



# Bitcoin: It may be time to seize the opportunity

**WisdomTree Market Insights**



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## Bitcoin: It may be time to seize the opportunity

Global trust in fiat money is eroding fast. Central banks printed recklessly, inflation bit back, and investors were left questioning the rules of a game that kept changing. Amid this uncertainty, bitcoin is not just an asset — it is an exit. A new paradigm is forming, and bitcoin is emerging as a serious contender in the global financial system.

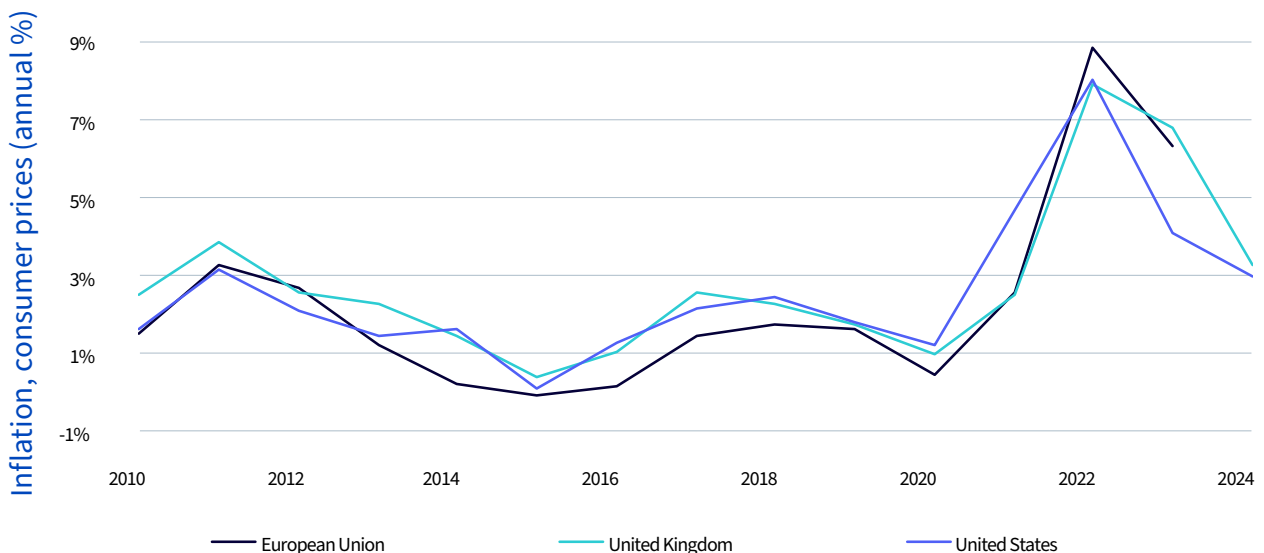
### Inflation is back and it is structural

For decades, the developed world operated under the illusion that inflation had been permanently tamed. Globalisation, automation and cheap energy lulled policymakers into complacency. Central banks expanded their balance sheets in the wake of the 2008 Global Financial Crisis (GFC), and when inflation did not surge, they assumed it never would.

That illusion shattered in the 2020s. Supply chain shocks, massive stimulus and shifting geopolitics reignited price pressures. What began as transitory disruptions have hardened into structural shifts. Deglobalisation and fiscal expansion are embedding inflation into the fabric of advanced economies.

The era of costless money printing is over. Monetary excess has consequences.

Figure 1: Inflation in major developed markets (2010 – 2024)



Source: World Bank Group. 15 April 2025. Historical performance is not an indication of future performance and any investment may go down in value.

## The fiat illusion

Fiat currencies have no intrinsic value and rely on trust in governments and central banks. That trust holds in stable economies. But zoom out to Turkey, Argentina or parts of Africa, and the picture changes. Currency effectiveness is not universal — in many regions, it has already failed.

This raises a fundamental question: can bitcoin serve as a reliable store of value?

While it may not yet serve as an everyday medium of exchange, bitcoin exhibits characteristics that align closely with traditional stores of value. Like gold, it is stateless and finite. Unlike gold, it is digitally native and can be transferred globally in minutes.

Key traits:

- + Transferability: bitcoin excels at moving value digitally across borders with minimal friction.
- + Scarcity: supply is capped at 21 million and this cap is immutable.
- + Volatility: a valid concern as its annualised volatility — just over 50%<sup>1</sup> — remains elevated compared to more established stores of value. But this is gradually declining as liquidity deepens and adoption broadens.

