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Academics outline how Bitcoin's price was bumped-up during 2017

John Moore | Crypto, Markets, News on Jun 14th, 2018

According to a University of Texas study, Bitcoin's massive rise in value last year was something of a ruse – here's how it reckons it was done.

CryptoCompare	
USD	EUR CNY GBP
\$ 6,520.50 (3.01%) ▲	
 BTC	
 ETH	\$ 502.64 (6.03%) ▲
 XMR	\$ 129.94 (11.26%) ▲
 LTC	\$ 97.81 (3.90%) ▲
\$ 262.68 (6.85%) ▲	
 DASH	

* Price & chart conversion through BTC

John Griffin and Amin Shams, a University of Texas finance professor and grad student believe they have found price manipulation in the Bitcoin market last year.

This manipulation that, the pair's report says, can be directly correlated with the huge spike in the price of BTC that we saw late in the 2018. The pair analysed transactions from the time, and have come to believe that purchases using the dollar-tied crypto Tether (USDT) were made at strategic times to "stabilize bitcoin's floor" according to reports.

"These patterns cannot be explained by investor demand," they said in the study. "Using algorithms to analyse the blockchain data," the report's synopsis says, the pair found "purchases with Tether are timed following market downturns and result in sizable increases."

The detailed report, which focuses largely on the movement of Bitcoin and Tether between the Bitfinex, Bittrex and Poloniex exchanges in the year prior to March 2018 concludes that:

"The semi-transparent nature of the blockchain provides a unique opportunity to examine the mechanics behind the growth of an asset class during a period of massive speculation... By mapping the blockchains of Bitcoin and Tether, we are able to establish that entities associated with the Bitfinex exchange use Tether to purchase Bitcoin when prices are falling. Such price supporting activities are successful, as Bitcoin prices rise following the periods of intervention."

"Our results," it says, "are consistent with the supply-driven manipulation hypothesis."

It then goes on to sum up that "Overall, our findings provide substantial support for the view that price manipulation may be behind substantial distortive effects in cryptocurrencies."

Griffin and Shams have form when it comes to rooting out

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such activities. Recently, their work was cited in court as evidence that the VIX – the CBoE's volatility index, used extensively by Wall Street to predict stock market movements was being manipulated.



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