



“Cryptocurrencies Will Come to a Bad End”: Warren Buffett to Investors

Description

In a recent interview with *CNBC* on Wednesday, famed investor Warren Buffett made his position clear on the cryptocurrency craze: “I can say almost with certainty that cryptocurrencies will come to a bad end.”

In the interview, Mr. Buffett also put a timeline on what he expects will be a very profitable trade for those on the short end, indicating if he “could buy a five-year put on every one of the cryptocurrencies, I would do it, but I would never short a dime’s worth.”

In other words, the bubble is so speculative that shorting the currency (borrowing shares, selling them, and then waiting to buy them back at a lower price) could result in a margin call as prices could potentially continue to balloon; that said, a five-year put would allow for massive price swings in the near term, but pay out in the case of a crash within the next five years if Mr. Buffett is correct.

As chairman and CEO of **Berkshire Hathaway Inc.** (NYSE:BRK.A)(NYSE:BRK.B), Mr. Buffett has preached investing wisdom and caution to investors for decades. His fundamental/value approach to investing has created one of the world’s largest conglomerates, inspiring admiration and respect from the vast majority of the investing community.

As such, I take his words seriously.

In my November 30th article, I [posed the idea](#) that both cryptocurrencies and cannabis investing were in many ways analogous, given that both the cryptocurrency segment and cannabis sector were exhibiting concrete signs of overvaluation. If that was true then, it is even more prescient today, given the unrealistic increase in valuations for these two speculative sectors.

In the interview with Mr. Buffett, Charlie Munger was also on the line and chimed in on his belief that there are multiple bubbles today, and cryptocurrencies are just one of them. He pointed to another bubble in venture capital, suggesting firms raising money in the venture space (Silicon Valley or otherwise) are incredibly overvalued and due for a correction.

While Mr. Munger did not outright name any Canadian cannabis stocks, to me, Canadian cannabis

companies fit right into the venture discussion, given the shockingly similar risk profiles and potential returns of Canadian publicly traded cannabis companies and early-stage mining firms or tech companies listed on the Canadian venture exchange.

Bottom line

In my opinion, the past few years have seen nothing more than “lottery ticket” investing pay off in sectors such as cryptocurrencies and cannabis, leading to incredible out-sized returns. The appetite for investors to accept massive amounts of risk for massive returns appears healthy (just take a look at the VIX), although I remain of the viewpoint that such an investing style is inherently unhealthy and ultimately dangerous long term for any investor putting their retirement money at risk in either of these sectors.

Don't listen to me; listen to two of the world's most renowned investors.

Stay Foolish, my friends.

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