



Bitcoin 101: Why Are Crypto Stocks Volatile?

Description

It's been almost a year, and the crypto hype hasn't gone. The 2017-2018 crypto bubble lasted for around 10 months before it burst. But this time, hype continues, as big names are getting involved. From Elon Musk to Mark Cuban, visionaries are realizing the power of crypto, while regulators are cracking down on private coins. This tug of war between accepting and rejecting cryptocurrency as an alternative currency is driving volatility, making Bitcoin and other crypto-related stocks risky.

The regulatory and economic impact of crypto

The whole concept of crypto is to create an alternative to the centralized authority, which banks and governments hold over currency. At present, fiat money is in circulation, and the governments of the respective countries have absolute control over it. This control allows them to fund their increasing budget deficit by printing more money without any gold collateral.

With private cryptocurrencies, fiat money has a competitor. Cryptocurrency will decentralize the transaction and give all participants in the blockchain network the power to validate a transaction. If cryptocurrencies start circulating and become an accepted form of payment, the value of fiat currency issued by central banks could fall. This could reduce their spending power. Moreover, central banks could lose control over the money supply.

Decentralization of currency could have repercussions. There could be terrorist funding, money laundering, and many other social evils, and no law to keep them in check. Hence, countries like China have banned cryptocurrency. This regulatory crackdown will take a while to ease.

The issues around acceptance of crypto

In the meantime, big companies like **Tesla** and **Microsoft** are looking to accept payments in cryptocurrencies. They are working out the technical issues with blockchain technology and the safety of crypto platforms from hackers. But even they are skeptical about crypto because of the volatility in the price.

If you remember, in the early days of Bitcoin, people used it to buy pizza. Today the BTC price is close to \$73,000. Now, that one expensive pizza. The opposite is also true, as crypto prices also fall. Hence, many people are not accepting cryptocurrency over fears that currency's value might drop in the future.

This on-off decision of companies to accept cryptocurrency is adding to the volatility. So much drama around every aspect of crypto makes you wonder if it is a smart decision to invest in crypto.

Is it smart to invest in crypto?

Crypto has its supporters, critics, and skeptics. It is a [high-risk](#) investment that can go either way, and there is no fundamental analysis that can help predict its move. Three major outcomes can happen:

- Crypto could gain acceptance as a widely accepted currency.
- Crypto could perish once again on the regulatory crackdown, like the 2018 bubble burst.
- Or regulators could come up with a way in which crypto would not impact their spending power.

In this whole fiasco, you can get handsome returns from the crypto volatility through crypto-related stocks. But if you want to earn big, be prepared to lose big, too.

How to earn from Bitcoin volatility

I wouldn't suggest buying crypto coins directly. But you can [invest in crypto-mining companies](#) whose stocks trade on the Toronto stock exchange. They operate just like stocks, but their price is influenced by Bitcoin price. For instance, **Hive Blockchain Technologies** ([TSXV:HIVE](#))(NASDAQ:HVBT) is one of the oldest blockchain companies trading on the exchange. Some experts say that technical analysis makes BTC predictable, and that can help you earn some returns.

Hive stock has been hovering in the \$3-\$5 range since July. After a recent optimism, there has been a correction, but the stock is still not oversold. This means there is more downside potential. The fact that this stock moves double digits on any news can work in your favour. You can buy the stock when it dips below its 200-day moving average of \$3.5 and sell it in another wave. For instance, the stock fell to \$3.38 towards the end of September. If you bought it then and sold it today, you would earn 25% in a month.

Or you can take a different approach and hold Hive stock for a decade if you believe in the [future of crypto](#).

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