The Two Blockchain Plays to Take Advantage of Right Now

By Jeff Brown
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By Jeff Brown, Editor, The Near Future Report

It’s not uncommon for people to think that cryptocurrencies – digital money – are easy to create. Just press a button and poof... you have money.

While that might be true for some forms of digital money – and even fiat currencies, for that matter – it is not the case for many blockchain-based cryptocurrencies.

In reality, many digital currencies are not created out of thin air. Instead, they are “mined” through a process that requires hardware, energy, and time. I’ll tell you more about that in a minute. But mining cryptocurrencies like bitcoin requires a lot of real-world resources.

Without these costly inputs, cryptocurrency mining would be impossible.

And this represents a unique opportunity for investors to profit from the booming crypto market without ever having to purchase a single cryptocurrency.

Today, rather than recommending a single cryptocurrency, I’m going to reveal to you the two companies that will be the dominant players in the future of crypto mining.

These are classic “picks-and-shovels” plays. And Wall Street and traditional investors are vastly undervaluing these two companies at the moment.

The first company has me particularly excited... The last time I recommended a company like this, investors had the chance to make nearly 600% in less than two years.

Here’s how we’ll do it again...

The Blockchain Revolution

Before I show you the recommendations that will profit from the cryptocurrency effect, it’s important to understand why blockchain technology is becoming so valuable to society.

One of the unique features of blockchain technology is that it has built-in economic incentives for building and maintaining a distributed network.

Blockchain technology is also known as distributed ledger technology (DLT). In its simplest form, a “distributed ledger” is a database where the exact same information – records of transactions – is stored in thousands or tens of thousands of locations.

Historically, companies, governments, and individuals have kept their records in one centralized database. Imagine a room with
racks of computers that store information. But centralized databases have weaknesses. They can be manipulated, and records can be changed. Additionally, hard drives can fail, which means data can be lost. And finally, one party’s records represent only one side of any given transaction.

In the world of blockchains and distributed ledger technology, however, these weaknesses are fixed. Because the same data is stored in many locations, it’s not possible to change or manipulate the data, as this would conflict with the stored data that exists in other locations. And in the event of a hardware failure, the other locations can serve as backups. Likewise, the transactions that are recorded on the ledger represent the views of all parties involved in a transaction.

Furthermore, the majority of the participants on a blockchain network have to confirm and agree to “write” new transactions onto the blockchain. This method is called consensus. Once a consensus is reached, a new block is added. Each new block becomes immutable – it cannot be changed. And if a bad actor were to alter a single piece of information, the block and anything added afterward get rejected since they do not agree with the consensus.

The value and utility that a well-designed blockchain provides are remarkable. In addition to immutability and reduction or elimination of fraud, this technology can provide secure, low cost, and nearly frictionless transactions. And depending on the specific use, blockchains can offer various levels of privacy and transparency to their users. The possibilities are truly limitless.

### Mining the Blockchain

And then there are the economic incentives. “Miners” are individuals or companies who “mine” blockchains for economic reward. Miners provide a service to the blockchain network by solving cryptographic problems in order to help confirm and add new blocks to the blockchain that they are supporting.

This enables transactions to take place over the blockchain network.

Miners also maintain a copy of the blockchain (the ledger of transactions) as each new block is written to the blockchain. Again, we can think of this as maintaining an immutable database – a perfect record of all transactions that took place on that blockchain.

But to do this, real-world resources are required. Blockchain technology requires specialized computers (servers) as well as labor and energy inputs to build and maintain those computer systems.

For these efforts, miners are paid in the cryptocurrency associated with the respective

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<td>Filecoin</td>
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blockchain. In the case of the Bitcoin blockchain, miners are paid in bitcoin. In the case of the Ethereum blockchain, miners are paid in ether. And so on...

And there are many different blockchains. Each one is designed to have its own unique features, which are typically targeted at specific market opportunities.

To gain some perspective, have a look at the table on the previous page.

