



The Cryptocurrency Bubble Is Deflating. Case in Point: Long Blockchain Corp.

Description

It is often hard to call a continued systematic increase in prices a “bubble” until it pops; indeed, hindsight remains 20/20 for financial markets, and while many have cried “wolf” with current equity markets, calling the rise in prices of stocks around the world an “everything bubble” driven by easing monetary policy over the past decade or so, monetary tightening has done little to stop the advance of stocks at the expense of fixed-income securities in recent years.

That being said, in a number of articles I written of late, I've cautioned investors to consider two very prominent bubbles that have popped up of late: [cryptocurrencies and the Canadian cannabis sector](#). Both cryptocurrencies and the stocks of cannabis producers such as **Aurora Cannabis Inc. (TSX:ACB)** have been on the decline of late; however, this recent decline is in no way indicative that the bubble has popped. That being said, it looks as though these bubbles may be deflating, at least in the short term, as investors weigh the risk profile of these investments and begin to take profits at the top of the cycle — a very prudent move, in my opinion.

Perhaps the most widely discussed signal markets have seen that cryptocurrencies are indeed in a bubble-like environment is the rise of companies pivoting overnight toward cryptocurrencies or blockchain technology to create value for shareholders. **Long Blockchain Corp. (NASDAQ:LBCC)**, [formerly Long Island Ice Tea Corp.](#), is an excellent example that investors should take a good, hard look at as an example of what many have called irrational exuberance in this sector.

When a company that makes iced tea switches its focus toward blockchain technology and cryptocurrency mining, investors ought to be concerned.

On Friday, Long Blockchain Corp. announced it will forego purchasing approximately 1,000 Bitcoin-mining machines fewer than six weeks after announcing the company's intention to become yet another cryptocurrency miner. The company instead indicated it will be focusing on developing the blockchain technology that underpins cryptocurrency, noting it is still in talks to merge with **Stater Blockchain Ltd.**, a British firm operating in this space.

While investing in emerging technologies such as blockchain in and of itself may turn out to be a solid

long-term strategic move, indicating Long Blockchain Corp. is in the business of investing in innovation and spotting trends while they are still on the rise, the question of how much Long Blockchain Corp. is willing to pay to merge with Stater remains to be seen. At current levels, I believe the cryptocurrency/blockchain sector remain significantly overvalued, and as such, creating value for shareholders by moving into this space may actually result in value destruction long term.

I guess we'll have to wait and see.

Stay Foolish, my friends.

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