



## Bitcoin Touches Record High as Elon Musk's Tesla Invests US\$1.5 Billion

### Description

The price of Bitcoin touched a record high in the last 24 hours to currently trade at US\$47,000. The most popular cryptocurrency gained momentum on the back of **Tesla's** announcement that the electric vehicle leader bought US\$1.5 billion worth of Bitcoin.

This move is likely to bring legitimacy to the cryptocurrency market and accelerate the adoption of digital assets by other billion-dollar companies as part of their treasury-management policies.

Now, several other publicly listed companies might look to convert a part of their cash reserves into Bitcoin in the upcoming months. Recently, business intelligence specialist **MicroStrategy** spent US\$1 billion in Bitcoin purchases and adopted the digital currency as a primary treasury reserve asset in August 2020. MicroStrategy's Bitcoin portfolio will now be worth over US\$3 billion.

Tesla ended 2020 with close to US\$20 billion in cash reserves. Does this mean Elon Musk will bolster Tesla's Bitcoin holdings in the future? Tesla also confirmed it will begin accepting payments in Bitcoin, which was another major driver of Bitcoin's rally yesterday.

### Bitcoin has been the ultimate wealth creator

Bitcoin has generated massive wealth for long-term investors. The cryptocurrency giant was available for just \$0.0008/coin at the turn of the last decade, and before the end of 2010, it rose to \$0.08. So, a \$100 investment in Bitcoin would have helped you buy 1,250 coins at \$0.08, which would now be worth a staggering \$58.75 million.

There has not been another asset class that has managed to increase investor wealth at such a stellar rate. But historical returns don't matter much for future investors. Will the crypto asset surge higher and gain pace, as institutional investors are now eyeing a slice of the pie?

### Bitcoin is a hedge against the U.S. dollar

Bitcoin is built on a fundamental technology known as the blockchain. It is a decentralized currency that offers significant advantages over other fiat currencies such as the U.S. dollar. According to a report from Motley Fool, "Bitcoin owners don't have to worry about the actions of central banks or regulators and their potential impact on its value in comparison to other forms of money. As a result, bitcoin has tended to perform the best when there's doubt about the ability of the traditional monetary system to handle challenging conditions."

The last year has seen multiple reasons to doubt the efficiency of the global monetary system. The COVID-19 pandemic decimated economies all around the world as unemployment rates surged to multi-year highs. Governments pumped in billions of dollars as part of stimulus plans and federal benefits which has pressurized the U.S. dollar.

In late 2020, [digital payments giant PayPal](#) expanded its platform to allow trading of Bitcoin and other digital currencies. When it comes to retail investors, Bitcoin is the [fourth-most popular asset](#) in the U.S. and is twice as popular as gold. We can see why Bitcoin continues to rise higher and the backing of Elon Musk, Tesla, and other institutions suggests that the future is extremely bright.

## The verdict

Investors should note that Bitcoin is a volatile asset that is not regulated. It can be easily manipulated, which makes it extremely risky. If Canadians want to invest, they should only invest as much as they can afford to lose.

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