These are just a few examples of different blockchain technologies that are designed to solve specific problems. They can perform certain transactions or services in ways that are simply better and cheaper than how they are performed today.

This is why blockchain technology will become so pervasive. It can improve on just about any transaction between two or more parties. It can be applied to just about anything. And no one blockchain can support all needs and requirements.

**The New Internet**

This incredible revolution in distributed ledger technology is about to completely rewrite how society interacts. But in order for this to happen, blockchain companies are building a “new” internet.

It is an internet of value and utility. Blockchain technology is not like today’s internet that we use to send pictures, stream video, make phone calls, and send emails.

This new internet is about enabling the transfer of value and smart contracts... It makes it possible to confirm someone’s identity without sending any sensitive information. And it has so many other capabilities.

But to make this a reality, we need those inputs that I mentioned earlier (labor, power, and processing capabilities). More specifically, billions of dollars need to be spent on the hardware required to support these blockchain networks.

And that’s where today’s recommendations come in...

**Bigger Than the Internet Boom**

This cryptocurrency boom will be bigger than the internet bubble we experienced in the late 1990s. But when I think back to that period and compare it to what is happening with blockchain technology, there is one striking difference.

During the internet bubble, most people had no idea what the business models were going to be or how many of these internet companies were going to make money.

For example, very few foresaw how a company that had a web search engine (Google) was going to make money...

... or predicted that a small technology company selling books online at a loss (Amazon) would become one of the largest and most successful companies in history.

And no one imagined that the most successful and profitable internet and mobile application in the world was going to be a social network where people posted photos of their cats and what they ate for breakfast (Facebook).

But with blockchain technology, industry participants know exactly what they are doing. These companies know exactly what industry they are going to disrupt. They know how they can reduce costs, improve transparency, improve user experience, and add value in a secure and distributed way.

Now, there are definitely some bad ideas out there, just like there were during the internet bubble. And there are even some frauds as well (read this special report to see some for yourself).
But there are hundreds, if not thousands, of great companies and entrepreneurs that have a shot at building successful companies on blockchain technology.

But we don’t need to try to pick the winners from the bunch. Instead, we’re investing in two key companies that provide the hardware required to power these massive, distributed networks – a classic picks-and-shovels play.

Just like the sellers of picks and shovels during the California Gold Rush in the mid-1800s, the key suppliers to the blockchain industry will make a fortune.

**A Silicon Valley Veteran**

One key hardware component is required to build and maintain these distributed blockchain networks: specialized computers. These computers are typically servers that are rack-mounted one after the other. The servers are also often called mining “rigs.”

Contained within these servers are two critical kinds of semiconductors.

The first kind of chip is called a graphics processing unit (GPU). GPUs provide the computational power to solve the mathematical problems required to add a block to the blockchain. The miners get paid for successfully doing so.

And that brings us to our first recommendation...

**The Brains Behind Cryptographic Problem Solving**

The history behind cryptocurrency mining is rather short-lived, only starting in earnest in 2011. At that time, modern CPUs (central processing units) were used for computational power.

It didn’t take long before the industry figured out that CPUs were not very efficient at solving the complex mathematical problems for blockchain technology. As a result, the industry quickly shifted to GPUs, which proved to be faster and more efficient at performing the iterations required to mine new blocks.

Then, in 2013, the industry had its next evolution with the creation of ASICs (application-specific integrated circuits). These application-specific semiconductors were optimized specifically for mining on the Bitcoin blockchain.

And it made sense. Back in 2013, bitcoin made up around 95% of the total market capitalization of all cryptocurrencies.

But have a look at what’s been happening since then.

Bitcoin’s market cap as a percentage of the entire cryptocurrency market was still over 95% at the start of 2017. Since then, its percentage has trended down. It now sits around 50% of the entire market.

And while its dominance rises and falls from month to month, it is not likely to return to previous levels. We can expect competition to
keep growing as other blockchain technologies increase in both popularity and transactions across their respective blockchain networks.