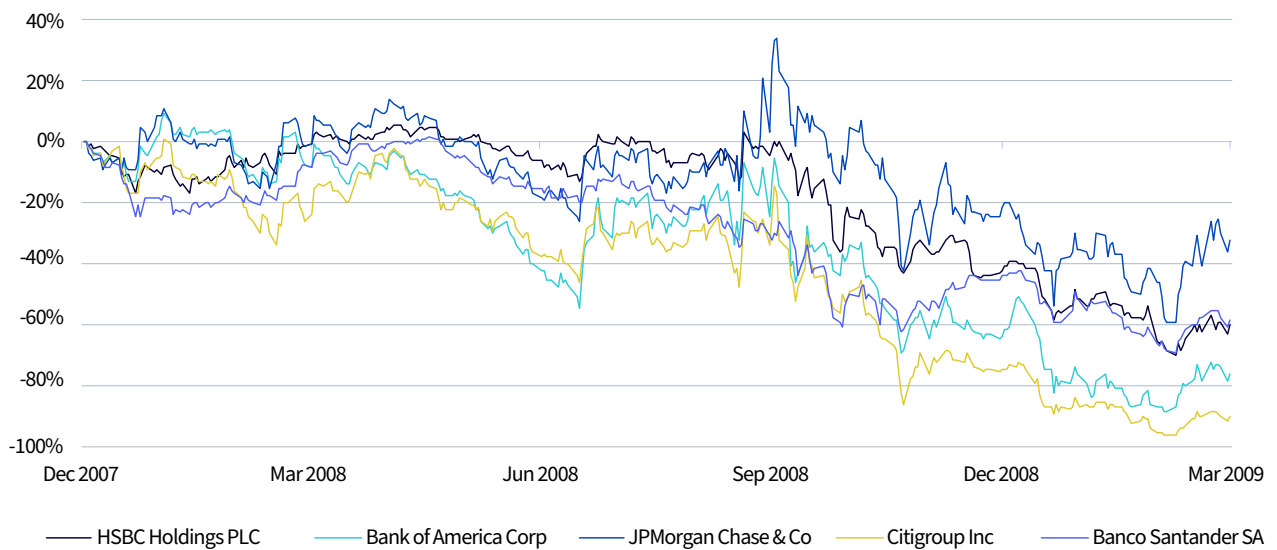
Bitcoin is still in the early innings. Its future role depends on growing credibility, regulatory clarity and global appetite for sovereign-grade alternatives.

## Do we still trust the financial system?

The GFC exposed the fragility of the banking sector in the most dramatic fashion. For years, unchecked risk-taking, toxic incentives and reckless leverage had gone unchallenged until the entire system buckled. Complex financial instruments, poorly understood even by those selling them, were built on foundations of unsustainable debt. When the defaults started, it triggered a cascade of failures. Executives who had profited handsomely from these risks exited with their fortunes intact. Meanwhile, taxpayers were forced to bail out institutions deemed ‘too big to fail’.

1 Artemis Terminal. 29 April 2025.

Figure 2: Market cap decline of top five banks (31 December 2007 to 31 March 2009)



Source: MSCI, Bloomberg. The top five banks are selected from developed markets and based on their market cap as of 31 December 2007. Percentage changes are calculated based on the market cap in USD. **Historical performance is not an indication of future performance, and any investment may go down in value.**

While the financial system was stabilised on the surface, the public’s trust was permanently shaken. The crisis exposed a dangerous truth too: too much power, risk and opacity had been concentrated within a small set of interconnected institutions. The lesson was clear: centralised financial systems are vulnerable by design.

Bitcoin’s launch in 2009 was no coincidence. It was a direct response to the failures of that moment. Its architecture offers a radically different approach: decentralisation over centralisation, transparency over opacity, and programmed scarcity over discretionary monetary manipulation.

Embedded in bitcoin’s very first block, genesis block<sup>2</sup>:

‘Chancellor Alistair Darling on brink of second bailout for banks’ – The Times, 3 January 2009.<sup>3</sup>

This was not just a timestamp — it was a pointed critique. Bitcoin’s very origin is a rejection of the system that enabled the GFC.

<sup>2</sup> [https://en.bitcoin.it/wiki/Genesis\\_block](https://en.bitcoin.it/wiki/Genesis_block)

<sup>3</sup> <https://www.thetimes.co.uk/article/chancellor-alistair-darling-on-brink-of-second-bailout-for-banks-n9l382mn62h>

## Printing money: a tool turned trap

Money supply expansion is one of the most potent tools in a central bank’s arsenal, but when misused, it can become a source of long-term instability. After the United States abandoned the gold standard in 1971, the dollar became untethered from any hard asset, granting policymakers extraordinary flexibility to expand the monetary base. With no inherent supply discipline, the system shifted from scarcity to elasticity.

