



4 Things You Need to Know Before Investing in Bitcoin

Description

The frenzy returned in January 2021 when Bitcoin topped US\$30,000, followed by growth increments of US\$10,000 in the ensuing months. Crypto fans immediately coined their beloved digital currency as digital gold. On April 13, 2021, the price soared to US\$63,503.46. However, the noise was muted the next month when the descent began.

By the end of May 2021, Bitcoin closed at US\$37,332.86 — a 41% drop from its April peak. As of June 22, 2021, the world's most popular digital token trades even lower at US\$30,801.27. The furious rally didn't sustain. Right now, the future is hazy.

Many people have the FOMO feeling, because Bitcoin created millionaires. If you still want [a piece of the action](#), you need to know four things before investing in cryptocurrencies.

1. Very risky asset

The crash in May 2021 confirms that Bitcoin is a speculative and risky asset — not the ultimate hedge, as some people claim. While its price history gives an impression of a winning investment, wild price swings accompany the asset. Also, it has no intrinsic value. The price depends only on what another person is willing to pay for the digital token.

2. Not a simple investing process

Don't invest in Bitcoin blindly. Learn the process first, like how to create a digital wallet to store your token. Moreover, Bitcoin is a bearer asset. You'll obtain a cryptographic key that you alone must know. Investors safeguard the keys on a hardware device or a piece of paper where the code (string of numbers or letters) is written. Don't lose or entrust the key to third parties, because you may not be able to recover your Bitcoin.

3. Greater legal risks

A potential risk factor for Bitcoin is its decentralized structure. Apart from the non-physical presence (digital only), no central authority backs the cryptocurrency. While investors aren't beholden to institutions or regulators, there's no legal recourse if ownership or transaction issues arise.

4. Government clampdown

The regulatory clampdown by governments is beginning, so Bitcoin could sink further. China will stop virtual currency trading activities and close down suspected crypto-mining operations. U.S. regulators are likely to come up with new rules to protect investors.

Cross-listed crypto stock

Canadians have an [alternative to Bitcoin](#) in the stock market. **Hut 8 Mining** ([TSX:HUT](#))([NASDAQ:HUT](#)) now trades in Canada and the United States. The \$628.28 million company engages in industrial-scale Bitcoin mining operations. Like Bitcoin, the crypto stock was on fire in early January 2021.

Hut 8's trailing one-year price return is 229.1%, although the stock went on a tailspin too. The current share price of \$4.64 is 65% lower than its peak of \$13.18 on February 22, 2021. Still, market analysts recommend a buy rating. They see a potential upside of 202% to \$14 in the next 12 months.

The digital asset mining pioneer has one of the highest installed capacity rates in the cryptocurrency industry. Management's ongoing concern is to find ways to accelerate innovation in high-performance computing and the blockchain ecosystem.

Future value is uncertain

Dark clouds hover over Bitcoin today. Besides the question of broader acceptance by institutional investors, the crackdown by governments could cause a more profound plunge. Hut 8 Mining is a better alternative if you want exposure to Bitcoin. You don't need to open a digital wallet to invest. Also, the crypto stock is under a central authority.

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Date

2025/07/04

Date Created

2021/06/25

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