



Crypto Crash: Should You Avoid the Falling Knife or Buy the Dip?

Description

The cryptocurrency market has suffered its worst retreat since the spring of 2021. Investors have seen trillions of dollars in crypto wealth wiped out in the span of a few weeks. How should Canadians look to tackle this market as we kick off the summer? Is the [crypto market](#) destined to bounce back? Or will broader pressures and an uncertain economic situation lead to further calamity in this sector? Let's jump in.

Bitcoin and the crypto crash: An opportunity or a sign of long-term trouble?

Bitcoin ([CRYPTO:BTC](#)) was trading just above the US\$21,000 mark at the time of this writing. It has managed to rebound in part from its 52-week low of US\$17,601. However, crypto investors may find it hard to celebrate in the middle of this bloodbath. Bitcoin and its peers have been steadily hammered since enjoying a bump in November 2021.

Canada launched the very first Bitcoin-focused exchange-traded fund (ETF) with **Purpose Bitcoin ETF** ([TSX:BTCC.B](#)) back in February 2021. Shares of this ETF have plunged 55% in 2022 as of close on June 20. This has pushed the fund well into negative territory in the year-over-year period.

This is not the first time the cryptocurrency space has suffered a major setback. However, there are some key differences that should concern Bitcoin bulls. The major factor, in my view, is the rate-tightening path that central banks have kept to in recent months. Cryptos have flourished in an environment of historically low interest rates in the last half-decade. These are uncharted waters for digital currencies, which means that Bitcoin and its peers may have further to fall in the weeks and months ahead.

Two crypto stocks that have been throttled in this crash

Investors in Bitcoin and other top digital currencies are not the only victims of this brutal pullback. In

recent years, we have also seen the rise of crypto focused stocks on North American markets.

Hut 8 Mining ([TSX:HUT](#))([NASDAQ:HUT](#)) is a Toronto-based cryptocurrency mining company. Shares of Hut 8 Mining have plunged 78% in 2022 as of close on June 20. That has pushed the stock into negative territory in the year-over-year period.

The company had many positive takeaways in the first quarter of 2022. Unfortunately, investors will have to brace for rougher patches ahead as Hut 8 weathers the crypto crash. In Q1 2022, Bitcoin holdings increased 17% to 6,460 as at the end of the quarter. Meanwhile, it reported adjusted EBITDA of \$27.1 million — up from \$16.1 million in the previous year.

HIVE Blockchain ([TSXV:HIVE](#))(NASDAQ:HVBV) is a Vancouver-based crypto miner that operates in Canada, Sweden, and Iceland. Its shares have dropped 77% so far in 2022. The stock is down 73% from the prior year.

In Q3 fiscal 2022, the company posted revenue growth of 30% to \$68.2 million. Meanwhile, net income jumped 7% to \$64.2 million. HIVE mined 697 Bitcoin and 7,126 **Ethereum** in the quarter. The stock boasts a very favourable price-to-earnings ratio of 0.3.

Should you avoid the crypto space for the rest of 2022?

Investors who bought the dip in previous crypto corrections have been richly rewarded in recent years. However, I've already detailed some of the key differences this time around. I'm staying on the sidelines when it comes to the crypto space in this highly volatile climate.

CATEGORY

1. Cryptocurrency
2. Investing

TICKERS GLOBAL

1. NASDAQ:HUT (Hut 8 Mining)
2. TSX:BTCC.B (Purpose Bitcoin ETF)
3. TSX:HUT (Hut 8 Mining)
4. TSXV:HIVE (Hive Blockchain Technologies)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. aocallaghan
2. kduncombe

Category

1. Cryptocurrency
2. Investing

Date

2025/07/21

Date Created

2022/06/21

Author

aocallaghan

default watermark

default watermark