



## From Bitcoin to Dogecoin: Experts Warn of a Crypto Bubble Burst

### Description

When it comes to money, whom would you believe – celebrity memes or experts who crunch numbers all day and know how money works? There is a huge influence of social media on the stock market, and cryptocurrency hype only spells a crypto bubble, which will burst once the frenzy cools.

It all started as a joke in 2013. Two software engineers coded Dogecoin as a satire to the growth of alternate coins and the Doge internet meme. But little did they know that after eight years, their joke will become a US\$51 billion market capitalization. And the reason behind this rally is the Redditors who shocked the stock market with the **Gamestop** short squeeze. To add to the humor, Dogecoin is [surging](#) on memes Elon Musk and other celebrities are posting on **Twitter**.

In this article, I will explain why crypto prices are rising — and why I believe that this crypto bubble will burst.

### Why are crypto prices rising?

Cryptocurrency is like digital gold, which needs to be mined. It has all the features of gold. In a lifetime, you can only mine 21 million Bitcoins, making it scarce like gold. Initially, it is easy to mine. But the more you mine, the more difficult it becomes to get even one coin. The mining needs high-performance computers.

In the olden days, gold coins were used as currency to exchange goods. But today, it just stays in the vault, and its price grows. Cryptocurrency has become something like that.

People are buying cryptocurrency in hopes that others will also buy and push its price up, and then they will sell the crypto. Freetrade analyst David Kimberley said, “But when everyone is doing this, the bubble eventually has to burst and you’re going to be left short-changed if you don’t get out in time.” People are investing in crypto to get rich quickly. But there are no shortcuts to get rich.

## When will the crypto bubble burst?

Just like any investment, few players hold a large pile of cryptocurrency. Let's go back to November 2020. Bitcoin prices began to rise as hedge fund investors purchased it. Bitcoin prices doubled in February when Elon Musk disclosed **Tesla's** US\$1.5 billion investment.

Imagine the price drop when one or two of these giants begin to liquidate. It's impossible to say when this will happen. But when it does, retail investors will not even have a chance to exit at the right price. Remember the Gamestop [mania](#). Robinhood banned retail traders from buying, and many lost their money. This herd mentality only makes the one who is at the forefront rich. The ones who are last are the ones who lose.

There is a possibility these giants may liquidate their cryptocurrency when the stimulus money stops and the economy recovers. This is because investors move to alternative investments like gold and now cryptocurrency when interest rates are near zero and inflation reduces the value of the paper currency. When the government stops injecting money from the stimulus and increases interest rates, the paper currency value rises, and people liquidate their alternative investment.

## A better hedge against inflation

There are better ways to hedge against inflation than risking your money on a speculative cryptocurrency. Investing in essentials and oil-related stocks like **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) can at least give you 7% dividend income. Oil and natural gas have far more utility than gold and crypto. From planes to cars to factories, everyone uses fuel to power engines.

Moreover, oil is a scarce resource. Even if the energy industry switches to renewable sources, it will take almost 20 years for renewables to make a material difference in oil demand. The pandemic has impacted travel, thereby reducing oil demand. Hence, Enbridge stock is trading at a 17% discount from its pre-pandemic level.

Pipeline operator Enbridge's cash flows are stable, as reduced oil demand is partially offset by an increase in natural gas demand. In the worst-case scenario, it will not increase its dividend. One year into the pandemic, and the company still managed to increase its 2021 dividend by 3%. Moreover, the stock is recovering to the pre-pandemic level.

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### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
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