## Bitcoin is not well understood

In addition to the structural issues of low relative liquidity and high market availability, you have an asset that the majority of people trading in it do not understand very well. It is important to distinguish the HODLers from the traders here. The HODLers understand bitcoin extremely well, which is why they are not selling the majority of their coins back to the exchanges even when the price goes up 10x or 100x. It is the traders who are moving bitcoin around every day that have a limited understanding of the asset. When combined with the prior two features, it gives bitcoin a heavy bias for volatility. This volatility goes both ways, but there are reasons for bear markets.

## Speculation leads to forced liquidation

Bitcoin is a free market with no friction. In addition, it is the greatest performing asset over its sixteen-year life in the history of the world. When things are good, they are really good. When things are really good, people are looking for innovative ways to acquire more bitcoin than they can afford. They will borrow to do so, often posting assets as collateral that decline in value at the same time that bitcoin declines in value, leading to mass liquidations of bitcoin holdings by lenders, which turns a controlled storm into a full-blown Category 5 hurricane.