



## Elon Musk Is Buying Bitcoin: Should You, Too?

### Description

Elon Musk's **Tesla** ([NASDAQ:TSLA](#)) recently splurged on Bitcoin with a massive US\$1.5 billion investment in the cryptocurrency. The move sent Bitcoin's valuation soaring against the U.S. dollar, and it reached the US\$48,000 mark before slightly correcting to US\$47,470 at writing.

Many ardent fans of the cryptocurrency have had the US\$100,000 mark set in mind for the cryptocurrency, and this is the closest that Bitcoin has gotten to that valuation. Tesla made the purchase on Elon's orders. The acquisition represented a whopping 10% of Tesla's entire cash reserves, igniting a massive rally in the cryptocurrency world.

### Why Elon invested US\$1.5 billion

Tesla stated in its SEC filing that it purchased US\$1.5 billion of Bitcoin to diversify into a completely new asset class and get better returns on its capital. The company also said that it will start accepting Bitcoin as a payment for its products in the near future, provided that the local laws allow the transactions.

### Where will Bitcoin go from here?

While Bitcoin is still far away from the US\$100,000 mark, a lot of investors are gaining more interest in the decentralized currency. After setting several new highs this year, Bitcoin is looking promising to many investors. Institutional adoption of cryptocurrencies is increasing again. Musk's investment is a part of a larger trend, as hedge funds and exchange-traded funds (ETFs) begin putting money in Bitcoin.

Where does Bitcoin go from here?

People like Musk who are bullish on Bitcoin will obviously want it to rise in value. However, there are no underlying metrics that determine Bitcoin's intrinsic value. Aside from speculation, Bitcoin has become a common currency in dark web markets. Many mainstream businesses are also slowly

adopting Bitcoin for transactions. There is no telling how high it can go or if it will lose value, but Elon Musk undoubtedly has a lot of faith in the cryptocurrency.

## Getting exposure to Bitcoin

If you are as bullish as Elon Musk regarding Bitcoin, there are two ways you can add some Bitcoin to your portfolio.

The first thing you can do is buy Bitcoin itself. These days, several firms make it convenient to purchase cryptocurrencies, so you don't have to worry about any shady company on the dark web that will take your money and run away.

**The Bitcoin Fund** ([TSX:QBTC.U](#)) is another popular vehicle that many investors have been using to gain exposure to Bitcoin. The fund buys and holds Bitcoin long term, providing reasonable returns to investors. However, its returns are not nearly as close as what you can receive by owning a Bitcoin yourself.

The advantage of owning shares of The Bitcoin Fund is the liquidity it offers, because it [trades on the TSX](#), making it easier to trade than Bitcoin itself. I would like to caution investors that Bitcoin and other cryptocurrencies are a highly volatile asset class.

## Foolish takeaway

Conservative long-term investors might not like the risk it brings to their portfolio. Your investment can double in a matter of weeks or lose half its value in a couple of days without much of a warning.

However, if you believe that Bitcoin will become a mainstream payment method in the future and gain stability, investing in the cryptocurrency like Elon Musk could pay off. If you are not so sure about Bitcoin, there may be alternatives in the Canadian tech sector that could prove to be safer [high-growth investments](#) for your portfolio.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

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

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**Date**

2025/08/17

**Date Created**

2021/02/16

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