Now, a China-based company called Bitmain has the majority of the ASIC-related business supporting the bitcoin blockchain. Bitmain believes that it has about a 75% market share of the ASIC market used for bitcoin mining.

But Bitmain is a private company, so it’s not something that we can invest in.

Fortunately, another company gives us much broader exposure to the future mining market for cryptocurrencies... **Advanced Micro Devices (AMD).**

**A Silicon Valley Veteran**

AMD is one of the original “Silicon Valley” companies. It has been just as much of an institution as other Silicon Valley veterans like Fairchild and Intel over the years.

AMD is focused on the high-performance computing markets. Its beginnings were focused on designing and manufacturing microprocessors (MPUs) and CPUs.

This led to a decades-long battle against CPU giant Intel, which generated over $70 billion in revenue in 2018 compared to AMD’s $6.48 billion.

During the last 10 years, however, AMD has been going through a strategic transition. It has more sharply focused its core processor business on servers for data centers, which is one of the highest-growth markets in the semiconductor industry.

And more importantly, it has become one of only two dominant suppliers of GPUs in the world. The other one is NVIDIA.

NVIDIA is a fantastic company. In fact, I pounded the table for investors to buy it back in early February 2016 when the stock was trading around $24. Those who took my advice have now made more than 700% gains.

But now we have the chance to do it again... this time with AMD.

**AMD’s Transformation**

AMD’s transformation began in July 2006 with the acquisition of ATI Technologies, another semiconductor player focused on GPUs at that time.

The other transformative deal happened in 2008 when AMD announced its plans to spin out its manufacturing operations into a new venture that became known as GlobalFoundries.

While this process took many years, it enabled AMD to become a “fabless” semiconductor manufacturer.

Being fabless simply means that it outsources all its manufacturing to strategic third-party semiconductor manufacturers. This is a popular model in the industry. It provides for higher gross margins. That’s because AMD no longer has to worry about the capital expenditures required to build and maintain massive semiconductor factories (or “fabs”).

I’ll be the first to say that AMD’s transformation has been rocky. It was difficult and took much longer than what was originally forecast.

But those days are behind the company now...

Between 2010 and 2018, AMD burned through more than $2 billion in cash. This spending was necessary for the company to become competitive again.

The investments it made from 2015 to 2017 resulted in seven major product launches in 2017 and 2018. And you can see in the chart on the next page how the company’s revenues bottomed out in 2015 around $4 billion.
And as it turns out, one of the drivers behind AMD’s turnaround is the growth in its cryptocurrency-related business. While the company doesn’t directly break out its figures on earnings calls, it does specifically mention its blockchain-related business.

And here’s why: AMD’s Radeon line of GPUs delivers the best performance for cryptocurrency mining.

Some reports have put the difference in performance as high as 36% for AMD’s GPU products. Now, if the difference were 3%, I wouldn’t think much of it. But at 36%, AMD’s products are a game changer.

Why? Because cryptocurrency mining is a competitive business. It is all about speed. The faster your mining “rigs” work, the better the chances are that a miner can solve the mathematical problems before anyone else... and get paid.

And get this. While AMD attributed 10% of its revenue as being blockchain-related in the first quarter of 2018, this figure is likely higher now.

In AMD’s 2020 annual report, the company stated, “Another area of the market for graphics compute is blockchain technology.” It also has multiple blockchain compute solutions on its webpage for several applications.

And in March 2021, the company announced a “set of fixes” to a driver for GPUs originally manufactured exclusively for Apple. Importantly, this fix now makes the GPU drivers perfect for cryptocurrency miners.

GPUs designed specifically for mining cryptocurrency give miners an edge. And miners will gobble up these new GPUs as quickly as they are released. In fact, GPUs for mining both bitcoin and ether experienced price growth of roughly 10% each week over the first few months of 2021.

It’s a shrewd move for AMD to ensure it gets a chunk of the cryptocurrency mining market share.

