



Bitcoin Makes Marijuana Stocks Look Like Safe Investments

Description

You're probably aware of the speculative hype surrounding Bitcoin and other cryptocurrencies such as Litecoin, Ethereum, Dash and Ripple. The technology is intriguing, but many speculators have piled into these cryptocurrencies based on pure hype — hype probably not seen since the tulip bulb mania of the 1600s.

Some pundits believe that cryptocurrencies are in a bubble; some are even going as far as calling it a fraud. With initial coin offerings (ICO) looking to cash in on the hype surrounding cryptocurrencies, I think it's a good idea to consider how much risk you'll actually be taking before throwing money at something that may end up vanishing overnight.

Yes, there's a lot of hype, but many speculators who've been stockpiling cryptocurrencies really have no idea what they're really getting themselves into, as fellow Fool contributor Chris MacDonald [pointed out](#). That's breaking one of Warren Buffett's principles: "Invest in what you know."

What are Warren Buffett's thoughts on Bitcoin and the like?

"You can't value Bitcoin because it's not a value-producing asset," said Buffett who went on to warn that there could be a "real bubble in that sort of thing."

While it can be tempting to expose yourself to such a high-flying new asset classes, you're better off making solid long-term investments that you can actually understand. Many speculators will continue to get greedy, and I believe it's just a matter of time before billions of dollars go up in smoke.

When will that be?

Nobody knows, but I believe it's a horrifying bubble that could have the potential to send shock waves across the entire stock market when it finally pops.

What about cannabis stocks?

Many pundits have stamped cannabis stocks with a bubble identifier as well, which I don't believe is

warranted. Unlike Bitcoin, the emerging cannabis market opportunity is real. Cannabis is going to be legalized, and many pundits project a huge shortage in supply once legalization day finally arrives.

There are already cannabis stocks that are clocking in triple-digit percentage growth numbers on a year-over-year basis. And there are [ample positive developments](#) that'll continue to drive cannabis stocks much higher over the short to medium term. Supply deals, investments from larger firms, acquisitions, partnerships, expansion announcements, and the gradual easing of political regulations are just a few of many catalysts that will drive pot stocks higher.

Sure, all cannabis stocks have run up above what's realistic. They're difficult to value, but unlike Bitcoin, they can be valued since cannabis producers are value-producing firms that will likely deliver over the long term.

The Big Three pot stocks, **Canopy Growth Corp.** ([TSX:WEED](#)), **Aurora Cannabis Inc.** ([TSX:ACB](#)), and **Aphria Inc.** ([TSX:APH](#)), have dealt with their fair share of setbacks and a nasty correction that occurred last year, but when it was finally over, the pot stocks surged to new highs, as I'd [predicted during the trough of the volume dry-up this summer](#).

The cannabis market is fairly easy to understand, but the magnitude of growth is still difficult to fathom, especially with a large degree of uncertain variables. It's tough to be an investor in such a rapidly changing market, but it is possible to realize huge returns if you can stay on top of developments and trust your gut.

In a decade from now, the larger cannabis players will likely be dominant forces in a maturing market. What about Bitcoin? Will it even exist in a decade from now? Nobody knows, but if I were looking for a speculative high-risk investment, I'd much prefer investing in cannabis stocks, even if their valuations are overstretched.

It's likely that cannabis stocks could correct within the near future, but I think they'll rebound eventually, unlike Bitcoin, which could lose a majority of its value and go into the record books as one of the largest speculative bubbles in history.

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