



Bitcoin Is Rallying: Should You Be Buying?

Description

Bitcoin has been rising from the ashes. When it looked like the cryptocurrency was about dead and showing no signs of life, it jump-started recently and is up 35% since the start of the year.

What's behind the rally?

When Bitcoin jumped earlier this month, there wasn't any clear reason as to why it happened. There was no news about the cryptocurrency being unbanned on certain [platforms](#) or countries easing off on restrictions. There was no justifiable reason for an overnight rally, and yet, there it was. There have, however, been reports that there was a big order of approximately \$100 million by an unknown buyer which prompted the rally.

Reaching more than US\$5,000 for the first time since November, the cryptocurrency was injected with some life. And since then, Bitcoin has continued to rally, adding more modest gains to that initial big jump in price where volumes reached over 800 million on the first two days of the month.

Blockchain stock rallies on the news

Unsurprisingly, **Hive Blockchain Technologies** ([TSXV:HIVE](#)) has rallied along with the cryptocurrency. In just one month, the stock has risen by more than 40%, although over the past year it is still down by 37%, as it entered trading on Wednesday. Coming off a brutal quarter where the company lost \$36 million, there was little reason to consider investing in the stock. The catalyst behind the price movement was clearly tied to the jump in Bitcoin.

The danger with investing in a stock like Hive Blockchain is that it's going to be significantly impacted by how the cryptocurrency does. Regardless of what you think of the company itself, that's going to be secondary to how the industry and underlying commodity is doing. Hive Blockchain is a speculative buy that's only going to be suitable for buyers that believe cryptocurrencies will rise in value.

Bitcoin is still a big risk

It's important for investors to note that nothing has fundamentally changed on Bitcoin that would make the cryptocurrency more appealing. If anything, news of the QuadrigaCX scandal should have investors more on edge dealing with cryptocurrencies, as it highlights the [risks](#) that consumers could potentially expose themselves to when trading in crypto.

And as easily as one order sent Bitcoin soaring, an equivalent sell order could do the same. That's the big danger when dealing with investments that are based on speculation, as there is little predictability in where the price will go. Technical analysts can chart all the price movements that they want and draw out teacups and all sorts of imagery, but in the end, it's the big money that will determine which direction Bitcoin will go. And no one but those big players that have the power to move the cryptocurrency will know where it's headed.

For that and countless other reasons, I would avoid Bitcoin, as it's no better a buy than it was when it crashed a year ago. One big order won't change that, and investors will keep their money safe by steering clear of it.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSXV:HIVE (Hive Blockchain Technologies)

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