



2 Ways to Bet on Bitcoin's Surge Without Buying Bitcoin

Description

Bitcoin, the world's most popular cryptocurrency, has been on a wild upward swing this year. The price of a single unit of the digital currency has expanded from US\$3,750 to over US\$10,000 just since the start of 2019. Some now expect the token to test its historic high of US\$20,000 soon.

With major tech and financial companies getting involved this year, cryptocurrencies and their underlying blockchain technology has finally become a legitimate part of the economic discourse. Everyone, from the World Bank to India's Central Bank, is discussing the rise of these innovative financial technology instruments. The world's largest social media platform is even launching its own.

This mainstream attention makes another spike in Bitcoin's value as likely as ever. However, buying, storing, and selling the digital token remains a convoluted and unregulated process. For Canadian investors looking for a hassle-free way to add some exposure to this rapidly expanding technology, here are two options.

European Bitcoin mining

Vancouver-based **HIVE Blockchain Technologies** ([TSXV:HIVE](#)) owns and operates two cryptocurrency mining farms in Europe. The facilities in Sweden and Iceland are basically server farms that solve complex computational challenges to secure the underlying blockchain network of major cryptocurrencies like Bitcoin and Ethereum.

According to the company's latest report, it minted over 28,000 new Ethereum tokens, a 45% increase for the quarter, and 784 new Bitcoins. The company sells a portion of these newly minted digital tokens to invest in more server farms, but it also retains a portion to benefit from price appreciation.

That makes the stock closely correlated with the market value of Bitcoin and Ethereum. This year, the stock doubled and is currently up 80% year to date.

Canadian Bitcoin mining

Bitfarms (TSXV:BITF) recently went public to raise capital for a server farm that is similar to HIVE's. However, unlike its European rival, Bitfarms is a domestic company with servers located mostly in Quebec. Four server facilities spread across the province have a combined capacity of 34 megawatts (MW). The company is looking to expand capacity to 125 MW in the near future.

Besides the capital raised from its initial public offering (IPO) this month, the company also has access to a US\$20 million debt facility to fuel expansion across Canada and mine more cryptocurrencies. The firm has already generated US\$33.8 million in sales over the past year.

Similar to HIVE, I believe Bitfarms's stock price will be closely correlated to the market value of Bitcoin. The stock price has steadily declined since the IPO day, which could offer long-term investors an opportunity to enter and add exposure at a fair price.

Bottom line

Besides the difference in location, HIVE and Bitfarms are nearly identical in their business model and long-term strategy. Both should be treated as digital versions of traditional mining companies, which means their stock price will be correlated with the market value of their target commodity.

In this case, the commodity is Bitcoin, which makes both these stocks perfect for investors with an appetite for risk and speculation.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSXV:HIVE (Hive Blockchain Technologies)

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Author

vraisinghani

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