



## Here's Why Cryptocurrencies Are Correcting This Week

### Description

Earlier this week, I [looked](#) at three top cryptos for investors to consider as we approached the middle of May. While the rise of crypto has been exciting and has made fortunes, I warned investors to be cautious. The volatility of this market has reared its head once again this week. Why are bitcoin and its peers getting hammered before the midpoint of May? Let's dive in.

### Elon Musk just punched bitcoin in the gut

**Tesla** founder and CEO Elon Musk has become quite popular among crypto enthusiasts in 2021. However, that love affair might be over after the past week. On May 8, Elon Musk starred as the guest on *Saturday Night Live* and participated in a sketch wherein he called Dogecoin a "hustle." Comedy or not, the comments led to Dogecoin getting [clobbered](#) in early morning trading on Sunday.

In early February, Tesla bought \$1.5 billion in Bitcoin. The company also said that it planned to accept the top digital currency as a payment for its vehicles, propelled Bitcoin to all-time highs. However, what Tesla and Elon Musk giveth, they also taketh away. Yesterday, Tesla announced that it would stop taking Bitcoin for vehicle purchases. The company said that it did this out of concern that cryptos contribute to a greater consumption of fossil fuels. So, Tesla's embrace of the top digital currency has been a short-lived one.

The spot price of Bitcoin was hovering just above the US\$50,000 mark in early afternoon trading on May 13. Its peers like Ethereum, Monero, and Ripple were also suffering. The **Purpose Bitcoin ETF** ([TSX:BTCC.B](#)), the first bitcoin-focused exchange-traded fund, was down 8.2% in early afternoon trading, putting the ETF into the red in the roughly three months since its inception.

Tesla's rejection of bitcoin is not the only concern for crypto bulls as we look ahead, however.

### Is a crackdown on crypto coming?

Bitcoin suffered some turbulence in the middle of April as warnings of a crackdown gained steam.

Enthusiasts had a right to be worried as crypto has spurred on some influential detractors. United States Treasury Secretary Janet Yellen, the former Federal Reserve chairwoman, questioned Bitcoin's viability, calling the top digital currency "extremely inefficient." Bill Gates warned against retail investors putting their cash in the inherently volatile asset.

Warren Buffett has not warmed on digital currencies. In the past, he has called Bitcoin a "delusion" and dismissed it as "rat poison" for investors. Charlie Munger, vice chairman at **Berkshire Hathaway**, called Bitcoin "disgusting and contrary to the interests of civilization" in a Q&A session at the company's annual shareholders meeting on May 1.

While crypto has broken into the mainstream over the past year, many of its detractors are as hostile as ever. Tesla's about-face on Bitcoin could be a sign of things to come. Investors need to be very cautious right now.

## Should you look to crypto?

The enthusiasm surrounding crypto has been infectious since it was reinvigorated in the middle of 2020. However, investors need to brace themselves for significant risk and volatility if they aim to jump into the market at this stage.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:BTCC.B (Purpose Bitcoin ETF)

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