Special Report

Wall Street Bets $5.7 Billion on the #1 Crypto Stock for 2021

By Andrew Packer

Digital currencies are here, and they've reached the point of mass adoption.

This is a huge transformation. It's only been 50 years since the last tie between the U.S. dollar and gold was cut.

The past half century of purely fiat currency has seen tremendous economic progress. But it's also had considerable economic fluctuations.

This century so far has seen a stock market bubble burst. Then a housing bubble. Then stocks crashed again. Now, there's potentially even an "everything" bubble.

The housing crisis drove central banks to paper over the mess with newly created money. That act saw the rise of a digital currency.

Dubbed Bitcoin, it launched in 2009. That followed the publication of a mere 9-page white paper in 2008.

That paper outlined a peer-to-peer network for verifying a digital asset that could be limited in nature. It would not be susceptible to government oversight. There would be no single decider. It would be purely based on a network.

Since then, Bitcoin has struggled along the way. It took years to develop the infrastructure to make its success possible.

Early exchanges sometimes ran off with customers' Bitcoin. Early miners lost their data on old hard drives.

But as the infrastructure has developed and strengthened, Bitcoin prices have risen.

More importantly, the reasons for a digital currency rose even higher in the past year. Pandemic-driven policies by politicians led to trillions of dollars in stimulus.

Along the way, criticisms about Bitcoin and its blockchain network have led to the creation of newer cryptocurrencies as well.

These altcoins, as they're called, offer faster transferring times. Or they make it easier to build software and applications on their own network.

There's now truly something for everyone in the cryptocurrency space.

Bitcoin, which started out priced less than a penny, now trades for over $55,000. It crossed a $1 trillion market cap in early 2021. Cryptocurrencies as a whole leapt to a value of $2 trillion.

Bitcoin prices have risen 10-fold since the start of the Covid pandemic. Many altcoins have done even better.

It's easy to see why. Governments created trillions of dollars out of thin air. They gave it to their citizens.

Then they told them to stay home and not spend it in theaters, bars or restaurants. It had to go somewhere.

That's why the trend in cryptocurrencies will likely continue.

The asset class has become the ultimate hedge against inflation. At the same time, it's only reached 2% of the population, yet popularity is surging.

Why? Thanks to the peer-to-peer nature of cryptocurrencies, the government can't shut it down.

The downside to that? Cryptocurrencies don't get bailouts. But they don't need it.

Large players, dubbed whales, can try and manipulate the price, but they'll get burned in the process.

Compare that to the stock market. **GameStop (NYSE: GME)** shareholders were locked out from buying or selling in January as shares saw the mother of all short squeezes!

Historically, gold has been a store of value. It's held its own against inflation over time. But central banks are large holders of the metal.

And governments have allowed banks to sell gold contracts far in excess of what they'd need to cover their bets. It's easy for big banks to keep gold prices down.

That's why the rise of cryptocurrencies has been so powerful. It's a bottom-up rethinking of the financial system and what the world understands as "money."

Corporate America has reached that same conclusion in the past year.

A handful of companies like **PayPal (NASDAQ: PYPL)** and **Square (NASDAQ: SQ)** started allowing Bitcoin payments on their platform.

Tesla Motors (NASDAQ: TSLA) started accepting Bitcoin in payments for their cars.

They're also buying Bitcoin to hold on their balance sheets too.

Banks are starting to add the ability to hold and trade cryptocurrencies as well.

Wall Street analysts are quietly putting price targets of $200,000 to $400,000 on Bitcoin. And some Bitcoin bulls see a day when a single Bitcoin could top $1 million.

We're still in the early stages of this trend.

As major corporations shift to adjust, companies on the frontier of this new asset class can provide great returns.

Any company that's investing in cryptocurrencies while also developing technologies to increase its ease of use should be on any investor's watch list.

One of my favorite opportunities is **MicroStrategy (NASDAQ: MSTR)**.

One-Stop Double Play on the Rise of Bitcoin

On paper, MicroStrategy doesn't sound like a crypto play.

That's because it's a software company that provides best-of-industry business analytics.

Founded by Michael Saylor at the age of 24, he still serves as CEO and board chairman.

The company has evolved over time. It started with mobile data support, but now offers cloud-based data.

It provides other companies with analytic data using a comprehensive platform.

This data collection allows businesses to make better decisions. The company's mantra for its business is that customers can build a system that is open, scalable and secure.

That's a lot like Bitcoin and other cryptocurrencies, which provide a method for securely transferring wealth across cyberspace.

As part of its adoption of Bitcoin, MicroStrategy has created a version of its analytics platform.

It shows the performance of various assets relative to Bitcoin. Time frames can be anywhere from one month to five years.

It's clear that the company is working to incorporate the principles of a cryptocurrency onto its platform. Such principles ensure that data is readily available, but also capable of being securely transferred.

That makes it a player in providing Bitcoin data, which could become a big business as companies continue to embrace the cryptocurrency.

So, it should be no surprise that MicroStrategy truly made waves when it became one of the first companies to embrace Bitcoin.

In fact, they did so in a big way . . .

In August 2020, the company adopted the cryptocurrency as a treasury reserve.

The company first bought $250 million of Bitcoin in August 2020. Later, it issued $1.05 billion in 0% convertible notes to buy more Bitcoin.

In the first quarter of 2021, MicroStrategy bought $1.086 billion of the cryptocurrency. That allowed it to pick up an additional 20,857 Bitcoin at a price of about $52,087.

In total, MicroStrategy now holds approximately 91,579 Bitcoin. That's over $5.2 billion at current prices.

Here's the kicker, though . . .

The notes come due in 2027. They are convertible into common stock of MicroStrategy at $1,432 per share.

While shares have traded as high as $1,200, they've since been cut in half to $600 per share.

However, if Bitcoin prices follow their long-term trend of nearly doubling every year on average, shares could easily be substantially higher than $1,432 by 2027.

If MicroStrategy's price moves higher from its Bitcoin holdings at the same rate, shares could be worth tens of thousands of dollars by then.

MicroStrategy clearly has two big ways to profit from the rise of Bitcoin. Its business is embracing secure but open digital technology.

And its massive embrace of Bitcoin itself has provided a high-level proof of viability for the cryptocurrency.

This gives investors a way to essentially buy a Bitcoin holding company at a fraction of the price of buying entire Bitcoins.

The company's ability to borrow money at 0% to buy more is also something retail investors can't do. That could provide leveraged returns relative to Bitcoin's price down the road.

That's as the company is sitting on a profit on its Bitcoin holdings . . . and has been looking to take on more debt to buy more.

The convertible bonds could end up diluting today's shareholders. However, the more Bitcoin prices rise, the lower the effects will be.

While volatile, it's very likely Bitcoin prices will be far higher in 2027, and the company's value will be substantially higher. So, the likely effect of the convertible bonds will be minimal.

Recommended Action: Shares of MicroStrategy are a buy as a way to track the price of Bitcoin but also backed by a data analytics company capable of acquiring more Bitcoin using today's low interest rates.

Take advantage of any selloff in shares from a drop in Bitcoin as an opportunity to accumulate more shares.

Yours in Wealth,

Andrew Packer
Research Analyst

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