



Is Warren Buffett Right About Bitcoin?

Description

The value of Bitcoin has risen a remarkable 1,500% in just one year, with the cryptocurrency trading at ~US\$15,000, compared to just US\$800 a year ago. Investors who bought in last year are counting their winnings – and it might be a good idea to cash out.

Warren Buffett is one of the most successful investors ever, but you won't see him buying Bitcoin anytime soon. Buffett provided a warning to those who do buy Bitcoin: "In terms of cryptocurrencies, generally, I can say with almost certainty that they will come to a bad ending."

Despite the gloomy outlook, Buffett isn't betting on a collapse of Bitcoin, stating that "We don't own any, we're not short any, we'll never have a position in them."

Anyone who knows anything about Buffett would not be surprised to learn that he's staying away from something as speculative as Bitcoin. However, investors who are considering buying into cryptocurrencies should listen to his words carefully, as you won't find a more knowledgeable investor on the planet.

Taking on risk doesn't mean speculating

Buffett is not a speculator, and those are the types of buyers who are pushing Bitcoin's price up to obscene values. It's one thing to take on risk, but it's quite another to speculate. Buffett took on a calculated risk investing in **Home Capital Group Inc.** ([TSX:HCG](#)) last year after its share price collapsed when the company was accused of misleading investors.

However, companies like Home Capital often recover from scandals in due time, and there's [reason to believe the company might have a strong year in 2018](#).

Buying Bitcoin, however, is based more on chart movements, emotions, and other factors that disciplined investors would normally avoid. That is what makes the cryptocurrency dangerous, because its value is being derived from hype and sky-high expectations rather than a careful analysis based on strong fundamentals.

However, it's not just cryptocurrencies that have been in a frenzy, as pot stocks like **Canopy Growth Corp.** ([TSX:WEED](#)) have also generated significant returns in the past year.

Today's frenzy could be tomorrow's collapse

Markets can be erratic, and a downturn in Bitcoin and other speculative investments could turn catastrophic with little or no warning. While you might be tempted to jump on the bandwagon out of fear that the opportunity might pass you by, that shouldn't be a reason to invest.

Bitcoin and marijuana are two bubbles that continue to expand, which means investors might have more to lose when things turn badly.

Buyers who have had successful runs from cryptocurrencies will likely scoff at the idea of a correction just around the corner. However, we are starting to see signs that the Bitcoin hype is starting to cool.

In the past month, the cryptocurrency has dipped more than 10%, nowhere near the US\$19,000 that it was hovering around in mid-December. Bitcoin is a [very risky](#) buy, and with its value starting to stabilize around US\$15,000, it's hard to envision much more growth from the cryptocurrency in 2018.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:HCG (Home Capital Group)
2. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
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Date

2025/08/18

Date Created

2018/01/11

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