that be crypto, stocks, or anything else, I encourage you to try out something new. Even trying out Forex can push you to learn something new that will more than likely translate to what you are currently doing. I personally learned a lot by dipping my toes into the stock market pool. It helped me understand what makes markets move. It can be scary to try, or difficult for a while, but eventually the effort will pay off.