



Forget Bitcoin: Grab This Crypto Stock Instead

Description

Bitcoin's price has been range bound for well over a month. Some believe the cryptocurrency market could be facing a long-term lull, as it has in the past. That means investors need to change their strategy to extract value from the sector. Here's how you can make money when Bitcoin is flat or lower.

Bitcoin faces crypto winter

Bitcoin's price history has some clear patterns. The digital asset has been through several boom-bust cycles since its inception in 2009. Previous cycles took the token from single digits to double digits in 2011, triple digits in 2012, and quadruple digits in 2013. From 2016 to 2017 the price of each BTC skyrocketed over 5,100%. Then the price crashed in 2018 and wouldn't recover until 2020.

The same seems to be happening now. BTC skyrocketed in late 2020 and early 2021. It has since crashed by roughly 50% and is now likely to be range bound for a couple years. Veteran investors call this "crypto winter."

However, this crypto winter has a special feature — a decline in Bitcoin mining difficulty.

Mining difficulty

2021's Bitcoin crash was triggered by the regulatory clampdown in China. Authorities have banned Bitcoin mining and forced miners to move abroad or shut operations. Since Chinese miners accounted for 70% of global mining power, this has had a dramatic impact on the network.

Mining a single BTC is now 28% easier than it was in May. As more Chinese miners go offline, this slide could continue. That improves profit margins for [BTC miners](#) such as **Hut 8 Mining (TSX:HUT)**([NASDAQ:HUT](#)).

As Bitcoin mining difficulty declines, Hut 8's operational costs decline. Meanwhile, if Bitcoin's market value remains stable (as it has since May) Hut 8's profits should surge substantially. In short, these could be some of the company's most profitable months.

Despite this, Hut 8 stock hasn't rebounded. It's still trading at half its all-time high of \$16. It has plenty of room to grow, as investors realize how profitable the quarters ahead are likely to be. In fact, Hut 8 stock could be a better bet than Bitcoin itself for the near term.

Bottom line

Bitcoin's bull run seems to be over, for now. In previous cycles, the price of each BTC has declined substantially and remained range bound for several years. We could be facing another crypto winter this time, which means it's the perfect opportunity to accumulate more Bitcoin.

However, Bitcoin miners seem like a better opportunity. Mining difficulty has declined substantially. Meanwhile, the equipment has become cheaper, as it faces less demand pressure from China. Altogether, these factors should expand mining margins. Greater profitability will ultimately be reflected in beaten-down mining stocks like Hut 8. Keep an eye on this segment of the crypto economy.

If mining difficulty and Bitcoin's price remain stable for the next few months, it could be Hut 8's most profitable quarter. That should unlock tremendous value for shareholders.

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