



## Bitcoin Crash 2021: Remember What Happened Last Time!

### Description

The world's most popular digital currency, bitcoin, was created in January 2009 after a housing market crash. The mysterious creator of bitcoin goes by the pseudonym Satoshi Nakamoto envisioned an alternative to central-bank controlled fiat money. People can exchange real currency for arcade-like tokens that work using a decentralized technology called the blockchain.

The mining of the first or "genesis" bitcoin block (Block 0) was January 3, 2009. When Block 1 was mined on January 9, 2009, bitcoin mining commenced, and the digital currency became a worldwide phenomenon.

Fast forward to 2021, and bitcoin is on a rampage with its price is soaring like crazy. Legendary investor Bill Miller said the higher the price skyrockets, bitcoin becomes less risky. However, the opposite happened in 2017 when bitcoin surged to nearly US\$20,000, only to crash soon after.

### Cryptocurrency bubble

People still remember the fateful event of December 22, 2017, when bitcoin fell 45% from its peak or all-time high of US\$19,783.06 five days prior. The [cryptocurrency bubble](#) burst to cause a large-scale sell-off of cryptocurrencies. Bitcoin's price dropped to below US\$11,000.

There are striking similarities to the present-day surge. The price rose to US\$32,782.02 on January 3, 2021, then slid 14% to \$28,722.76 at one point during trading the next day. As of January 11, 2021, bitcoin trades at US\$36,557.54 after posting a new record of US\$40,797.61 three days earlier.

### Renewed exuberance is alarming

Bitcoin followers are happy with the renewed vitality. They see their precious digital asset as a maturing asset that could hedge against dollar weakness and inflation risk. However, some market observers worry over the pace of gains. A larger correction could ensue if the rally loses steam and the parabola breaks.

The cryptocurrency market is highly volatile. Bitcoin's value is rising again, although many investors still think it's not a [real investment](#). Speculations are driving the rally. Bear in mind that someone must pay more for the digital coin than you did to make a profit. Through much of the history of bitcoin and others like it, cryptocurrencies have been anything but stable.

## A miner is the better alternative

On the stock market, crypto stock **Hut 8 Mining Corp.** (TSXV:HUT) jumped 60.2% from \$5.28 to \$8.46. A year ago, the price was only \$1.55 per share. It appears the stock is catching fire because of bitcoin's surge. The \$818.35 million company from Toronto, Canada, is gaining attention after flying under the radar in 2020. This bitcoin mining company has more than 8,000 mined bitcoins.

The market caps of other bitcoin miners are fast-rising that Hut 8 seems well undervalued in comparison. Soon, when many investors pick up the stock, it should seek its actual valuation. Crypto proponents are confident that bitcoin's current upward trend indicates a path towards broader adoption and an eventual entry into the mainstream.

Hut 8 has industrial-scale operations in Alberta and presents an alternative and secure way for investors who want direct exposure to bitcoin. The company's sole focus is to mine bitcoins. Management's selling point is that you do away with the technical complexity or constraints of owning bitcoin when you purchase the stock.

## Needs more stability

Bitcoin defenders say the rally in 2021 is different from the 2017 episode because of institutional investors' entry. Still, the digital currency is wanting in stability that it could lose steam at any time.

### CATEGORY

1. Investing
2. Tech Stocks

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