



The Two Sides of a Bitcoin: To Buy or Not to Buy?

Description

Bitcoin, is it a frenzy or the future global currency? No one can tell unless you can time travel. Every investment has two sides, a bull, and a bear. Traditional investors like Warren Buffett are on the [bear side](#) of Bitcoin, while companies like **Tesla** and **Square** don't mind giving it a try. But this doesn't mean they are bullish on digital currency.

This whole debate leaves you with the question, to buy or not to buy Bitcoin? When in doubt, look at the risks and rewards and determine your exposure.

The risk of investing in Bitcoin

Bitcoin is currently trading at \$70,000, and it is not a good idea to buy the digital currency directly. The crypto trading platforms are not some of the most user-friendly. People have lost their Bitcoin just because they forgot their password. That is the level of security blockchain technology offers.

Moreover, Bitcoin has no intrinsic value. As Buffett said, "I'll tear off a button here. What I'll have here is a little token...I'll offer it to you for \$1000, and I'll see if I can get the price up to \$2000 by the end of the day. But the button has one use and it's very limited use." I agree with Buffett that Bitcoin is a speculative bet. When the show is over, people will go back home to the stocks that have fundamentals. Now it is up to you whether you go back home in the money or out-of-money.

The reward of investing in Bitcoin

Now the beauty of speculative bets is it has high rewards. Bitcoin price surged 88% year to date as companies are considering Bitcoin as an alternative investment. Tesla, Square, and **MicroStrategy** have bitcoins in their holdings as a hedge against inflation. When the fiat currency has a negative real interest, investors look for alternatives.

At present, the government is printing money with no underlying gold reserve, which means the government can print as much money as it wants and give a generous fiscal stimulus package. When

there is excess money, commodity prices rise. Hence, if you look at commodity ETFs, they surged in the last few months despite being in a long-term downtrend.

When the party is over (stimulus money stops), the economy has to stand by itself using demand and supply forces. That is when the price falls. Look at commodities like gold and silver, which derive their value just sitting in the locker. Bitcoin is something like that. These precious metals prices peaked in 2011 as the world recovered from the financial crisis. And after 2011, it was in 2020 they reached 2011 high.

As Bitcoin has similar characteristics as precious metals, I believe it will continue to rally through the stimulus and recovery periods. Afterward, it might lose its value. Bitcoin is not a long-term investment.

How to invest in crypto without losing your night's sleep

Understanding the speculative nature of Bitcoin, you should be prepared to lose money. So if you want to get a piece of the current Bitcoin frenzy, you can invest in **Hive Blockchain Technologies** ([TSXV:HIVE](#)). Hive runs server farms to mine Bitcoin and stores it in inventory. It generates cash flows via transaction fees and Bitcoin in exchange for verifying transactions across the blockchain.

Like gold miners, Hive is highly dependent on Bitcoin prices. The only way it can reduce its losses in a downturn is by reducing cost through operating efficiency. Bitcoin is mined by solving complex mathematical problems that need high-performance computing. Hence, reliable and cheap electricity, internet, and cool climate help lower costs.

Hive [has](#) green energy-powered data centre facilities in cold countries like Canada, Sweden, and Iceland. Natural cooling and renewable energy reduces the cost and helps it make the most of Bitcoin upside. Hive stock surged 56.4% year to date. You can buy the stock for less than \$4. Given the risk, invest not more than 1% of your portfolio in Hive.

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