



Bitcoin Drops 20% — Warren Buffett Told You So

Description

The Bitcoin frenzy seems to be cooling. This unregulated volatile cryptocurrency that surged almost 200% between November 2020 and January 10 has dropped 20% in the last 10 days. To give you an idea in dollar terms, Bitcoin fell from \$51,521 to \$41,175. The celebrated value investor Warren Buffett has despised Bitcoin for not one, not two, but countless reasons. As this digital currency falls, Buffett must be saying, *I told you so*.

Warren Buffett's investing style

If you follow Buffett, you know he hunts for stocks that have some fundamental factors, which can bring in future cash flows. For instance, **Berkshire Hathaway's** biggest holding is in **Apple**. Apple makes products like iPhone, Apple Watch, and MacBook that enjoy brand loyalty. People are willing to pay a premium for its products and upgrade their devices. What does this tell you about Apple? The company has the ability to generate higher cash flows in the long term, leaving out short-term exceptions.

Try to apply this logic, and you will understand why Buffett exited airline stocks and [despised gold](#) and Bitcoin.

Why Warren Buffett despises Bitcoin

First, Bitcoin has no intrinsic value, so you can't arrive at a fair price and whether the current price is overvalued or undervalued. Bitcoin's price is based on speculations, making it unpredictable. Buffett [described](#) Bitcoin's volatility as "probably rat poison squared."

Second, Bitcoin is an unregulated digital currency filled with scams. Hackers can take your Bitcoins, and you can do nothing about it. You can't go to the police or get theft insurance. Buffett said, "It's a gambling device ... there's been a lot of frauds connected with it. There have been disappearances, so there's a lot lost on it. Bitcoin hasn't produced anything."

I agree with Buffett. Bitcoin cannot sustain its highs unless there are regulations and accountability. Its price surged on the back of investors' trust. In the investment world, fear is more powerful than hope. All it takes is one scam or lawsuit to break investors' trust.

A stock better than Bitcoin with strong future cash flows

If you invested in Bitcoin, you're a risk-taker. Rather than risking investing in such a volatile currency that runs more on speculation than fundamentals, you should consider putting your money in the future. The 2030 decade will see the emergence of a cleaner environment. Climate change will be the agenda for many governments, starting with Europe and China. And with President Joe Biden sitting in the White House, even the United States is tightening its belt on clean energy.

Biden has proposed a US\$2 trillion federal climate plan. Some elements to this plan include:

- Replacing fossil fuel with clean energy
- Introducing subsidies for electric vehicles (EV)
- Installing over 500,000 new public charging outlets by the end of 2030.

All low carbon emission companies will benefit from the above plan, and one of them is **Magna International** ([TSX:MG](#))([NYSE:MGA](#)). You might wonder what this auto-parts supplier and third-party contractor have to do with emissions. Now Magna has dedicated the 2030 decade to EVs and autonomous vehicles (AVs). The company has a new CEO, Swamy Kotagiri, who aims to put Magna at the core of EVs.

Magna provides mobility technology to a wide range of automakers from **Ford** to BMW. With EVs and AVs, cars are becoming more of software and technology than automotive hardware. Like tech, many startups like **Fisker** and tech giants like Apple are building EVs. Magna is helping these companies with the production and supply chain portion. It is also investing in its clients so that it benefits if any of them become a trillion-dollar company in the future. For instance, it invested \$100 million in **Alphabet's** AV initiative Waymo.

A stock even Buffett would love

All the above points are sufficient to make even Buffett bullish on Magna and that too on fundamental grounds. The stock has tripled from its pandemic low. Like Bitcoin, it will show sudden bouts of significant surges. But unlike Bitcoin, the stock will retain the rally as its upside will be backed by future cash flows.

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