



## Hive Blockchain Technologies Ltd.: The Volatile Rise of a Cryptocurrency Mining Stock

### Description

**Hive Blockchain Technologies Ltd.** ([TSXV:HIVE](#)) is one intriguing cryptocurrency mining stock to grace the TSX Venture exchange this year. The stock's debut as a blockchain-related investment was, however, spectacular, and the subsequent 600% gains in 35 trading days were eye popping.

The firm is supported by Genesis Mining Ltd, one of the most successful blockchain technology leaders in the world with heavy investments in cryptocurrency-mining "rigs" in business-friendly Iceland (and other undisclosed sites) and a well-experienced team in cryptocurrency-mining ventures.

Hive was historically a mineral prospecting and exploration company registered in 1987, went through several name changes, and finally changed its name from Leeta Gold Corp. to Hive Blockchain Technologies upon a change of business to cryptocurrency mining in September this year.

The company currently has two cryptocurrency mining facilities acquired from Genesis Mining, and there are plans to build two more data centres in Sweden by March 2018, increasing computing power consumption from 3.8 megawatts to 17.4 megawatts.

### A typical bubble-burst sequence

The newly created cryptocurrency-mining firm saw market euphoria driving its stock price to "dizzying heights" over a few weeks. Stock opened at \$0.96 on September 18, the day it debuted trading as a blockchain-related stock, and doubled in two days to \$1.84. It stabilized a bit at this level until another rally from \$1.94 on October 11 buoyed the stock to \$3.12 by October 17.

A third bullish run catapulted the stock from \$3.14 a share on October 27 to an all time high of \$6.75 on November 3 — a 600% gain in 35 trading days, where it could not hold for just a few hours as it closed lower at \$4.71 for the day. That was the beginning of a violent correction that wiped out 57% of Hive's equity value in just 14 trading days, reducing the stock's gains to just 200% from September 18 trading levels.

## Why this much volatility?

Trading in Hive's stock was seriously impacted by a lack of liquidity in the stock as interested buyers were bidding for a very limited free float on the public market.

Hive's key shareholders, who also happen to be corporate insiders, hold about 47.3% of the company's shares, leaving just about 52.7% of the shares free to change hands on the market in the formative days of the company's cryptocurrency-mining debut.

This was magnified by the [current euphoria](#) in cryptocurrencies on global exchanges where Bitcoin, the oldest virtual currency, climbed 1,400% during the year to December 5, and Ethereum rising 4,653% between January 7 and November 28 this year.

No wonder Hive had to announce, on November 3, an accelerated release of more than 24 million common shares from a voluntary pooling agreement to "allow for more market liquidity" in the stock.

Most noteworthy, the improved liquidity triggered a subsequent 57% plunge in the stock during a violent price correction.

## Looking forward

Hive's stock price has recently recovered some losses after the release of its first ever quarterly financial results as a blockchain technology company.

Through a partnership with Genesis Mining, one of the biggest known cryptocurrency hash power providers in the blockchain space, Hive's chances of success in this new line of business are more than likely. Genesis has the ability to directly order custom-made high-end computing equipment from manufacturers, allowing for highly efficient, cutting-edge system designs.

Moreover, Hive may enjoy lower operating expenses due to significantly cheaper electricity costs in geothermal-power-rich Iceland; the cold weather conditions reduce mining facility cooling costs.

Most noteworthy, by investing in GPU-based computing rigs, Hive has the capability to mine several different cryptocurrencies — a revenue-diversifying capability — unlike application-specific integrated circuit systems, which can only be dedicated to highly volatile Bitcoin.

However, since profitability increases with subsequent increases in cryptocurrency unit prices as well as increases in computing power, Hive will always be required to upgrade its computing equipment regularly to keep up with industry trends, and the rate of systems depreciation can be very insane.

## Exercise caution

There is still so much mystery surrounding the blockchain sector, and new government regulation may totally change the landscape and burst the [current valuation bubble](#).

Furthermore, Hive's massive depreciation expenses may result in most economic gains coming from price appreciation of the mined coins. The business may not be that viable if general cryptocurrency prices stagnate or, at worst, fall.

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