



Is it Time to Invest in Bitcoin?

Description

It's hard not to notice all the gains Bitcoin has been making lately. Worth \$62,000 as of this writing, it was approaching all-time highs. By now, BTC has shot far past its late 2017/early 2018 prices, which were legendary in their own right. So, naturally, more and more people are starting to get interested in buying it. Just recently, Elon Musk himself invested US\$1.5 billion in Bitcoin through his company **Tesla Motors**, and other major companies are starting to get on board.

If you've heard about these developments, there's a good chance you're curious about getting in on BTC yourself. When an asset quadruples in price in under a year, it's hard not to notice. And if Elon Musk and others are correct, then Bitcoin has more upside from here.

But before you buy it, there are some things you need to know about BTC. It's a [very risky asset](#), and there are more dangers in holding it than just volatility. In this article, I'll explore those risks — and an alternative asset that can get you exposure to Bitcoin *without* its biggest danger.

Extreme volatility

The most obvious risk with Bitcoin is volatility. In textbook finance, “volatility” and risk are basically synonymous. Bitcoin is a very volatile asset. Volatility is normally measured by beta. For Bitcoin, you can't calculate a beta coefficient, because there is no realistic benchmark to compare it to. But it is far more volatile than the S&P 500. In 2018, Bitcoin declined 80% in value. Of course, it rose again years later. But many people panicked at the time and sold. It's important to ask yourself whether you could handle such a loss before you buy Bitcoin. Seeing an asset you own go down that much could be very painful.

It's possible to lose Bitcoin

Another issue with buying Bitcoin directly is losing it. Lately, cryptocurrency exchanges have been trying to beef up security, but their measures are vastly inferior to those of banks. Coinbase claims that its users are “insured,” but says in the fine print that that [doesn't cover losing your password](#). Basically,

Coinbase's "insurance" means insuring its storage facilities — not your account.

A publicly traded alternative

If you want to invest in Bitcoin but are worried about the risks, there's a publicly traded alternative you could consider: mining stocks.

Crypto mining stocks like **HIVE Blockchain Technologies** ([TSXV:HIVE](#)) make money by mining and selling crypto. HIVE appears to specialize in Bitcoin and Ethereum, so when you buy it, your money is largely tied to the fate of Bitcoin itself. HIVE's return over the past year has been far hotter than Bitcoin's, with the stock up 972%. The company itself has been doing well lately too. In its most recent quarter, it generated \$9.2 million in net income — up from a \$11 million loss the year before — and grew its mining revenue by 8%. It mined 32,800 Ethereum and 89 BTC. If Bitcoin and Ethereum rise in value, HIVE's earnings will increase. So, this stock could be a good way to get a piece of the BTC action without buying Bitcoin.

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