



4 Ways Canadians Can Invest in Bitcoin in 2022

Description

In the last two years, cryptocurrencies have gained significant momentum due to the widespread adoption of these digital assets. The total market cap of cryptocurrencies stands at US\$1.7 trillion, at the time of writing. **Bitcoin** ([CRYPTO:BTC](#)) remains the largest [cryptocurrency](#) in the world and accounts for 44% of the total market.

In case you want to gain exposure to Bitcoin, there are a few ways to invest in this highly disruptive asset class.

Invest directly in Bitcoin

Investors can purchase Bitcoin directly from centralized or decentralized exchanges such as **Coinbase**, **Voyager Digital**, and **Uniswap** ([CRYPTO:UNI](#)). Canadians need to create an account and convert fiat currencies into digital assets such as Bitcoin and **Ethereum**. Comparatively, decentralized exchanges facilitate automated trading of DeFi tokens, which lowers transaction costs and improves investor returns.

Invest in cryptocurrency exchanges

Several cryptocurrency exchanges such as Coinbase and Voyager Digital are traded publicly. You can gain indirect exposure to the cryptocurrency space by holding stocks of these trading platforms. The performance of the exchanges depends on market sentiment surrounding the asset class. The trading volumes are higher in a bull run, which will drive stock prices higher.

For example, the price of Coinbase stock rose from US\$224 in May 2021 to US\$429 in November 2021. The ongoing sell-off in the crypto space has dragged Coinbase stock to its current price of US\$161.14.

Invest in crypto mining companies

Another way to invest in cryptocurrencies is by purchasing shares of companies that mine Bitcoin and Ethereum. A few of these companies include **Hut 8 Mining**, **Riot Blockchain**, **Marathon Digital Holdings**, and **Argo Blockchain**. In the last three years, shares of Hut 8 have gained close to 400%. Comparatively, Riot Blockchain and Marathon Digital have returned 328% and 740% respectively since March 2019.

Invest in companies that own Bitcoin

Canadians can purchase stocks of companies such as **Tesla**, **PayPal**, **MicroStrategy**, and **Block** that hold Bitcoin on their balance sheets. Block was formerly called Square and changed its name to reflect its focus on the blockchain space. Further, MicroStrategy has raised debt to increase its Bitcoin holdings in the last two years.

The Foolish takeaway

Bitcoin has enjoyed a [first-mover advantage](#), allowing it to increase investor returns at an astonishing pace. While the BTC token remains volatile, no investor has lost money holding the digital asset for a period of more than four years. However, the speculation and lack of regulation surrounding cryptocurrencies make Bitcoin and peers high-risk bets.

There are several catalysts that could drive Bitcoin prices higher in the upcoming decade. First, the total number of BTC tokens in circulation is limited to 21 million coins, making it anti-inflationary in nature. Bitcoin is viewed as a store of value and a hedge against inflation. Some call it digital gold.

However, you need to remain wary of the cryptocurrency space. While it has generated exponential returns for investors in the past, it's difficult to value these digital assets fundamentally. Right now experts believe cryptocurrencies should account for just 5% of your investment portfolio.

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