So this is our opportunity to get in on this explosive trend before Wall Street realizes this new potential...

**Action to Take:** For our current buy-up-to price for Advanced Micro Devices (AMD), please see our online model portfolio.

If AMD is trading above the buy-up-to price, please be patient and wait for the stock to fall back before buying.

**Risk Management:** We will be holding this investment without a stop loss for the time being. As always, we should use rational position sizing. That means investors should only invest an appropriate amount for their portfolio size and risk tolerance. And bear in mind that I cannot give personalized advice. A rational position size is something that each investor will need to determine. And remember, I never recommend going “all in” on any one investment.
And AMD isn’t our only way to profit from the explosion of blockchain technology...

Our Second Opportunity

Established in 1978, Micron Technology (MU) is one of the longest-running semiconductor firms outside of Silicon Valley. In that time, it has become a global leader in computer memory.

And over the past decade, Micron has gone through a major transformation. In 2010, Micron acquired Numonyx, which specialized in nonvolatile memory technology. Nonvolatile memory simply means data can be stored and recalled even if power is turned off. Solid-state drives are a type of nonvolatile memory storage. This acquisition gave Micron its lead in NAND chips used in SSDs.

And in 2016, it acquired Inotera Memories, a manufacturer of dynamic random-access memory (DRAM) chips. DRAM is a type of RAM (random-access memory) technology.

These acquisitions have made Micron the go-to company for all memory needs. In fact, it’s the only company that offers DRAM, NAND, and 3D XPoint technology.

Micron has carved out an important position as a global supplier of memory. We can see Micron’s products at work in our smartphones, computers, and even the computer systems in our cars.

And these products have allowed Micron to benefit as the entire semiconductor space grows. Having SSD, NAND, and 3D XPoint products gives Micron a strong foothold in the quickly growing NAND industry. Micron estimates that the DRAM market will grow 15% a year for at least the next couple of years... And the NAND market will grow 30% a year.

As Micron benefits from the growth in these industries, it’s also realizing a huge opportunity in blockchain space.

The company has recognized the need for more memory to power applications on the blockchain. And its huge strides in NAND and DRAM applications make it the perfect fit for growing blockchain’s reach.

After all, the more transactions executed on the blockchain, the more memory is needed. Cryptocurrency “miners” authenticate new transactions daily and must work to authenticate and secure the chain. All of these tasks require huge reserves of memory and computing power.

And Micron’s products are the key to making sure blockchain technology will grow over the next decade. Its strong foothold in the memory market will allow decentralized financial and communications systems to flourish all over the world.

The World Leader in Memory

Micron’s decade of smart investments has placed it in the best position to capitalize on the explosion in blockchain technology.

And Micron’s massive R&D spending over the past couple of years has already propelled it to a leadership position in all its memory verticals. Last year, Micron spent roughly 12% of revenue on R&D. That’s a huge amount for an $86 billion company like Micron.

It now has the first releases of the newest memory chips. And its chips are generally faster, denser, and more power-efficient than those produced by the competition.

With the rise in smart contracts, cross-border transactions, and Internet of Things (IoT) applications across the blockchain, Micron’s semiconductors will play a dominant role in powering the next generation of the decentralized internet.

Simply put, these chips are fueling the massive surge in memory needed for blockchain...
applications. And Micron’s large array of offerings will ensure that it remains a go-to supplier for the data centers, mining platforms, and other integral parties in blockchain tech.

And Micron shows no signs of slowing down. Its chips will continue to be huge drivers of growth in blockchain technology for years to come.

This is too good of an investment opportunity to pass up.

**Action to Take:** For our current buy-up-to price for Micron Technology (MU), please see our online model portfolio.

**Risk Management:** Because we will be holding this stock without a stop loss, I encourage all readers to use rational position sizing. We should remember to never go “all in” on any one investment. Our mission is to build a portfolio of our companies. That’s how we’ll optimize our success.

Regards,

Jeff Brown
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