



Is Buying Bitcoin the Same as Gambling With Your Money?

Description

The TSX and the Dow Jones have been breaking records this year, reaching new all-time highs. That means that stocks are getting more expensive. The danger for an investor is getting in near the peak and there not being enough upside left to make much of a profit, or worse, a big correction might be right around the corner.

Marijuana stocks [have been soaring this year](#). **Aurora Cannabis Inc. (TSX:ACB)** has seen its share price double in as little as two months. In a normal year, that would be an impressive return, but not in the year of Bitcoin. The cryptocurrency has risen 1,740% this year and shows no signs of slowing down.

To put this into perspective, if you had bought \$55,000 worth of Bitcoin at the start of the year, you'd be a millionaire right now.

The problem with these soaring values is that it's hard to ignore the massive bubble that is forming. Market crashes are nothing new, and it might only be a matter of time before we see a correction in both Bitcoin and cannabis stocks.

Recently, the governor of the Bank of Canada, Stephen Poloz, compared investing in cryptocurrencies to gambling because of the level of risk involved. However, it's not just Bitcoin that is risky, which raises this question:

When does investing become gambling?

Simply investing in high-risk stocks or investments doesn't mean you are gambling. After all, different investors have different risk appetites and what is a tolerable for one investor may not be for another.

Taking calculated risks is part of investing, but when you buy stocks purely for speculative reasons, that's when I would say that you're gambling with your money.

There are many different strategies for investing, but when you ignore or disregard significant risks and buy solely because a stock looks like it's on the way up, then you might be better off trying your luck in

Vegas.

Looking at charts and doing technical analysis can be useful, but that can turn into a high-risk game very quickly. Warren Buffett is probably the most well-known successful investor that comes to people's minds, and he's a value investor at heart that knows a company's business inside and out and invests based on fundamentals.

If you invest based on good fundamentals, then you're putting yourself at less risk for a big correction.

It may be tempting to buy a stock based on hype, but it's a dangerous strategy. **Hive Blockchain Technologies Ltd.** ([TSXV:HIVE](#)) is one of the most popular stocks in Canada, and it has risen more than 250% in just three months. It has seen incredible growth since being listed on the exchange, but that's not a logical reason to expect it to continue rising.

Bottom line

It may not be as exciting to invest in a stock like **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), but [it's a lot safer for your money](#). One of the most important things I've learned from investing is that you should always stay humble. There's nothing more dangerous than thinking you know where the market or a particular stock is headed.

CATEGORY

1. Investing

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