



Precious Ways to Hedge Against a Cryptocurrency Collapse

Description

All the talk of mining cryptocurrencies got me thinking two things. One, which sectors will be sheltered if cryptocurrencies tumble? Two, would exposure to precious metals act as an investment protection?

The meteoric rise of cryptocurrencies in 2017, notably Bitcoin (up 19 times year to date as of writing compared to the U.S. dollar), is due to a constellation of factors. I particularly like the brilliant concept embedded in blockchain technology. Blockchain is basically a giant electronic spreadsheet, tabulating transactions that are constantly being updated and verified. There is no master copy; instead there are simultaneous copies across countless computers that act as a decentralized bank ledger.

Crypto-mining computers around the world are buzzing away, verifying Bitcoin transactions and digging for new crypto-codes. The electricity power demands are staggering. A base value for Bitcoin, some have said, is the energy cost to generate **one** Bitcoin. How much is that? A lot! The electricity is enough to power three million homes for one day, or 25% of the total daily power consumption in the Netherlands. To incentivize the miners, one gets paid in Bitcoin if they crack a new crypto-code that meets the cryptocurrency rule book. (Note: I'm starting to wave my hands here...)

Meanwhile, there are over 300,000 Bitcoin transactions per day; each one must be verified through the blockchain. Verification is not instantaneous. It takes time to verify, typically 10 minutes for a basic verification, and one to two hours for increased scrutiny over the transaction. Transactions are anonymous, but the cryptocurrency inventors design their system to uphold legitimacy of the transactions. Any whiff of fraudulent activities creeping into the crypto-ecosystem could send the currency tumbling.

Is it time to diversify your cryptocurrency-loaded portfolio with a different kind of mining?

B2Gold Corp. ([TSX:BTO](#))([NYSE:BTG](#)) is a \$3.6 billion market cap gold-mining company, with mining operations in six countries. It has met or exceeded earnings per share (EPS) estimates for the last six out of seven quarterly reports. This stock is currently valued around \$3.66 per share and has been trading in a narrow range for most of the year. The company states EPS will go from \$0.03 to \$0.23.

Franco-Nevada Corp. ([TSX:FNV](#))([NYSE:FNV](#)) is a mining company primarily focused on gold but also silver platinum and metals/minerals. This \$18 billion market cap company has had a [great](#) year, with a market-beating stock price increase of 28% year to date. It's done so well that company insiders seem

to have taken profits by selling stock. Eight consecutive positive earnings, beating estimates, shows this company has a steady track record, despite the volatility of this sector. But at these levels, it would be better to put Franco Nevada on your watch list.

Pan American Silver Corp. ([TSX:PAAS](#))(NASDAQ:PAAS) is a silver miner with a \$3.1 billion market cap. The EPS history and recent stock chart is quite [similar](#) to B2Gold. The stock is priced favourably at the moment and bumped up 3% on Wednesday in part because company insiders were buying stock options around the \$18.64 and \$19.04 range. EPS are expected to be \$0.18 for 2018, and there is little point in looking beyond the next calendar year for this sector. Buying stocks in Pan American Silver could be a good hedge against a falling cryptocurrency.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

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2. NYSE:PAAS (Pan American Silver)
3. NYSEMKT:BTG (B2Gold Corp.)
4. TSX:BTO (B2Gold Corp.)
5. TSX:FNV (Franco-Nevada)
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Date

2025/08/16

Date Created

2017/12/22

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