



Bitcoin Is Flirting With US\$20,000: Avoid This 1 Canadian Crypto Stock

Description

Bitcoin is trading close to its all-time high value, as its valuation is around US\$19,516.20 at writing. The cryptocurrency's value surged by more than 40% month over month, adding billions of dollars in aggregate value in recent months.

Investors are very hopeful about the world's first cryptocurrency. There are expectations that Bitcoin can break its all-time record and surge to a new record by the end of 2020. Who knows? With 2020 being so unpredictable, we might actually see it reach the milestone.

If you were an early investor and already have exposure, that can be great news. However, I have never been an advocate of investing in cryptocurrencies. Whether you are investing directly in cryptocurrencies or crypto stocks, I will discuss why it might not be worth the risk.

Why is Bitcoin climbing to alarming highs?

Bitcoin has been through several boom-and-bust cycles over its short existence. The popular decentralized currency rose by more than 1,700% in just a few months, three years ago. Bitcoin ultimately crashed to US\$3,400 by the end of 2018.

The market has matured significantly in the last two years. The notorious currency is gaining traction among institutional investors as well. Hedge fund legends like Paul Tudor Jones and Stanley Druckenmiller have also invested in Bitcoin this year.

Many investors see cryptocurrencies as a viable gold alternative that can outshine the [rare yellow metal](#). Despite the recent surge in Bitcoin prices, investors must remember that it is still an entirely speculative asset. There is no way to evaluate or even compare the stock to determine the best possible moves you can make.

With the digital currency coming close to its all-time high valuation, I think it is becoming an increasingly risky investment. If you invest in the cryptocurrency right now, there is a significant chance that a downturn could result in devastating losses. The risk-to-reward trade-off is too high for investors

with a long-term horizon.

A Canadian crypto stock to avoid

Investors who don't want to buy gold directly consider investing in gold mining stocks like **Barrick Gold**. Investors interested in real estate but don't want to own properties purchase shares of real estate investment trusts. If you don't want to buy Bitcoin directly, you might consider adding **Hut 8 Mining** (TSXV:HUT) to your investment portfolio.

Investing in a company that profits off an asset rather than investing directly in the asset can add a layer of security for investors. It can provide you more convenient access to the market movements of an asset at a more affordable price. However, the risk from the underlying asset's valuation is still a factor that you need to consider.

The Alberta-based cryptocurrency mining company has mined over 12,300 Bitcoin since its inception, and it retains almost 3,500 Bitcoins. The company has a valuation of \$1.92 per share at writing. It is trading for more than 225% of its price at its March 2020 bottom. However, the stock has been incredibly volatile throughout the year, like the value of Bitcoin.

It may be worth a lot as the value of Bitcoin rises. Similarly, the stock can decline dramatically if and when the cryptocurrency devalues moving forward.

Foolish takeaway

If you are interested in the tech sector's movements, there are several [high-growth tech stocks](#) trading on the TSX right now. I would not consider investing in cryptocurrencies or crypto stocks like Hut 8 unless you have more money than you can spare and you are just curious. The risk-to-reward trade-off is too much to make it a practical investment.

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