



Why Hut 8 Mining (TSX:HUT) Stock Jumped 20% Last Week

Description

Canada's one of the most popular cryptocurrency miner stock **Hut 8 Mining** ([TSX:HUT](#))([NASDAQ:HUT](#)) saw some solid recovery last week. As **Bitcoin** ([CRYPTO:BTC](#)) nearly gained 15% last week, Hut 8 stock rather outperformed, gaining 20% in the same period.

Hut 8 stock replicates Bitcoin's rally

Although many cryptocurrencies and miner stocks have recovered some ground lately, they are trading much lower than their historic highs. Hut 8 Mining stock is trading nearly 85% lower than its 52-week high of \$20.6. Bitcoin is currently trading 70% lower than its November 2021 highs. Notably, such volatility is one of the central characteristics of these miner stocks, largely due to their high correlation with key crypto asset prices.

Hut 8 claims itself as a leader in high-performance computing, positioning itself well within the cryptocurrency ecosystem. At the end of the second quarter of 2022, the company mined 946 Bitcoin and had 7,406 in holding.

Hut 8 Mining is not seeing as steep growth this year as it saw in 2021. Last year was one of the epic periods for digital assets. Bitcoin was on a roll, and so were Hut 8's financials and the stock price. Its revenues last year surged a jaw-dropping 326% year over year in 2021. However, the trend has somewhat slowed this year.

In the last six months, Hut 8 Mining reported revenues of \$97 million, an increase of 49% compared to the same period last year. With these revenues, it posted a net loss of \$33 million for the six months of 2022. The margin between the current price of Bitcoin and the company's cost to mine one is its mining profit. Due to high power prices and volatile Bitcoin, the company has seen unstable profitability for the last several quarters.

Is Hut 8 Mining stock a buy?

So far this year, central banks across the world have increased their benchmark interest rates to tame unrelenting inflation. This has particularly weighed on riskier assets such as growth stocks and [cryptocurrencies](#). Higher interest rates by the Fed notably strengthened Treasury yields. So, market participants moved from riskier, volatile assets to safer assets in search of higher yields.

Interestingly, the U.S. Fed has recently reiterated its policy-tightening stance for the rest of the year. That means aggressive interest rate hikes are likely to continue going forward until inflation drops significantly lower. This could again have a denting impact on riskier assets like we saw early this year.

The Foolish takeaway

If you want to take an exposure to Bitcoin, betting on the Hut 8 stock makes sense. However, it's important to [assess your risk profile](#) first and consider the underlying risks. Hut 8's high correlation with Bitcoin makes the stock extremely volatile and unsuitable for conservative investors.

CATEGORY

1. Cryptocurrency
2. Cryptocurrency

TICKERS GLOBAL

1. CRYPTO:BTC.? (Bitcoin.?)
2. NASDAQ:HUT (Hut 8 Mining)
3. TSX:HUT (Hut 8 Mining)

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Date

2025/08/16

Date Created

2022/09/12

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