



Is Warren Buffett Right About Bitcoin?

Description

The cryptocurrency bull market has been on a solid run in 2021 relative to its bull markets in previous years. Bitcoin has been leading the charge once again, coming close to the US\$60,000 mark before succumbing to pressure and slipping down as far as US\$43,000 at the end of February.

The cryptocurrency has since rebounded and is trading around the US\$57,000 mark at writing. Is Bitcoin ready to [soar in 2021](#) and break more records? Or should investors be wary of the world's most popular cryptocurrency during the current volatile market?

Bitcoin's recent volatility

Bitcoin has its fair share of proponents, but many influential figures have opposed it. [Warren Buffett](#) does not shy away from pivoting to adjust to the changing global landscape when seeking new investments. He even managed to let **Berkshire Hathaway** buy **Barrick Gold** shares to capitalize on the bull market for gold prices.

Warren Buffett refers to Bitcoin as little more than “rat poison” and has expressed his displeasure with the non-traditional asset class in several interviews. Other prominent people have spoken against investing in Bitcoin.

Janet Yellen, the former chairwoman of the Federal Reserve and the current U.S. Secretary of the Treasury, has even said that Bitcoin is “extremely inefficient” as an asset class.

With no fundamentals backing the value of the cryptocurrency, comments like these appear to spur quick pullbacks and stimulate volatility in Bitcoin's performance.

Things that are going well for the cryptocurrency

Bitcoin began gathering momentum in 2020, as mainstream investors began embracing the new asset class. Brokerage firms like WealthSimple have started to offer Bitcoin trading. **PayPal** is also bringing

Bitcoin into the fold. Perhaps one of the biggest reasons that led Bitcoin soaring in 2021 was Elon Musk-led **Tesla** pouring US\$1.5 billion into the cryptocurrency.

Canada has also entered the space and released the [first Bitcoin-focused exchange-traded fund](#) (ETF), called **Purpose Bitcoin ETF** ([TSX:BTCC.B](#)). The ETF seeks to track the performance of Bitcoin, and millions of dollars have already flowed into the fund since its launch on February 18, 2021.

Why Bitcoin could be a bull trap

Purpose Bitcoin presents Canadian investors the chance to gain exposure to Bitcoin without owning the asset itself. However, there is a chance it could be a classic bull trap. A bull trap is a false signal that shows a decreasing trend in a stock that has reversed and is heading upwards.

Bitcoin has never been a stable asset. The popular cryptocurrency's spot price went from US\$40,000 to US\$30,000 within a month at the start of 2021 before climbing to new all-time highs the next month. Accurately predicting Bitcoin's trajectory is not possible.

The only good thing going for the cryptocurrency is that it has gained mainstream support. However, it seems to continue to fail to impress Warren Buffett.

Foolish takeaway

Buffett was not always bullish on tech stocks and was late to join the party when he invested in **Apple** in 2016. However, the tech giant showed immense potential and proved itself to be a company with substantial value. **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) could be an ideal investment to consider if you are looking for exposure to a tech stock that could provide you with similarly substantial long-term results.

The Montreal-based company provides commerce-enabling software as a service platform for small and mid-sized businesses like retailers, restaurants, and several other types of businesses. The stock declined amid the overall tech sector downturn and could be considered to be in value territory.

The company possesses an adequate balance sheet and has immense growth prospects due to the changing business landscape after the pandemic. It could make for a far better investment than Bitcoin in terms of providing you with returns that have fundamentals backing its value.

CATEGORY

1. Investing

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2. TSX:BTCC.B (Purpose Bitcoin ETF)
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Author

adamothonman

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