

Gowdie: Why I Won't Be Buying Bitcoin

Retrieved Tuesday 5th of September 2017 08:32:16 PM

Lively dinner conversations invariably gravitate towards the hot topic of the day.

Was it same-sex marriage? No. It was [crypto currencies](#).

'What do you think about Bitcoin?'

The other day in the Hunter Valley, a waiter was talking to me about bitcoin.

At our local shopping centre there was a black Mercedes proudly displaying a personalised 'Bitcoin' number plate. Did the owner see

It seems everyone, including my 87-year-old father, has heard of bitcoin.

Cryptos have captured the imagination of the crowd.

What a marked difference to a few years ago.

I first read about bitcoin in 2010. From memory, bitcoin was trading around US 6 cents. The story about this alternative currency intr

'How do I buy some of these bitcoins?'

'Well, you need to have a wallet.'

'How do I do that?'

That's when my mind went blank.

For someone whose tech skills extend to being able to turn on their computer, the purchase of an electronic wallet was way beyond

Occasionally, I do the maths on what that \$10,000 would be worth today...nearly \$1 billion. Just typing that hurts.

However, I console myself with the fact there may not have been \$10,000 worth of bitcoin to buy.

And, if the quantity was available, when the value reached \$1 million, I would have sold... You never go broke taking a profit.

Never in my wildest imagination did I think bitcoin would attract a price of US\$4,500.

Note my choice of words — attract and price. I did not say 'be valued at'.

The only *value* bitcoin has is novelty value. There is nothing other than belief supporting the price of bitcoin and its imitators.

Sacrilege. Heresy.

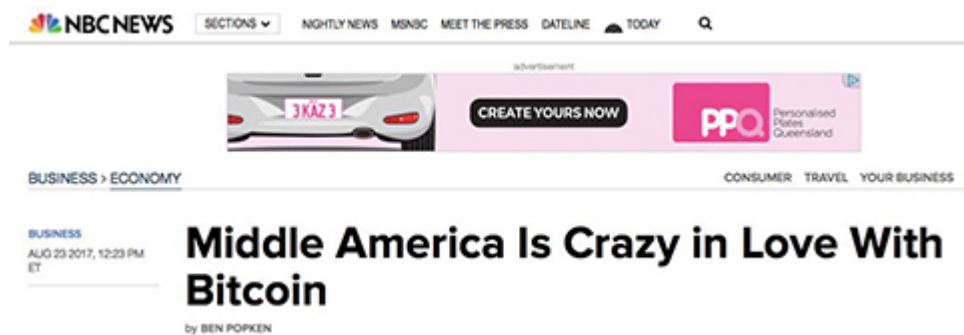
Why I Won't Be Buying Bitcoin

I appreciate this opinion is at odds with my fellow editors at Port Phillip Publishing.

However, would I buy bitcoin, Ethereum or any of the other 1099 cryptos? **The resounding answer is: No. I wouldn't put one red**

Joe Kennedy, father of the former US President John F Kennedy, made the family fortune during the Roaring Twenties. Joe Kennec

Whether it be tulips, the South Sea Company, emus, dotcom or US housing, the principle of the 'shoeshine boy' applies. When the p



Source: NBC News

[\[Click to enlarge\]](#)

Here's an extract from a 23 August 2017 NBC piece:

'If you're not buying Bitcoin, you're not keeping up with the Joneses.'

'The American middle class is falling in love with the unregulated cryptocurrency's skyrocketing value, which hit a record-breaking high.'

'There are now more Google searches for Bitcoin than for Beyoncé. It's not just bankers and techno-nerds buying up this "digital gold" anymore.'

Doesn't that story tell you all you need to know?

- A 600% increase in a year! Anyone see a bubble here?
- Hoping to sell them for more later! (Seriously? Who doesn't buy assets hoping to sell them for more at a later date?)
- Flight attendants and ironworkers! What about shoeshine boys?

In my opinion, you should trade this latest overpriced, overhyped and overbought 'it' for cash. Run for the hills with your booty of US Dollars.
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I can hear the howls of protest from the 'digital gold' believers at the mention of not being able to 'buy things' with cryptos.

