



TFSA Investors: How to Bet on a Bitcoin Boom in 2020

Description

In case you missed it, the price of Bitcoin seems to be surging again. The price of a single unit of the world's most well-known cryptocurrency has surged 40% against the Canadian dollar since the start of 2020.

Experts now expect the price to climb much higher for two simple reasons: Bitcoin's underlying protocol is going to limit supply further, and mainstream adoption of the technology seems to finally be gaining steam.

A number of corporations and central banks have talked about issuing their own cryptocurrencies or adopting blockchain technology over the past year. Meanwhile, Bitcoin is quickly approaching an event known as the "halving," which cuts the rewards to miners in half.

In other words, demand for Bitcoin is rising at a time when supply is about to be cut. That could propel the market value of Bitcoin much higher. Here are two stocks and a fund that stand to benefit from this phenomenon.

Hut 8

Alberta-based **Hut 8 Mining** (TSXV:HUT) is one of the [largest Bitcoin miners in the world](#). The company operates two mining facilities, in Medicine Hat and Drumheller, that are essentially server farms that solve complex mathematical problems around the clock to mint new Bitcoin.

The company retains a portion of these coins and sells the rest to fund its expansion. Since the cost of running its mining facilities is less than the market value of the Bitcoin it sells, the company is actually profitable on an operational basis.

In fact, it generated a gross mining profit of \$32.7 million in just the first nine months of 2019. The company now holds 3,496 Bitcoin, which are collectively worth US\$35 million at the time of writing but could be worth a lot more if Bitcoin reaches its all-time high of US\$20,000.

In other words, the company is the perfect proxy for investors seeking exposure to Bitcoin.

HIVE Blockchain

Another mining firm is **HIVE Blockchain Technologies** ([TSXV:HIVE](#)). Unlike Hut 8, HIVE's stock seems to have already priced in the Bitcoin exposure. The stock has surged a jaw-dropping 291% in the *past two weeks alone!* For context, Bitcoin itself is up just 23% over the same period.

Investors seem to be really excited about HIVE's potential, and there could be a simple reason for that: the company stores digital currency in Ether rather than Bitcoin.

Ethereum's price has been climbing faster than Bitcoin in recent months. The price of Ether has doubled since December 2019 and is up nearly 46% over the past two weeks. Despite this surge, HIVE's stock seems overvalued.

In its latest filing with regulators, the company said it had \$26.4 million in total assets, \$7 million of which was digital assets like cryptocurrencies with the rest in plant and equipment and property. Even if the value of digital assets has doubled since then, it doesn't justify a multi-fold return in the stock.

HIVE's market capitalization is currently five times annual sales per share and 21.85 times gross profit per share. Because of this difference in valuation, Hut 8 may be a better option for investors.

If you want to avoid stock picking in this nascent and volatile industry, another way to bet on Bitcoin's surge is through **Horizons Blockchain Technology & Hardware Index ETF**.

Keep a close eye on all these opportunities, as we potentially enter another bull market for the world's most controversial asset class.

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2. Tech Stocks

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2. TSXV:HIVE (Hive Blockchain Technologies)

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Date

2025/08/25

Date Created

2020/02/14

Author

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