Bitcoin Sinks Deeper: Should You Avoid the TSX's Top 2 Crypto Stocks?

Description

Bitcoin (BTC) nosedived to below US$30,000 for the first time since January 2, 2021. The world's most popular cryptocurrency had an explosive start this year and climbed to as high as US$63,503.46 on April 13, 2021. Crypto bulls went into high gear, proclaiming BTC as digital gold.

A freefall ensued, and the crypto universe saw its beloved BTC lose more than 50% of its value in three months. The selloff began when governments and regulators made moves to arrest the crypto boom. China, in particular, wants to drive out Bitcoin and crypto mining altogether. The Feds in the U.S. plan stricter regulations to protect investors.

Hut 8 Mining (TSXV:HUT)(NASDAQ:HUT) and **HIVE Blockchain Technologies** (TSXV:HUT) mirrored BTC's performance, so the respective rallies didn't sustain. Investors might have to rethink their positions on crypto stocks. You could lose more if you hold them longer.

Unstable situation

Bitcoin stormed back recently and breached US$40,000 on July 28, 2021 (a six-week high), aided by news that **Amazon** might venture into cryptocurrencies. Bobby Lee, founder and CEO of cryptocurrency hardware wallet Ballet, said bad publicity caused BTC to slide. However, he believes it opened a buying opportunity for speculators.

As of July 28, 2021, and at US$40,271.55, BTC investors are still up 38.86% year to date. Meanwhile, Hut 8 (+63.32%) and HIVE (+23.43%) remain in positive territory. If you look at the current share prices, the trailing one-year price returns of Hut 8 and HIVE are 290.41% and 514.58%, respectively.

Government crackdowns aren't the only threats to BTC. Crypto experts think Ethereum presents a serious challenge. Daniel Polotsky, the founder of crypto ATM operator CoinFlip, said that Ethereum's price might grow faster than Bitcoin's. The bullish predictions stem from long-waited upgrades to the second most popular cryptocurrency. Ethereum's scalability and efficiency could improve with a new design.

Income growth

Hut 8 trades on the TSX and NASDAQ. The $812.32 million crypto miner Hut 8 is one of the oldest, largest, and innovation-focused Bitcoin miners in North America. It also boasts a high installed capacity rate and owns the distinction of being the number one in held and self-mined BTC globally.

In Q1 2021 (quarter ended March 31, 2021), Hut 8 presented impressive results. The company reported $12.1 million in gross profit versus the $6.8 million gross loss in Q1 2020. The quarter's highlight was the $35.5 million net income compared to the $10.2 million net loss in the same period last year.

Bridge to capital markets

HIVE advertises itself as the bridge of blockchain and cryptocurrencies to traditional capital markets. The website also says it has the first-mover advantage and provides a pure-play blockchain investment. It also uses low-cost green/renewable energy when using state-of-the-art data centres in Canada, Iceland, and Sweden.

In Q3 fiscal 2021 (quarter ended December 2020), HIVE's digital currency mining generated $13.7 million in income — a 174% increase versus Q3 fiscal 2020. Management reported a net income of $17.2 million compared to the $3.4 million in the same period last year. HIVE's market cap stands at $1.11 billion, and its shares trade at $2.95. Market analysts forecast a 35.59% return potential in the next 12 months.

Hit or miss with BTC

HUT 8 and HIVE Blockchain are better investments if you want exposure to the crypto space. With Bitcoin, there are no financials to base your investment decision on.

CATEGORY

1. Investing
2. Tech Stocks

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2. TSX:HUT (Hut 8 Mining)
3. TSXV:HIVE (Hive Blockchain Technologies)

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Date
2025/08/25
Date Created
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