



Canadian Investors Can Now Profit Profoundly From the Fall of Cryptocurrencies

Description

Numerous gurus, including Warren Buffett, have shunned cryptocurrencies, oftentimes referring to them as a bubble that will eventually get popped. There's no question that there are many scenarios that could result in a catastrophic plunge of cryptocurrencies to nearly \$0 levels. Cryptocurrency is a commodity with no real underlying value, unless you see value in a few unique lines of code.

It's not a mystery that Bitcoin and its like have been the go-to currency for illegal financial transactions. From money laundering to ransomware, cryptocurrencies have a notorious reputation for making the lives of criminals easier. Add the fact that crypto mining is horrible for the environment, and you have a system that's just begging to be shut down by government regulators.

Moreover, should cryptocurrencies begin to pick up traction again, I find it very likely that the government would take an active role by stepping in to pop the bubble. They're not a huge fan of such a decentralized system, since it's not in their best interest to lose control over the country's financial system.

Why cryptocurrencies will almost certainly go bust over the long haul

The U.S. could follow in South Korea's footsteps by putting strict regulations or take it a step further and place a ban on all cryptocurrencies. It's not too far-fetched of a scenario when you think about it; actually, I think it's very likely should cryptocurrencies rebound and rally past their respective all-time highs.

I wouldn't be surprised to see all cryptocurrencies shed a substantial amount of value over a short period of time, so crypto investors should keep in mind that their investment could fall to \$0 in an instant. This implosion, in turn, would cause popular Canadian cryptocurrency miners to plunge as well, so it'd be a wise decision to avoid TSXV-traded securities like **Hut 8 Mining Corp.** (TSXV:HUT) or [HIVE Blockchain Technologies Ltd.](#) (TSXV:HIVE)

How to profit from a crypto bust?

In theory, you could short Canadian crypto miners like Hut 8 or HIVE to profit from the crypto bust;

however, doing so would likely introduce your portfolio to a large amount of risk over the short term, especially if the crypto bubble re-gains its momentum. With the shorting of any stock, you could be on the hook for more than your original principal if things don't pan out the way you're expecting them to.

In an interview with *CNBC*, Warren Buffett stated that the cryptocurrency craze won't end well, and that he'd "buy a five-year put on every one of the cryptocurrencies," but he noted that he'd "never short a dime's worth."

Why you shouldn't short the crypto miners, even if you're certain that crypto is heading to \$0

While I do believe cryptocurrencies will eventually [lose a majority of their value](#), shorting a miner or any other related security could cause harm to the individual investor over the near term. Although it seems like the Bitcoin and all cryptocurrencies are heading much lower, Bitcoin could easily move back to \$20,000 or even \$50,000 before it heads to triple-digit territory.

Nobody knows which scenario will come first, and with a short position, you're gambling that it'll head to \$0 before it hits its all-time high again. If it heads higher, you could be squeezed for your position and lose your shirt in a hurry, especially since, in theory, there's no upward limit to how high Bitcoin or its like could go. One could argue that shorting a crypto miner is just as risky, if not riskier, as going long or owning cryptocurrencies outright.

In short, avoid all things blockchain, long or short. HIVE is one of the top 10 most shorted TSXV stocks, and although you could profit profoundly over a short period of time, the position could blow up in your face, and you could find yourself in major trouble. Just because you have the ability to profit from the fall of crypto doesn't mean you should.

Stay hungry. Stay Foolish.

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1. TSXV:HIVE (Hive Blockchain Technologies)

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