The 2008 GFC was the proving ground for this new regime. Central banks, led by the Federal Reserve (the Fed), deployed quantitative easing (QE) at scale — injecting liquidity to stabilise markets. Initially viewed as an emergency measure, QE became the standard operating procedure.

Then came COVID-19. The monetary response was nothing short of unprecedented. The Fed’s balance sheet surged past \$7 trillion<sup>4</sup> in a matter of months. Governments around the world followed suit, invoking trillions out of thin air to stimulate demand. But stimulus has consequences. Inflation reappeared with a vengeance, shaking the foundations of trust in fiat and highlighting the fragility of a system built on discretionary money creation.

Figure 3: Evolution of the US Federal Reserve balance sheet over time



Source: Board of Governors of the Federal Reserve System (US), Assets: Total Assets: Total Assets (Less Eliminations from Consolidation): Wednesday Level [WALCL], retrieved from FRED, Federal Reserve Bank of St Louis; <https://fred.stlouisfed.org/series/WALCL>, 30 April 2025.

4 Board of Governors of the Federal Reserve System (US), Assets: Total Assets: Total Assets (Less Eliminations from Consolidation): Wednesday Level [WALCL], retrieved from FRED, Federal Reserve Bank of St Louis; <https://fred.stlouisfed.org/series/WALCL>, 30 April 2025.

Had the U.S. remained on the gold standard, such rapid and large-scale monetary expansion would have been virtually unthinkable. The gold standard imposed a natural constraint on money creation by tying currency issuance to a finite, physical reserve. Fiat currency systems, by contrast, operate without such anchors. While this flexibility can be useful in times of crisis, it also opens the door to excess. When printing money becomes politically convenient and economically normalised, the results can be a dangerous drift toward inflation, asset bubbles and erosion of purchasing power. Fiat enables flexibility — sometimes too much of it, with consequences that compound over time.

## Bitcoin: monetary policy without politicians

Bitcoin was engineered as a direct response to the vulnerabilities exposed by fiat currency systems:

- + **No central authority:** control is distributed, eliminating the single points of failure inherent in central banking.
- + **Fixed supply:** only 21 million coins will ever exist, offering a built-in scarcity that resists debasement.
- + **Predictable issuance:** bitcoin follows a predefined issuance schedule that halves approximately every four years, independent of politics or economic cycles.

Unlike fiat systems where central banks can shift policy at will, bitcoin’s monetary framework is etched into code. It does not change based on recessions, elections or institutional agendas. Its consistency is the point.

In an era defined by stimulus packages, balance sheet expansions and creeping monetary experimentation, bitcoin offers something radically different and increasingly rare: **monetary certainty**.

Figure 4: Trade-offs on different monetary characteristics (gold vs. fiat vs. bitcoin)

Attribute	Bitcoin	Gold	Fiat	Commentary
<b>Scarce</b>	Yes	Yes	No	Bitcoin and gold have fixed supply; fiat can be printed freely.
<b>Divisible</b>	Yes	No	Yes	Bitcoin and fiat are highly divisible; gold has physical limits.
<b>Portable</b>	Yes	No	Yes	Bitcoin and fiat are portable; gold is heavy and more difficult to transfer.
<b>Decentralisation / censorship resistance</b>	Yes	No	No	Bitcoin is peer-to-peer; gold and fiat transactions can be blocked or seized by centralised intermediaries.

Attribute	Bitcoin	Gold	Fiat	Commentary
<b>Durable</b>	Yes	Yes	No	Bitcoin and gold are durable; fiat value depends on government policy and stability.
<b>Verifiable</b>	Yes	Yes	No	Bitcoin is verifiable by code and maths; gold and fiat can be counterfeited.
<b>Established history</b>	No	Yes	Yes	Gold has a long history; bitcoin is newer, and fiat lacks long-term value stability.

Source: WisdomTree, Satoshi Club via Reddit, accessed on 30 October 2024.

## Rethinking value in the digital age

Value evolves with the tools we use to express and capture it. From dividends to digital ecosystems, what markets prize most has always been shaped by the underlying technology of the age.

- + Dividends were once the gold standard of investment value — a proxy for stability and long-term returns.
- + The dot-com era flipped that on its head: profit took a back seat to promise, and narratives began to drive valuations.
- + Then came the iPhone moment, a paradigm shift where platforms and network effects redefined market dominance.
- + We are now entering the platform revolt, where digital assets are challenging the very idea of centralised toll collectors such as Apple and Google.

This arc of disruption is best illustrated by a cautionary tale: BlackBerry.

It was not killed by a lack of demand as it dominated the corporate mobile market and enjoyed strong sales. What sealed its fate was something deeper: a collapse in collective belief about its future. As the smartphone ecosystem evolved, BlackBerry could not adapt. Investors and consumers alike sensed the shift, and once confidence disappeared, so did its value.

