



## Bitcoin Madness: Is the Revolutionary Digital Currency Caught in a Bubble?

### Description

The frenzy surrounding Bitcoin and cryptocurrencies is growing at a frenzied pace. The ground-breaking cryptocurrency has grown more than six-fold in value over the last year to now have a market cap of an incredible US\$118 billion. This, surprisingly, is even greater than the market cap of **Royal Bank of Canada**, which is the leading stock by market value on the **S&P/TSX Composite Index**.

According to many pundits, that massive spike in its value is nothing more than speculation, leading to assertions that Bitcoin, along with other digital currencies, is caught up in one of the biggest market bubbles to emerge since the dot com bubble almost two decades ago.

### Now what?

The recent surge in value of digital currencies was triggered by increasing interest from Wall Street, mainstream banks, and the commodities industry in Bitcoin and the blockchain technology that stands behind it. While the value of cryptocurrencies keeps soaring ever higher, there appears to be little understanding as to how Bitcoin or other cryptocurrencies work, because of a distinct lack of transparency as to how they are valued or what drives supply and demand. This, according to one of the [greatest investors](#) of all time, Warren Buffett, makes them extremely difficult to value.

Even more telling is that Bitcoin and other digital currencies have yet to be accepted as a mainstream medium of exchange or be recognized by established financial institutions. They can also be difficult and costly to use when conducting transactions, further reducing their utility.

Despite these hurdles and considerable fears of an exceptionally frothy market bubble, digital currencies are garnering considerable attention. Bitcoin has been heralded as the new gold.

You see, it doesn't need to be used for transactions, and, like gold, it has become a store of value, albeit an electronic one that as yet is not recognized by established financial institutions as an asset. Growing distrust among investors of traditional fiat currencies or even precious metals such as gold and silver due to dubious government policies, opaque regulation, and claims of market manipulation caused them to flock to Bitcoin as a store of value when geopolitical tensions in North Asia and the Middle East flared.

Bitcoin, along with other digital currencies, is a convenient, secure, and highly flexible means of making payments around the globe. While its use is limited because of the narrow number of transactions it can be used in, the flexibility it offers is fast being recognized, which will spark a surge in its uptake as a means of conducting business.

It is also worth considering that even with cryptocurrencies having a collective market cap of just under US\$200 billion, it represents a tiny portion of the trillions of dollars invested in gold and traditional investments. Should even a modest portion of that money move to digital currencies, it would easily support the next leg up for Bitcoin as the leading cryptocurrency.

### So what?

Bitcoin's massive run-up in value over the four years has far outstripped the gains made by the tech laden **NASDAQ Composite Index** in the four years leading up to the peak of the dot com boom in February 2000. This indicates that Bitcoin, along with other cryptocurrencies, could be in the midst of a massive bubble.

However, investors need to remember is that even after the dot com bubble burst, several companies, such as **Amazon.com, Inc.** ([NASDAQ:AMZN](#)), emerged from the wreckage to become [dominant industry players](#). The same could very well occur with Bitcoin.

While there are considerable risks attached to investing in Bitcoin, an interesting means of gaining exposure to cryptocurrencies is by investing in **Hive Blockchain Technologies Ltd.** ([TSXV:HIVE](#)). It is the first publicly listed blockchain infrastructure company that owns two cash flow positive cryptocurrency mining facilities in the stable jurisdiction of Iceland. It has \$32 million in cash on hand, it possesses the capability to mine digital currencies other than Bitcoin, and it holds the rights to acquire three additional mining facilities.

### CATEGORY

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