

Electric carmaker Tesla invests \$1.5 bn in bitcoin

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News of Tesla's investment in bitcoin lifted the cryptocurrency to a new record

Tesla helped push bitcoin to an all-time high Monday after the carmaker announced a \$1.5 billion investment in the digital money and plans to accept the cryptocurrency from customers buying its electric vehicles.

The announcement comes on the heels of a cheeky social media embrace of bitcoin by iconoclastic Tesla CEO Elon Musk, and marks the latest step in the mainstreaming of the cryptocurrency

Bitcoin's value has risen by about 50 percent this year, but skeptics say it is still highly volatile and regulators warn it is vulnerable to illicit use.

Musk, an expert at disrupting corporate norms as well as economic structures, last week briefly changed his Twitter bio to simply read "#bitcoin."

He also has taken to social media in recent days to promote dogecoin, another digital money that was originally launched as a joke but has suddenly become more valuable.

In a securities filing, Tesla described the bitcoin purchase as an effort to boost company liquidity.

"In January 2021, we updated our investment policy to provide us with more flexibility to further diversify and maximize returns on our cash," Tesla said in announcing the \$1.5 billion bitcoin purchase.

As a result "we may invest a portion of such cash in certain alternative reserve assets including digital assets, gold bullion, gold exchange-traded funds and other assets as specified in the future."

Tesla will also "begin accepting bitcoin as a form of payment for our products in the near future," the company added.

Prices of bitcoin surged to \$44,795.20 around 1325 GMT, before cooling slightly.

Tesla's move further institutionalizes bitcoin as an accepted means of

value in American and global business.

In October, Paypal announced it would permit consumers to conduct transactions in cryptocurrency, while payments company Square said it would invest \$50 million in bitcoin.

Just last month, asset management giant BlackRock announced that two of its funds could include investments in bitcoin.

Still, BlackRock Chief Executive Larry Fink has also expressed caution over bitcoin, noting it remains highly volatile.

Tesla too acknowledged in the SEC filing that digital assets "may continue to be highly volatile" and vulnerable to "malicious" technology-based attacks.

During her Senate confirmation hearing, newly-installed Treasury Secretary Janet Yellen said cryptocurrencies are vulnerable to illicit finance.

Increased legitimacy

Just 12 years old, bitcoin has seen a meteoric rise since March 2020, when it stood at \$5,000.

"This is probably one of the biggest developments for the cryptocurrency industry," noted Fawad Razaqzada, analyst at ThinkMarkets said of Tesla's move.

"Tesla is going to be a major player in the auto industry and if it starts accepting bitcoin as a form of payment, it will give the digital currency further legitimacy."

Neil Wilson, chief market analyst at Markets.com, said Tesla's announcement could boost bitcoin above \$50,000 owing to Musk's influence "in shaping price action and moving markets."

But said Musk's stance on bitcoin raises "a real question about possible market manipulation" depending on the timing of Tesla's bitcoin purchases with his statements online.

"This may not worry a lot of investors, but some conservative types might be concerned," Wilson said. "Tesla's move is the kind of big corporate support that bulls are latching onto: more corporate support = more mainstreaming."

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