



## Elon Musk Sells Tesla's Bitcoin: Should You, Too?

### Description

**Bitcoin's** ([CRYPTO:BTC](#)) wildly growing popularity came to a head when **Tesla** CEO Elon Musk announced that his company was investing US\$1.5 billion into the [cryptocurrency](#). His tweet in May 2021 saw Musk announce that his company plans to hold onto its massive amount of Bitcoin holdings indefinitely.

Musk's foray into the crypto space provided Bitcoin investors the legitimacy of institutional investment they needed to see the industry soar to new heights.

The world recently found out that the tweet did not age well. As of the end of Tesla's second quarter in fiscal 2022, the company announced that it offloaded an estimated 75% of its Bitcoin holdings, converting it into fiat currency. The company confirmed that it added US\$936 million in cash to its balance sheet for selling its stake in the world's largest cryptocurrency.

The news came as a shock to crypto bulls relying on Elon Musk's support for the industry. Let's take a look at why the electric vehicle (EV) giant sold off a majority of its stake in Bitcoin and whether it means you should, too.

### Why did Tesla sell its Bitcoin?

The news of Tesla selling its Bitcoin holdings came as a shock, not just because of Musk's May 2021 tweet showing "diamond hands," indicating his intent to hold onto the crypto tokens indefinitely. As recently as March 2022, during Tesla's first-quarter earnings announcement, the EV giant announced that it is committed to holding onto its crypto portfolio.

The company's management was cited as saying that it believes in the long-term potential of digital assets as an investment and a liquid alternative to cash.

At writing, a single Bitcoin trades for US\$23,167.70, but the crypto declined to as low as US\$22,650, down from its five-week high of US\$24,196. Musk commented on the reason for Tesla to sell its Bitcoin holdings, saying that the uncertainty regarding COVID lockdowns in China forced the company to

make this move to improve its liquidity position.

Musk added that the decision to sell Tesla's Bitcoin should not be considered as a verdict on the beleaguered crypto. He also added that Tesla is open to increasing its crypto holdings in the future.

## Foolish takeaway

Bitcoin's value today is a far cry from its all-time high of US\$68,789 per coin, set on November 10, 2021. Trading for a 65% discount from its all-time high, Bitcoin seems like it is in attractive territory again. Many investors would consider Elon Musk's decision to sell Tesla's stake in the world's largest crypto as a sign that they should start offloading their holdings as well.

However, Musk's reassurance that the decision was not based on any lack of belief in the crypto token's future. Rather, it was a decision based purely on the company's financial needs amid uncertainty about China's ongoing COVID lockdown. The recovery of Bitcoin to close to its five-week high after the sudden dip shows that investor sentiment might not have been drastically disrupted.

The fundamentals surrounding Bitcoin remain the same, and the only difference is in its price. If you are a long-time cryptocurrency bull, holding onto your stake in Bitcoin might be alright, despite Tesla offloading its holdings.

Of course, it is important to understand that investing in crypto entails a significant degree of capital risk. Risk-averse investors might want to steer clear, but those willing to assume the risk that comes with it might want to consider starting dollar-cost averaging to leverage the steep discount.

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