



Crypto Crash: Could Your Tech Stocks Be Next?

Description

This week saw a pronounced crash in the prices of major cryptocurrencies, with Bitcoin and Ethereum both posting considerable losses. Crypto began to rebound on Thursday after taking losses earlier in the week, but BTC and ETH both remained down for the week at the time of this writing.

If you're a crypto holder, this development might have you a little nervous. Particularly if you weren't holding in 2018 and aren't used to the kind of volatility crypto can experience. Cryptocurrency has always been a rough ride, but people who bought in this year haven't experienced as much volatility as in years past. If you're one of them, you might find this magnitude of loss to be a bit much.

It has certainly been a steep crash. And what's more, it could start affecting not only crypto, but tech stocks as well. This year, a number of [tech companies](#) have made investments in crypto, and their holdings are declining in value. If current trends continue, they could be in for a lot of pain in the near future.

Public companies heavily involved in Bitcoin

In 2021, there are a number of publicly traded companies that [invest in or make money off crypto](#):

- **Coinbase**: a crypto exchange
- **Square**: a payments company
- **HIVE Blockchain Technologies** ([TSXV:HIVE](#)): a mining company
- **Tesla**: a company that holds crypto as an investment

These three companies are heavily invested in crypto, either by directly holding it or by processing crypto transactions. If crypto declines in value, then their value should decline as well. In some cases, it's already happening. Coinbase is down about 35% for the year, and HIVE Blockchain Technologies is taking big losses as well. Tesla rose this week, but it's the least exposed to crypto of all the companies mentioned above.

Crypto mining companies most affected

By far the companies that stand to lose the most in a crypto crash are mining companies like HIVE Blockchain Technologies. These companies make their money directly by mining and selling crypto. If crypto collapses to a level where they aren't covering their costs, then they can't turn a profit. And these companies have significant costs. HIVE, for example, operates climate-controlled data centres in Canada, Iceland, and Sweden. These cost money to operate, and the cost to mine a Bitcoin or ETH token rises every day. If the price of these coins isn't high enough to justify the mining, then HIVE will either lose money or shut down.

Foolish takeaway

As we've seen this year, cryptocurrency is one of the most volatile assets out there. Even mature, "large-cap" cryptocurrencies like Bitcoin can crash on a dime, as they have done many times in the past. The sad part is that now, the stock market is partially tied to their performance. The more companies invest in Bitcoin, the more public equity markets stand to lose when Bitcoin goes down. It might be a hard pill to swallow, but it's a fact of life.

CATEGORY

1. Investing
2. Tech Stocks

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