



Bitcoin Suddenly Crashed 20%: Is it a Good Time to Buy?

Description

Many investors have a [fear of missing out](#) whenever **Bitcoin** surges. The world's most popular cryptocurrency peaked at US\$67,566.83 on November 8, 2021 — a whopping 133% gain from December 31, 2020. However, on December 4, 2021, the crypto market crashed along with the selloff in equities.

A new COVID variant rocked global stock markets. Bitcoin in particular tumbled more than 20% in 24 hours. According to CoinMarketCap.com, the crypto universe lost almost US\$400 billion in total market value.

Besides the threat of the Omicron variant, CoinDesk analysts said the other possible reason for Bitcoin's sudden plunge was the downturn in trading in crypto derivatives. They added that growing concerns about the potential tightening of financial conditions could have triggered a repricing of assets.

Not a buying opportunity

As of December 10, 2021, Bitcoin's price is down to US\$47,745.44. If you think it's a buying opportunity, you'd better hold that thought. Katie Stockton, the founder of technical analysis firm Fairfield Strategies, said another 20% plunge is forthcoming because of heightened risks. She estimates the price to drop to the \$37,000 level.

Canadians who want exposure to cryptos or Bitcoin primarily should invest in the TSX instead. **HIVE Blockchain Technologies** ([TSXV:HIVE](#))(NASDAQ:HVBT) and **Hut 8 Mining** ([TSX:HUT](#))([NASDAQ:HUT](#)) are [safer alternatives](#). The crypto stocks are considerably cheaper, but their year-to-date gains are between 54% and 230%.

Robust cash flows

HIVE Blockchain Technologies, a \$1.51 billion digital currency mining company, owns state-of-the-art,

green energy-powered data centre facilities in Canada, Iceland, and Sweden. At only \$3.70 per share, the year-to-date gain is 54.81%. This Bitcoin, **Ethereum**, and **Ethereum Classic** miner impressed investors with its Q2 fiscal 2022 earnings results.

In the quarter ended September 30, 2021, HIVE's revenue and net income rose 305% and 549% versus Q2 fiscal 2021. The US\$52.6 million in revenue during the quarter was a record for the company. According to Executive Chairman Frank Holmes, Bitcoin and Ethereum mining generate robust cash flows.

During the quarter, HIVE's gross mining margin increased 71% year over year to US\$45.0 million. It represents 86% of income from digital currency mining. The first crypto mining company aims to bridge digital currency and the emergent blockchain industry.

High-growth stock

Hut 8 trades higher (\$11.48 per share) but has delivered enormous returns (228.94%) thus far in 2021. Had you invested \$10,000 in year-end 2020, your money would be worth \$32,893.98 on December 9, 2021. Market analysts maintain their buy rating for the [growth stock](#), and their 12-month average price target is \$18.75 (+63.3%).

The operations of this \$1.91 billion digital asset mining company in Alberta are industrial scale. Apart from its rapid growth, Hut 8 boasts a stellar balance sheet. In Q3 2021, Hut 8's revenue hit \$50.3 million, a 774.7% year-over-year increase. More importantly, net income was \$23.34 million compared to the \$900,000 net loss in Q3 2020.

Shane Downey, CFO of Hut 8, said the quarter was an exciting and dynamic step forward for the innovation-focused digital assets miner. He added that besides the third consecutive record-breaking quarterly results, Hut 8 has already surpassed its goal of 5,000 Bitcoin held in reserve.

High-risk asset

Some digital asset firms forecast that crypto mining will hit record levels by mid-2022. Still, investors should be extra cautious, because Bitcoin remains a high-risk asset.

CATEGORY

1. Cryptocurrency
2. Investing

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

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