Yes, there are some firms that accept bitcoin as full or part payment for goods and services.

However, most apply a limit to the amount of bitcoin that can be exchanged. The reason for that is obvious. Those businesses have

Try buying a home with a cryptocurrency transfer. Not going to happen unless the seller is another true believer...however, stamp d

[Cryptos](#) are like religion. There are those who believe in God with all their heart. There are the ‘somewhat’ believers who would like to think there’s a God.

And then there’s the atheist — the non-believer who considers religion a giant scam based on nothing more than myth and propaganda.

Bitcoin, Ethereum and other cryptos only have a ‘value’ because people believe there’s a ‘value’.

All markets, to some extent, work on belief systems. We believe a company will earn \$X, so we buy the stock on a multiple (PE ratio) of those expected earnings. The earnings and/or multiple expands or contracts based on the prevailing social mood. In times of exuberance, people are prepared to pay more (believing the good times will continue). In times of uncertainty, people become more conservative (believing things might get tougher).













When markets reach mania status, price is determined by the time honoured ‘bigger fool theory’. The only reason a near worthless ‘asset’ is afforded a nosebleed valuation is attributed to one solitary factor — the level of foolishness the crowd is prepared to go to.

The demand for all things crypto has created multi-billion-dollar valuations.

The following table from Coin Market Cap shows the value (and I really do use that term loosely) of the top 12 digital currencies/assets/blockchain/gold offerings.

If you go to the [Coin Market Cap](#) site, you’ll see there are currently 1,101 of these offerings, worth a total US\$161 billion.

The top 12 are collectively worth US\$143 billion. The remainder are ‘rats and mice’... But, who knows, one of these might become the new Messiah and makes it to the top of the table.

#	Name	Symbol	Market Cap	Price
1	 Bitcoin	BTC	\$75,097,737,619	\$4539.86
2	 Ethereum	ETH	\$32,418,042,326	\$343.37
3	 Bitcoin Cash	BCH	\$9,953,974,885	\$601.13
4	 Ripple	XRP	\$8,694,619,522	\$0.226754
5	 Litecoin	LTC	\$4,085,127,626	\$77.42
6	 NEM	XEM	\$2,681,622,000	\$0.297958
7	 Dash	DASH	\$2,667,454,435	\$353.97
8	 IOTA	MIOTA	\$2,061,319,115	\$0.741607
9	 Monero	XMR	\$1,838,766,598	\$122.33
10	 Ethereum Classic	ETC	\$1,794,158,253	\$18.85
11	 NEO	NEO	\$1,502,840,000	\$30.06
12	 OmiseGO	OMG	\$1,004,699,729	\$10.22

Source: Coin Market Cap
[\[Click to open in a new window\]](#)

Anyway, bitcoin is worth US\$75 billion, which equates to \$94 billion Australian dollars.

For comparison, NAB is capitalised at \$82 billion and pays a 6.4% fully franked dividend (9.1% grossed up).

So, would I rather own bitcoin outright or buy all of NAB plus have an extra \$12 billion in the bank AND receive a BEFORE TAX (grossed up) dividend of \$7.5 billion PER ANNUM?

Tough choice?

I don't think so. Give me the latter every day of the week and twice on Sundays.

But, while there are enough believers to buy into this digital fool's gold, sit back and watch with wonder the madness of men, women and shoeshine boys.

Currently, I'm writing an additional chapter on cryptocurrencies for my book *How Much Bull Can Investors Bear?* To learn how you can access the book today, and any additional content I add in the future, [click here](#).

Regards,

Vern Gowdie,
Editor, *The Gowdie Letter*

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Vern Gowdie Editor at Markets %26amp; Money

Vern Gowdie has been involved in financial planning in Australia since 1986. In 1999, Personal Investor magazine ranked Vern as one of the top 100 financial planners in Australia.

His previous firm, Gowdie Financial Planning, was recognized in 2004, 2005, 2006 %26amp; 2007, by Independent Financial Adviser magazine as one of the top 100 financial planners in Australia.

He is a feature editor to Markets and Money and is Founder and Chairman of the Gowdie Family Wealth and the Gowdie Letter advisory service.



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