That is the anatomy of disruption. The crash comes not when metrics deteriorate, but when belief in future relevance breaks down.

Figure 5: Research in Motion's market cap exemplified the loss of future potential



Source: Bloomberg. Historical performance is not an indication of future performance and any investment may go down in value.

Bitcoin's future narrative is still being written, but the path is increasingly clear: it is emerging as a foundational layer for a new financial paradigm. Rather than simply replacing money, bitcoin is redefining what it means to preserve value in a world of monetary excess and institutional mistrust. Its design — decentralised, transparent, and finite — makes it a compelling candidate for long-term wealth preservation. As fiat credibility wanes, the idea of bitcoin as a digital store of value is no longer fringe; it is becoming a credible pillar of modern portfolio theory.

## Why now?

Several macro and structural trends are converging:

- + **Bitcoin has scale:** approximately \$2 trillion market cap<sup>5</sup> places it in rare company as only a handful of open-source, decentralised technologies have ever achieved this level of global relevance. Its continued growth, even amid volatility, signals increasing mainstream acceptance.
- + **Monetary orthodoxy is broken:** COVID-19 shattered long-held assumptions about responsible monetary policy. Trillions were injected into the global economy with minimal oversight, driving inflation and challenging the credibility of fiat-based economic stewardship.
- + **Energy debate is evolving:** bitcoin mining's environmental narrative is being reshaped by innovation. A growing share of mining activity now uses stranded or renewable energy sources, and some operators are even helping stabilise electrical grids by absorbing excess power capacity during off-peak periods.

5 Artemis Terminal. 29 April 2025.

- + **Hyperinflation is real:** in countries like Venezuela, Lebanon and Zimbabwe, fiat currency has effectively failed. Citizens increasingly turn to bitcoin not as speculation but as a lifeline — an alternative that, while volatile, holds value better than their national currencies.
- + **Resilience is proven:** since its inception, bitcoin has never been hacked, paused or rolled back. Its open-source protocol has withstood coordinated attacks, hostile regulations and global macro shocks — all while maintaining 99.99% uptime<sup>6</sup> and complete monetary integrity.
- + **Post-tariff resilience:** following the market disruption triggered by U.S. President Donald Trump's 'Liberation Day' tariffs in April 2025, bitcoin displayed remarkable resilience. While traditional risk assets recoiled, bitcoin quickly stabilised, highlighting its potential as a macro-hedge in politically driven economic shocks.

The problems bitcoin was built to fix — runaway money printing, opaque financial systems and overpowered central banks — are not future risks. They are here, now. Fiat currencies are eroding, inflation is proving stubborn and geopolitical shocks are whiplashing capital markets. In this climate, bitcoin is not just a theoretical hedge; it is a live, decentralised counterpunch to a financial system many no longer trust.

## Bitcoin in a portfolio: a rational allocation

Scepticism is healthy. But in today's market, complete exclusion is far from neutral — it is a high-conviction position.

The global market portfolio surpasses \$210 trillion<sup>7</sup>. Cryptocurrencies, led by bitcoin, now touch \$3 trillion<sup>8</sup> — a meaningful ~1.5%<sup>9</sup> slice of the investable universe. Ignoring an asset of this scale is not risk-averse; it is an active underweight that demands a clear and defensible rationale.

Institutional investors should approach bitcoin with the same rigour applied to any other asset class. That means understanding its risk profile, evaluating its correlations and stress-testing its role in portfolio construction. Bitcoin may not suit every strategy or mandate — but in 2025 and beyond, dismissing it outright based on outdated biases or regulatory inertia amounts to neglecting the changing realities of global capital markets.

If your portfolio includes gold, emerging market bonds or equities from fragile economies — but not bitcoin — you are not diversified. You are exposed.

<sup>6</sup> [Bitcoin Uptime Tracker](#). 29 April 2025.

<sup>7</sup> Bloomberg. 31 March 2025.

<sup>8</sup> Artemis Terminal. 29 April 2025.

<sup>9</sup> WisdomTree. 29 April 2025.

## Final thought: bitcoin is no longer fringe

Bitcoin is not perfect. But neither is fiat. The difference is fundamental:

- + Fiat depends on trust in institutions, including central banks, governments and policymakers, to act prudently and in the public's best interest.
- + Bitcoin relies on maths and code and its rules are transparent, its supply is fixed, and its network is governed by consensus, not discretion.

In a decade shaped by inflation, debt, geopolitical tension and accelerating artificial intelligence (AI), bitcoin's predictability is not philosophical — it is foundational.

For investors seeking resilience in an era of uncertainty, bitcoin may offer something increasingly rare: a dependable foundation for long-term value preservation.

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