



HIVE Blockchain Stock Fell 18% In October – Is It Time To Buy?

Description

The crypto market crashed after the tech bubble burst in November 2021. While **Bitcoin's** ([CRYPTO:BTC](#)) price fell 64%, crypto-related stocks fell 85–90%. **Hive Blockchain Technologies** ([TSXV:HIVE](#)) stock price has dipped 86% since November 2021, underperforming BTC. In October, the stock fell 19%. Why did the stock fall, and is it a buy at the current level?

Why are crypto-related stocks underperforming crypto prices?

A crypto miner needs three things to profit:

- A high Bitcoin price
- Access to cheap electricity
- A high hash rate, which measures the computational power of a blockchain network

Bitcoin mining is cyclical as the market forces of demand and supply determine BTC price. Mining companies can profit by reducing their cost per BTC mined. In the 2017 crypto bubble burst, BTC and **Ethereum** ([CRYPTO:ETH](#)) prices dipped significantly, reducing Hive's profit margin. But the company sustained itself thanks to its strong balance sheet and low mining cost.

But things are different this time. The 2022 crypto [market crash](#) pulled down the BTC price by 64%. As a result, Hive stock fell 60%. But things became challenging for crypto miners as electricity prices skyrocketed amidst the global energy crisis. The Russia-Ukraine war and resulting sanctions on Russia created an oil and gas supply shortage in Western countries.

Hydro-Quebec has requested the government to suspend the allocation of 270 MW of electricity to the blockchain industry amidst growing demand for electricity. Hive has a data centre in Quebec. Electricity supply constraints and lower BTC prices are stiffening crypto miners' balance sheets, making them underperform BTC. The only silver lining is improved hash rates, which means operating efficiency has increased.

Stocks across the supply chain – crypto miners, trading platforms, and crypto hodlers – fell more than

crypto prices. Smaller miners like **Digihost** face the risk of delisting from the stock exchange, while some crypto platforms face bankruptcy. Like every cyclical industry, crypto faces consolidation risk if market conditions remain tight.

Why did Hive Blockchain stock fall 18% in October?

Hive Blockchain mines Bitcoin and ETH using the proof of work (POW) concept. The POW needs graphics processing unit (GPU) mining and access to cheap and abundant electricity to mine cryptocurrency. Hive is one of the oldest and largest blockchain mining companies. It mines BTC and ETH at its GPU-based datacentres, holds them in inventory, and liquidates them to make investment earnings. It also earns money by validating transactions on the blockchain, which constitutes operational earnings.

The falling BTC prices and rising energy prices pulled down Hive's operating margins and pushed it into losses. It is not the first time Hive faced a loss in a cyclical downturn. But the biggest blow for Hive came on September 15 when Ethereum merged to proof-of-stake.

Hive and its investors knew the Merge was coming and would wipe out Hive's ETH mining segment. Thus, the company has been liquidating its ETH inventory for BTC. It sold all its ETH inventory and is now a pure BTC mining company. As per the latest data, Hive has a "BTC HODL balance of 3,311 Bitcoin as of November 5, 2022." Moreover, investors priced in the ETH Merge and rising electricity prices. Because of the merge, Hive stock price fell 18% in October.

Is it time to buy Hive Blockchain stock?

The next few months are challenging for the entire crypto market as the looming recession and tight money supply keep investors wary of risky assets and put pressure on BTC prices. Hive has a strong balance sheet to thrive in a recession and avoid bankruptcy. The ETH Merge has freed a lot of GPU computing capacity, which it is channelling on Hive Cloud. It is too early to say how Hive Cloud will perform as it has to compete with the Big seven cloud leaders.

Despite the challenges, Hive stock can revive with BTC prices. If you are [bullish](#) on BTC, now is a good time to buy Hive stock. But invest only the amount you can afford to lose. If you invest \$200 in Hive and Hodl until the next crypto cycle, your investment could rise to \$2,200 or fall to \$50.

CATEGORY

1. Cryptocurrency
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3. NASDAQ:HIVE (Hive Digital Technologies)
4. TSXV:HIVE (Hive Blockchain Technologies)

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Date

2025/06/27

Date Created

2022/11/08

Author

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