



Should Investors Follow Elon Musk Into Crypto, as Canada Approves its 1st Bitcoin ETF?

Description

A week ago, the Ontario Securities Commission (OSC) gave the final approval for Canada's first Bitcoin ETF. This will also be the first such ETF in the world.

[Bitcoin mania](#) has swept the investing community, and everyone seemingly wants in. Given the fact this ETF will be aimed at retail investors, we could see an influx of investment into this already crowded trade.

What is this fund, and what does it do?

The fund that has been approved is being launched by **Purpose Investments**. This fund allows investors to invest in Bitcoin without having to set up a digital wallet and store coins on their own. Essentially, this ETF will buy and hold Bitcoin in "cold storage" — that is, a custodian that is offline and cannot be hacked. Purpose has listed Gemini Trust Company LLC as the custodian.

This fund is expected to start trading on February 18, under the ticker BTCC. The ETF is expected to have a 1% fee, which is rather high in the ETF world. That said, demand for this ETF is not expected to be hurt by this fee.

I've talked about **The Bitcoin Fund** ([TSX:QBTC.U](#)) in the past, but these aren't really two comparable funds. This is because up until now, only closed-ended Bitcoin funds were available to investors. These funds typically have large premiums and are structurally different from exchange-traded funds.

Where's Bitcoin headed from here?

How high cryptocurrencies like Bitcoin can rise is anyone's guess right now.

Tesla's influential CEO Elon Musk recently flouted a US\$1.5 billion investment in Bitcoin. This has continued to provide momentum for these digital currencies. In fact, the price of a single Bitcoin just

surpassed the US\$50,000 level.

With so much momentum behind Bitcoin, and no real way to value this asset class fundamentally, the sky really does appear to be the limit in this case. However, as with all speculative investments with questionable inherent value, risks tend to be material.

Risks are rampant, so be very, very careful

I've noted for a long time that cryptocurrencies like Bitcoin are impossible to value. Some analysts have tried to do so using the money supply and future potential of a Bitcoin-dominated world to do so. However, a microscopic percentage of transactions currently are handled with Bitcoin. Additionally, I'm wary of a future where it's possible to be paid in a currency that has the potential to go up or down on a double-digit percentage basis on a daily basis.

The Bitcoin infrastructure requires a tremendous amount of energy. Thus, I was surprised to hear of Elon Musk's recent Bitcoin investment. This is still a currency being used primarily for black market activities and transactions involving parties seeking anonymity.

I don't see the investment value here and would caution investors looking for growth to do so in high-quality equities.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. growth
2. investing

TICKERS GLOBAL

1. TSX:QBTC (The Bitcoin Fund)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Tech Stocks

Tags

1. growth
2. investing

Date

2025/07/02

Date Created

2021/02/18

Author

chrismacdonald

default watermark

default watermark