



## Elon Musk Buys Dogecoin: Should You?

### Description

Elon Musk is back to buying **Dogecoin** ([CRYPTO:DOGE](#)). In a **Twitter** post, he declared that he was “still supporting Dogecoin” and added that he was buying it, too. When a Twitter commenter asked Musk to confirm that he was purchasing the coin, he said that he was. Dogecoin’s price rallied shortly after Musk’s comments.

It was the first big development for DOGE since its 2021 rally. Elon Musk spent much of last year pumping Dogecoin on Twitter, and he contributed to a dramatic rise in the coin’s value in the first half of the year. He did so again after his most recent Dogecoin post, which was followed by a sharp increase in the coin’s price.

Clearly, Elon Musk is a big fan of Dogecoin. Many people apparently think that makes DOGE a worthy investment. But does it really? Those who bought the coin late in the 2021 rally lost substantial sums of money. In this article, I will explore whether Dogecoin is a buy after Elon Musk’s latest endorsement.

### Why Musk likes Dogecoin

The first thing you need to know about Musk’s [Dogecoin investment](#) is that it rests on his belief that DOGE is usable as a currency. He has called Dogecoin “the people’s crypto,” by which he means one that is practical to use and own. He has toyed with the idea of accepting the coin for merchandise purchases, and he has observed that many of his employees use it. It seems, then, that Musk is more enamoured with DOGE’s use case than its potential for wild capital gains. His endorsement might not mean that he thinks Dogecoin is a good investment.

### Will the rally last?

Having established Elon Musk’s reasons for liking Dogecoin, we can now move on to the question of whether the [cryptocurrency](#) is a buy.

For me, personally, the answer to that question is “no.”

The first reason I’m not the biggest fan of Dogecoin is because its rallies are driven by hype, which fades over time. The DOGE rallies triggered by Elon Musk posts tend to be short lived. Since the most recent rally, it has fallen about 8.65%, for example. Obviously, a person with 95 million Twitter followers has the potential to impact asset prices. But rallies caused by short-term sentiment boosts don’t typically last long.

Second, Elon Musk himself does not apparently hold Dogecoin with the intent of making spectacular returns. Rather, he sees it as a crypto project that is worth supporting, because of its potential for real world use. Potentially, DOGE could rise more in the future if Musk’s views on it are confirmed to be correct. But Musk’s buying in itself won’t provide that effect.

## Foolish takeaway

Dogecoin has one of the most interesting histories of any cryptocurrency. Having started as a joke, it went on to become accepted as a payment method by Mark Cuban’s business and later earned the endorsement of Elon Musk. Certainly, such a cryptocurrency is tempting. But for me, at least, the risks outweigh the rewards.

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