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Current Views

Flat

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Bitcoin Bull

Yes, today's title has a double meaning, depending on whether or not you are a believer in BTC. Most people are sympathetic to one of two extreme views on bitcoin:

1. It is a worthless fiction that sucks up a lot of energy and is like the Beanie Baby craze of the late 1990s, except Beanie Babies were at least a real thing.
2. Bitcoin is futuregold. The neo-safehaven / store of value for a new generation of libertarian Millenials who distrust fiat currency in the aftermath of the Great Recession, DJT's procyclical fiscal insanity and impending MMT.

If you subscribe to #1, you can stop reading now because under that view, bitcoin is probably going to zero. That would be like the outcome of many other bubbles and fads like Dutch tulips, US baseball cards in the 1980s, Beanie Babies in the 1990s etc[1].

You could do worse than buying bitcoin here given the speculative balloon has popped and you are buying at an ~80% discount from December 2017 levels. I have some really interesting numerology for you. I looked at all the big bubbles for which I could find data on Bloomberg or Reuters and there is a surprising consistency in the size of the fall before the bull market resumes. Every major bubble bottomed after dropping between 82% and 86% from high to low. Guess how much bitcoin has dropped high to low: 84%.

I am not datamining or picking some arbitrary point on the chart. Each time, I take the all-time high and then the lowest point after the all-time high. And every time it's 82%/86%. Kind of cool. So the trade would be long bitcoin here with a stop below $2500. Trade bitcoin at your own risk. Even if you don't care about bitcoin, this 85% number is something to keep in mind when the next bubble (VR, CBD or eSports maybe?) pops.

Here are the charts (from most to least recent)

2017/2018 Bitcoin dropped 84.0%

[1] A few Beanie Babies kept their value but most did not.

2007/2008 Bank stocks (XLF) dropped 84.6%

2005/2007 S&P Homebuilders Index dropped 84.6%

2000/2002 NASDAQ dropped 83.6%

1989/2008 Nikkei dropped 82%

1929/1930 US stock market dropped 86.2%

If you are worried about the energy consumption aspects of bitcoin, the first link below is a pretty good takedown of the "bitcoin uses as much power as Denmark" hysteria. It is an incredible piece of writing and another brick in the wall of just how ridiculously bad fact checking in mainstream media can be.

https://hackernoon.com/the-reports-of-bitcoin-environmental-damage-are-garbage-5a93d32c2d7

And a more balanced article on bitcoin power consumption here:

https://www.pri.org/stories/2017-12-20/bitcoins-sky-rocketing-energy-use-viral-story-we-checked-math

Have a heart-shaped day.

Good Luck ↕ Be Nimble


RALPH

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