



## Is Bitcoin's 2020 Rally Going to Crash?

### Description

Bitcoin has been having a major rally in 2020. Rising more than US\$3,000 from its Jan. 1st price, it's up about 46% for the year and over 100% since its March low.

Lately, however, the going hasn't been so good. Much like tech stocks, Bitcoin spent the first two weeks of September in a free fall. Since then, it has regained some lost ground but is still down compared to August (as of this writing). For many long-term Bitcoin investors, the coin's latest moves are just a bump in the road. But for those who got in more recently, it's worth asking whether BTC is headed for a crash.

### Bitcoin declined along with tech stocks

An interesting thing to note about September's Bitcoin crash is that it correlated strongly with a crash in tech stocks.

So far in September, the tech-heavy [NASDAQ](#) is down about 10%. Following a summer of hot gains, tech stocks began to look overvalued. Because traditional industries were being harmed by COVID-19, investors moved into tech, which had been less affected. This made sense initially. But eventually, valuations got unrealistically steep, and a correction followed.

That Bitcoin correlated strongly with tech stocks in this period suggests that investors bought it for similar reasons. Fearing continued weakness in traditional stocks, they may have moved into assets like crypto — seen as immune to the effects of the pandemic. If that's the case, then the ensuing correction may have also had a similar cause: valuation concerns. With Bitcoin rushing as high as US\$12,000, it was getting mighty close to late-2017 levels. Those levels proved unsustainable, so prices approaching them may have looked overvalued.

### Can crypto stocks be good buys?

If you're worried about a Bitcoin crash, you might be wondering if there are alternative ways to get

crypto in your portfolio. You can consider alt-coins, but they're subject to the same issues (volatility, etc.) that BTC is.

One way to get some indirect crypto exposure is through blockchain stocks. There are many publicly traded companies out there that mine crypto or operate exchanges. Investing in these stocks could be one way to get crypto exposure.

One such stock is **HIVE Blockchain Technologies** ([TSXV:HIVE](#)). It's a [crypto mining operation](#) based in Canada that mines crypto in massive data centres. Its data centres are based in "cool" climate areas like northern Canada, Sweden, and Ireland. This lets the company mine crypto at low cost. Its data centres pour massive amounts of electricity into mining crypto, and having the data centres in cold areas helps reduce cooling costs.

Over the past year, HIVE has risen about 40% in the markets — probably thanks to the bullishness of crypto in the same period. That return might look tempting. But remember, this is a stock that needs high crypto prices to make money. If Bitcoin falls, then this stock likely will, too.

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