



3 Reasons to Avoid Bitcoin Like the Plague

Description

The cryptocurrency craze is back due to the impressive rally of the world's most popular digital currency in 2021. Bitcoin's (BTC) price soared to as high as US\$63,500 on April 13, 2021. However, it has dropped nearly 22% to US\$49,707.56 on April 25, 2021. The volatile nature of BTC appears to be showing again.

BTC's plunge and that of other digital currencies wiped off over US\$200 billion of the cryptocurrency market's value. The plan of the Biden administration to raise long-term capital gains tax for the wealthiest Americans led to a wave of selling, including the stock exchanges.

Despite the retreat, CEO and co-founder of digital asset broker Bitpanda Eric Demuth said, "Things are getting more established." He added that retail investors, believers or non-believers, can invest even a very small fraction of their portfolios into BTC. Should you heed the advice or [avoid Bitcoin](#) like the plague?

1. Lack of oversight

Unclear regulation sticks like a sore thumb when you talk of BTC. The growth of cryptocurrencies has been heavily reliant on unregulated companies. Guidelines to make the space more transparent and to protect consumers are not yet in place. Despite the entry of more institutional investors, BTC is a high-risk investment in the eyes of many.

2. Illiquidity concerns

The absence of a central bank backing heightens the systemic risk in the cryptocurrency industry. Currency inconvertibility and the ability of investors to exit the market are serious factors to consider. Due to current regulatory and technical barriers to entry, BTC is much less liquid than fiat currencies.

Bitcoin's dual nature, as an asset and currency, also contributes to its volatility. When price fluctuations are wild, BTC holders will sell rapidly. It would help stabilize the market if people can use digital

currency for ordinary transactions. Until then, the skepticism will persist.

3. Open Ponzi scheme

If you were to believe the *Black Swan* author, you would stay clear of BTC. Nassim Taleb has described Bitcoin as an open Ponzi scheme. He has countered ardent crypto followers who say BTC is digital gold or a hedge against inflation. Taleb advised, "If you want to hedge against inflation, buy a piece of land." He added the [best strategy](#) is to own things that produce yields in the future.

Dodge the risks

Canadians can gain exposure to BTC without the attendant risks mentioned above. You have three Bitcoin ETFs to choose from on the TSX. However, if you prefer individual stocks, **HIVE Blockchain Technologies** ([TSXV:HIVE](#)) is a suitable option.

Current investors in the blockchain stock are up 48.54% thus far in 2021. The share price of \$3.55 is 1,027% higher than it was a year ago. Had you invested \$10,000 then, your money would be worth \$112,698.41 today. Like BTC, HIVE's stock market performance is remarkable. The price has gone up as high as \$5.44 in early April 2021.

The \$1.44 billion company operates as a cryptocurrency mining company. Besides BTC, it mines and sells other digital currencies such as Ethereum and Ethereum Classic. HIVE's state-of-the-art blockchain infrastructure facilities are in Canada, Iceland, and Sweden.

Instead of direct access to a highly volatile asset, HIVE offers exposure to the operating margins of digital currency mining and a portfolio of coins. Your returns could be massive, minus the undue stress from Bitcoin itself.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSXV:HIVE (Hive Blockchain Technologies)

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

Date

2025/07/29

Date Created

2021/04/27

Author

cliew

default watermark

default watermark