



## Bitcoin Crashing: Was Warren Buffett Right?

### Description

Rat poison squared is the description of the [GOAT of investing](#) for cryptocurrencies, **Bitcoin** ([CRYPTO:BTC](#)) in particular. The recent crash of the world's most popular crypto seems to validate Warren Buffett's distaste for digital assets. He sees more value in stocks, because he believes that Bitcoin and the like will come to a bad ending.

On June 10, 2022, Bitcoin dropped below US\$29,083.80, then plunged nearly 30% to US\$20,381.65 on June 16, 2022. According to some market observers, many crypto investors might have lost their life savings due to Bitcoin's crash. Chris Berg, co-director of RMIT's Blockchain Innovation Hub, said inflation caused the fall.

Berg added, "Crypto is the ultimate risk asset, so it's the first to fall. Bitcoin is not an inflation hedge." **Ethereum** is in a similar downtrend and has lost 47.21% in one month. The second-largest crypto is at a critical and could sink below US\$1,000 soon.

### Extreme market conditions

Global crypto exchange Binance and crypto lender Celsius suspended withdrawals or transactions for a few hours last week because of extreme market conditions. The correction in the last months has been massive. From US\$3 trillion in November 2021, the global cryptocurrency's market capitalization has gone down to \$949 billion.

Bitcoin is different from state-regulated currencies in that a decentralized system supports it. Dileep Seinberg, founder and CEO of MuffinPay, said, "Few strong reasons besides geopolitical uncertainties are Crypto becoming recognized for its purpose and utility." However, he added that government regulations are going to be key drivers later in the year.

### Not a durable asset

Warren Buffett has repeatedly said he won't add Bitcoin to his portfolio. Also, he will never invest in

something he doesn't understand. He said, "I get into enough trouble with the things I think I know something about. Why in the world should I take a long or short position in something I don't know about?"

The legendary investor's value investing strategy is the key to his success. **Berkshire Hathaway**, his conglomerate, buys stocks of stable, well-managed companies or those with moats. As much as possible, Buffett picks stocks trading below their intrinsic values. Moreover, most of his choices have low debt and strong shareholders' equity.

The Berkshire chief won't buy Bitcoin even at US\$25. He asserts that cryptocurrencies are unproductive assets and won't produce anything tangible. Based on published data, Buffett, through Berkshire, has created about US\$690 billion in value (3.6 million % aggregate return) for his shareholders since 1965.

Regarding exposure breakdown, 42.43% of Berkshire's total stock portfolio is in information technology. The next three sectors are financial (25.86%), consumer staples (11.64%), and energy (10.99%). Gold isn't top of mind, although Buffett held **Barrick Gold** briefly last year.

Lastly, Buffett is a buy-and-hold investor. The Oracle of Omaha isn't after short-term capital gains but hunts for good prospects with long-term growth potential.

## Fragile market

Crypto experts expect the cryptocurrency space to remain fragile with high inflation and an imminent economic recession. Still, Seinerberg said, "I strongly think crypto will rise again." He predicted the bloodbath and crypto winter will be over by August this year. Seinerberg added that Bitcoin's price may rise to US\$70,000 by year-end 2021 or January 2023.

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