



Better Buy: Tesla or Dogecoin?

Description

If you're an Elon Musk fan, you might have considered investing in **Tesla** ([NASDAQ:TSLA](#)) or Dogecoin. These are the two assets with which Musk is associated, and many of the billionaire's fans are invested in both. Tesla is Musk's brainchild, a trillion-dollar company that he grew after buying a stake in 2004. Dogecoin is a cryptocurrency that Musk didn't invent but did play a big role in promoting.

Together, Tesla and DOGE are the portion of the Elon Musk Universe that regular people can invest in. Most of Musk's businesses — such as SpaceX and The Boring Company — are not publicly traded. Tesla and Dogecoin are. So, if you want to bet on Musk, these are your two choices.

If your goal is to simply copy Musk's portfolio, you could hold both Tesla and Dogecoin. Both should continue to rise if Musk's Tweets retain their market moving power. However, if you want to make a more fundamentals-based investment, you may be better off being selective. The two assets are quite different, and one is clearly more suited to a fundamental investor, as I will show shortly.

The case for Tesla

For fundamentals-driven investors, Tesla is a much better investment than Dogecoin. As a publicly traded company, TSLA has fundamentals that can be used to come up with an estimate of its intrinsic value. Some highlights for 2020 included

- \$31.5 billion in revenue;
- \$2 billion in operating income; and
- \$721 million in net income.

These metrics are not bad. They certainly don't support Tesla's \$936 million market cap, but the company is at least profitable. To truly say what Tesla's intrinsic value is, you need some estimate of the rate at which earnings will grow going forward. That's difficult to come up with. But for the purposes of this article, one point will suffice: there is, theoretically, some knowable intrinsic value for the company.

The case for Dogecoin

The case for Dogecoin over Tesla — at least for Musk fans — is the fact that Elon Musk has far more [influence over its price](#). Tesla is a stock that is widely held by institutions, ETFs, and other mega-holders. There are countless variables that influence its price — some of which Elon Musk can't control. Musk does have pull with Tesla's retail investors, but many institutions who hold Tesla invest based on fundamentals, which he doesn't decide.

It's a different story with Dogecoin. The correlation between Musk's DOGE pumping and the coin's price is pretty strong.

There have been three major occasions this year where Musk or his family members talked up DOGE:

- In a series of Tweets in April.
- On *SNL* in May.
- In a Tweet this month, where he said Tesla would start accepting Dogecoin payments.

Immediately after the first and third occasions, Dogecoin rallied. After the second — [a negative mention](#) from Musk's mom — it fell.

Based on these three events and their correlation with DOGE, it looks like Musk can move the coin's price. Certainly, this is no detailed statistical analysis where a "Z" variable is considered and rejected. But there does appear to be some kind of positive relationship between Musk's pumping and DOGE's price.

The final verdict

In the final analysis, I think Tesla is a better investment than Dogecoin. The main reason is that there is a way to analyze it and estimate its value. With TSLA stock, an estimate of intrinsic value can be obtained. With Dogecoin, it can't. So TSLA is a more rational play for conservative investors.

Additionally, DOGE suffers from a proliferation of alternatives. Anybody who buys DOGE could just as easily buy **Purpose Bitcoin ETF**, stock market-traded Bitcoin fund that can be held in a TFSA, thus sparing investors from capital gains tax. This tax benefit is significant. You can't hold DOGE in a TFSA, but you can hold crypto ETFs. So BTCC.B is a solid crypto play that might be better than holding Dogecoin. There is no alternative to Tesla, whose "competitors" are all way behind it in scale.

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