German Bank Predicts $90,000 Bitcoin as Halvening Hardens BTC

by Rick D. — 1 day ago

BayernLB, a bank based in Munich, Germany, has produced a report on Bitcoin's hard monetary policy versus those of various precious metals. Acknowledging Bitcoin's halving schedule as unique in monetary assets, the bank makes a prediction of $90,000 per BTC following next year's further restriction of supply.

The recently published research paper identities the stock-to-flow ratio of an asset as being a suitable way to quantify its "hardness." Stock-to-flow simply refers to the amount of an asset that is issued versus that stockpiled in its current supply.

With Bitcoin, the supply is known and consistent as part of the network's block reward system and difficulty adjustment program. The authors note that it is all-but-impossible to adjust the flow of new Bitcoin and this makes it similar to gold.

They also make other comparisons between the stock-to-flow ratios of gold and Bitcoin. Whereas they state that gold has earned its high stock-to-flow ratio over thousands of years, Bitcoin's has been coded to represent a hard form of money from the get-go. This causes its stock-to-flow ratio to rise faster than any other commodity ever.

The authors note that a high stock-to-flow ratio is desirable for a monetary commodity. They go as far as to hint that Bitcoin's hardness as an asset may make its adoption inevitable:

> *"Historically speaking, it has invariably been the commodity with the highest stock-to-flow ratio at that juncture which has been used as money because this enabled the best value transfer over time."*

Unlike many gold bugs, the report states that it is actually gold's lack of industrial uses that makes it a suitable form of money. Precious metals that are predominantly used in industry, such as palladium, typically have low stock-to-flow ratios. Even when these assets might have very low stock, their production relative to it makes them a poor form of money — since the metal's stockpile could easily be diluted if the price was suddenly spiked.

Interestingly, the bank's researchers state that Bitcoin having few uses other than as a monetary asset is an advantage, rather than a disadvantage. It makes the stock-to-flow model more accurate since there are no sudden non-monetary drivers on the demand-side. This makes for a system in which there are "no demand-side developments" to distort price formation.

The paper concludes by looking forward to Bitcoin's future, with particular reference to the next two halving events. After acknowledging that models such as the stock-to-flow ratio can fail spectacularly at predicting future events and that the next halving should reduce Bitcoin's stock-to-flow ratio to lower than that of gold, they write:

> *"If the May 2020 stock-to-flow ratio for Bitcoin is factored into the model, a vertiginous price of around USD 90,000 emerges. This would imply that the forthcoming halving effect has hardly been priced into the current Bitcoin price of approximately USD 8,000 (the current model value is roughly USD 7,500)."*

Supporting the theories of BayernLB is Twitter-based cryptocurrency market analyst PlanB (@100trillionUSD). Also looking at the Bitcoin stock-to-flow ratio, the trader and digital asset enthusiast states that the halving has not been priced in yet. Therefore, more upside could take the Bitcoin price up towards the six-figure mark following the May 2020 halving.