



Elon Musk: Bitcoin Worth Investing in Right Now

Description

Recent news that **Tesla** CEO Elon Musk had invested US\$1.5 billion in Bitcoin has sent digital currencies skyrocketing.

The reason cited by Musk for his investment in Bitcoin? A diversification of Tesla's cash holdings and better returns on this cash. Indeed, cash is earning next to nothing these days. Bond rates are still trading near all-time lows, and stimulus measures are likely to keep this the case for some time. Many investors looking to stash some dry powder away have started looking at various crypto-linked savings accounts that offer higher rates recently.

Musk's move provides significant credence to such moves by investors. This validation of cryptocurrencies as an investment-grade asset to park cash has undoubtedly caused even the most liberal investors pause. After all, the volatility of cryptocurrencies doesn't make for a good store of one's wealth. The returns on these digital assets are great today, but can implode from time to time. Parking \$1.5 billion in anything this volatile could backfire in a big way for Tesla — unless Bitcoin continues its remarkable rise. Let's explore what the future may hold for crypto investors right now.

Where's Bitcoin headed from here?

As I've discussed in previous pieces, Bitcoin's rise appears to have momentum that is unstoppable right now. When the price of Bitcoin was around \$30,000, [I made a very bold and bullish call](#) that this asset class could hit \$50,000 in short order.

Today, the price of a single Bitcoin is around \$60,000.

That's a rather impressive return for investors. An approximate doubling of one's money in around six weeks is nothing to sneeze at. Those sorts of returns are nearly impossible to get in equity markets without taking on a substantial amount of risk.

It appears that Elon Musk is bullish on this asset class not only as a store of value, but as an appreciating investment over the long-term. For those so inclined to follow in his footsteps, here's one

way to do so.

How to invest in Bitcoin?

In Canada, one of the vehicles many investors have used to gain access to these types of returns has been **The Bitcoin Fund** ([TSX:QBTC.U](#)). This fund buys and holds Bitcoin long-term, providing reasonable returns, but nowhere near the returns one receives by owning underlying asset.

This fund trades on the TSX and is more liquid and easy to trade than Bitcoin directly.

Again, I think it's worth cautioning investors that Bitcoin and its cryptocurrency peers are highly volatile. These are not assets well-suited to conservative long-term investors. Any sort of investment that can double in six weeks, or lose 30% of its value in a couple days, is not one most investors would care to hold on to. The intrinsic value of Bitcoin and its peers is impossible to quantify, in my view. Thus, I'm on the sidelines with respect to this asset class.

If you're bullish on the game-changing blockchain technology underpinning these cryptocurrencies and think the world will eventually shift to a Bitcoin-oriented payment system, then investing like Elon Musk could pay off. However, I'm not so sure these digital coins are worth what they're trading at today.

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TICKERS GLOBAL

1. NASDAQ:TSLA (Tesla Inc.)
2. TSX:QBTC (The Bitcoin Fund)

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