



How Cheap Can Crypto Mining Stocks Get Before They Are Worth a Buy?

Description

Over the last two years, during the significant rallies in the crypto industry, some of the biggest gainers and best stocks to buy have been cryptocurrency mining stocks.

Typically, [mining companies](#) in any industry will be more volatile than the underlying assets they are mining, whether that be gold miners, energy producers, or crypto stocks. This is because, as the price of the asset increases, a company with mostly fixed costs of production will see its profitability rise.

So anytime the price of a commodity or cryptocurrency increases, the miners of those assets see an even more significant increase in their profitability, which can usually result in a bigger jump in the stock price than the commodity.

Unfortunately, though, this works both ways. So as the price of the underlying assets and commodities falls, these stocks can sell off quite significantly.

Therefore, if you're looking at buying a crypto mining stock while they are ultra-cheap, here's what to consider, especially while the rest of the [cryptocurrency industry](#) tries to bottom and start to recover.

Cryptocurrencies are highly correlated with the stock market at the moment

It's no secret that over the last few months, stocks, especially high-growth [tech stocks](#), have faced significant headwinds as the market prepares for higher interest rates later this year. But in addition to several tech stocks selling off, cryptocurrencies have been highly correlated and sold off too.

This has made crypto mining stocks some of the worst performers over the past couple of months, which is why they could be a great buy at these prices.

For now, though, while investors continue to lower their exposures to high-risk investments, cryptocurrencies will continue to face headwinds. However, this rebalancing by the market can't go on forever, and there are plenty of high-quality tech stocks, as well as cryptocurrencies that are trading

well [undervalued](#), given their long-term potential.

So as soon as the market begins to bottom and this current [volatility](#) starts to fade, buying a crypto mining stock while it's cheap could be an excellent investment.

Why crypto mining stock is the best to buy?

Although the mining operations of every crypto mining stock are quite similar, there can be a significant difference in how each stock performs. So even if the industry starts to rally, there will surely be some stocks outperforming their peers.

Therefore, if you're looking for which mining stock might be the best to buy when the market finally bottoms, I'd consider **Hut 8 Mining** ([TSX:HUT](#))([NASDAQ:HUT](#)) first. Hut 8 is a **Bitcoin** miner that's been growing its operations at an impressive pace.

One of the most important aspects of a crypto mining stock's operations is its computing power. Essentially, the faster and more powerful a company's computing power, the more Bitcoin it can mine. This is where [Hut 8](#) has separated itself from many of its peers and why it's been one of the top performers in the industry.

It has consistently been improving its computing power and therefore been able to mine a great deal of Bitcoin. As of the most recent information available, when Hut 8's [hash rate](#) (the measure of computing power being used to mine Bitcoin) reaches 3.35 EH/s in the first quarter of 2022, it will be nearly double **HIVE Blockchain Technologies'** Bitcoin mining capacity and roughly 50% more than **Bitfarms'** .

Furthermore, because Hut 8 holds most of this Bitcoin rather than selling it, the company has a lot of upside when the industry inevitably comes back into favour.

So if you're looking to take advantage of this market sell-off and buy a high-quality crypto mining stock, Hut 8 is the first stock I'd consider.

CATEGORY

1. Cryptocurrency
2. Investing

TICKERS GLOBAL

1. NASDAQ:HUT (Hut 8 Mining)
2. TSX:HUT (Hut 8 Mining)

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Author

danieldacosta

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