



Why Galaxy Digital (TSX:GLXY) Is up 13.7% Today

Description

[Crypto investment firm](#) **Galaxy Digital** ([TSX:GLXY](#)) is up 11.8% this morning as of writing. The company reported earnings yesterday and is now experiencing a relief rally. Here's a closer look at the numbers and what lies ahead for this niche investment manager.

Galaxy's earnings

Galaxy Digital reported its first-quarter results yesterday. During this period, the company added more corporate clients, expanded its crypto mining operations and deployed more capital into digital assets even as the prices dropped.

Net comprehensive loss was \$111.7 million compared to an \$858.2 million gain in the first quarter of last year. This sudden swing in the company's finances could be attributed to the decline in digital assets.

Bitcoin ([CRYPTO:BTC](#)) has lost 43% of its value over the past 12 months. Smaller, lesser-known cryptocurrencies have seen bigger declines. In recent weeks, this selloff has intensified.

Galaxy reported \$2.5 billion in Partners' Capital, which is essentially money invested in digital assets and decentralized financial products. These investments could see further declines if the crypto correction continues. The company's asset management division also saw some declines because of this trend.

However, other aspects of the business are either stable or steadily expanding. The Investment Banking segment of the business reported four new transactions while the Principal Investments segment expanded its portfolio to 93 crypto companies.

The company's digital mining and trading operations continue to grow. Year-over-year growth in investment banking and mining was 775% and 433% respectively. On an aggregate basis, the company reported \$0.6 million in net comprehensive income this quarter.

Outlook

Founder Michael Novogratz believes there's more pain ahead. "My instinct is there's some more damage to be done, and that will trade in a very choppy, volatile, and difficult market for at least the next few quarters," he told investors.

This could indicate that today's 13.7% surge is a temporary relief rally for Galaxy's stock. The company has shed 52% of its value year to date. It could lose more if the crypto selloff continues.

If the company can survive this downturn, the future could be brighter. Bitcoin and other cryptocurrencies are highly cyclical. Over the past 12 years, the asset class has seen several double-digit drawdowns. But it has bounced back stronger every time, as more investors and developers adopt the technology.

Galaxy Digital could be in a strong position to capitalize on a future bull run in cryptocurrencies. However, that depends on whether the digital assets industry can repeat its previous cycles.

Bottom line

Galaxy Digital had a rough quarter and is expecting more pain ahead. The stock is up today, but this relief rally barely covers the losses since the start of the year. Digital assets are highly volatile and cyclical. In the previous cycle, Bitcoin lost 80% of its value from 2017 peak to 2018 trough. It didn't recover until 2020.

Galaxy investors should prepare for more painful quarters ahead. However, the company's long-term outlook will be determined by the adoption and sustainability of major cryptocurrencies and DeFi products.

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