



Bitcoin Coming Under Fire by China: Value Craters

Description

Bitcoin was on fire since January 2021 but is now under fire at the beginning of the third quarter. Crypto investors went crazy when the world's most popular digital currency zoomed to as high as US\$63,503.46 on April 16, 2021. However, the torrid rally didn't last, as Nakamoto's token fell faster than its ascent.

On May 31, 2021, Bitcoin's price is down to US\$37,332.86. Before the bloodbath, rabid supporters boasted the rally is no hype and that Bitcoin is digital gold. The 41% drop in 45 days brought back memories of 2018, when the crypto sunk into the abyss.

People should think twice now about investing in Bitcoin and get rid of the get-rich-quick mentality. The chances of losing money are high, because of [extreme volatility](#). Stock investing is still less risky than crypto investing.

Governments' crackdown

On June 21, 2021, the People's Bank of China denounced virtual currency trading activities. The bank's notice said cryptos disrupt the normal economic and financial orders. It adds that they breed risks of illegal cross-border transfer of assets, money laundering, and other illegal or criminal activities. It also seriously infringes on people's property safety.

The United States seems to be working in unison with China to crack down on Bitcoin and the cryptocurrency market in general. According to the Treasury Department, cryptocurrency already poses a significant detection problem by facilitating illegal activity broadly, including tax evasion.

The U.S. government will take steps to crack down on cryptocurrency markets and transactions. Among the stricter compliance measures is to require reporting of any transfer worth \$10,000 or more to the Internal Revenue Service (IRS).

Environmental concerns

State, federal bank, and securities regulators are taking active roles to regulate the crypto sphere. Since Bitcoin thrives on anonymity and a fully decentralized structure, it raises concerns about [investors' protection](#) and market manipulation. Another issue is the impact of Bitcoin mining on the environment.

Tesla's Elon Musk said the electric carmaker would no longer accept Bitcoin as payment. The rapid use of fossil fuels to mine the digital coin is not suitable for the environment. Musk wants the miners to transition to clean and more sustainable energy.

Financial health

Besides extreme volatility, the lack of regulation makes Bitcoin a risky investment. Canadians should forget cryptos and invest in safer assets like **Mogo** ([TSX:MOGO](#))([NASDAQ:MOGO](#)) instead. The fintech stock has incredible growth potential.

The \$690.37 million company engages in financial education and aims to empower its members with simple digital solutions. Mogo's platform includes apps such as MogoSpend, MogoMoney, MogoMortgage, and MogoProtect. For Bitcoin enthusiasts, MogoCrypto is a low-cost and straightforward way for Canadians to buy and sell cryptocurrencies.

Mogo is among the TSX's high flyers in 2021 with its 103% year-to-date gain. At \$9.82 per share, the trailing one-year price return is 698.37%. Market analysts recommend a strong buy rating and forecast the price to climb between \$12 (+22%) and \$16 (+63%) in the next 12 months.

Giant crater ahead

Nassim Nicholas Taleb, investor and famed author, warns crypto supporters not to underestimate the power of governments to intervene and implement greater regulations. A giant crater looms for Bitcoin if more central banks and state regulators follow the lead of the U.S. and China. The digital asset's woes are just starting.

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