

Crypto in crisis?

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We've received a lot of great emails recently on the subject of cryptocurrencies and [Andrew Lockley's "beef" with them](#).

Some readers are tentative:

"While I have no idea how blockchain technology works, I am very prepared to believe that it may have lots of uses. However, the so-called crypto-currencies make no sense: they aren't currencies in any meaningful sense as you so clearly explained. They are simply vehicles for speculators. Some will gain while others lose."

Some are bullish:

"I think you have to give it time. I accept most of your beefs, but have you ever considered how long it took for gold to become useful as money? A function which it is no longer good for. And has certain disadvantages compared to Bitcoin: practical portability for one and divisibility for another. Its use as a store of value is largely a matter of faith. You can't eat gold. The Midas story still holds force."

"I suspect that cryptocurrency does have a long term future, but the real breakthrough which is more significant is the underlying blockchain and it may be that the Bitcoin price is a marker for the utility of that. At present a lot of people are regarding blockchain as an interesting toy to make speculative investments on. Motor vehicles started life as toys for rich kids, not as the basis of the goods-haulage industry. There may be a parallel."

Some are bearish:

"It beggars belief that investors will gamble \$4600.00 on each bitcoin that has no physical value, no regulation, and no accountability when it becomes another dot com bubble scenario. Yes I would have made money if buying one coin and take a quick profit but that is no different than daring someone \$1000 to run up to a fire with a gas cylinder burning and run back again before it explodes. I think Bullion is a better option may not be as profitable but you will get a goodnight sleep."

"Re: yesterday's email on cryptocurrencies. You asked for opinions. I will not for now and probably a long time be investing in cryptocurrencies. I have other fish to fry. I feel like an innocent abroad swimming amongst sharks on this. The whole thing reminds me of tulipomania."

And some see the races as a safer bet:

"I'm so glad that at last a cautionary tale has been told. The possibility of big losses is high. Better gamble on horses. Better keep

safe. All investment has risk, but most punters limit them."

After the price of bitcoin plummeted after it passed the \$5,000 mark, some thought the great rally was over, and sceptics were quick to claim victory.

Have a great weekend!

Boaz Shoshan

Cryptocurrency resistance – China ban and the straw man

There is a lot of "grave dancing" going on.

Earlier this week bitcoin and Ethereum prices were in freefall. The crypto-cynics were rejoicing.

From highs of US\$5,000 and US\$400 respectively prices "plummeted" to US\$4,000 and US\$300.

Why?

Well partly due to psychological resistance at those high values. And part in response to a global crackdown on cryptocurrencies by governments. In my view, it's quite likely automated trading had a hand in it all too.

The big question is, should you worry?

To put it simply, no.

This is affectionately known as "tree shaking". It's part of the crypto game, to see who will fall from the tree and who's going to stay up there. Remember, this is a long-term financial revolution. It's not about short-term gain.

We'll come back to that shortly. But first, China.

China says NO to ICOs

China's just decided to blanket-ban initial coin offerings, or ICOs (the initial public offerings (IPOs) of the crypto world). This news has given crypto-cynics even more reason to be merry.

China's authorities suggest that 90% of all ICOs are fraudulent. Most of them are illegally raising money. That means, China says NO to ICO!

As you'd expect, this sent crypto markets into a panic. Hence the price falls. Of course, this isn't the first time China has said "no" to crypto. It did the same thing to bitcoin back in December 2013, after giving bitcoin the green light weeks earlier in November.

Just look at the volatility that brought to bitcoin's price. In October 2013 bitcoin was around US\$140. Then after China said yes, it marched up to US\$1,200. Then after China said no in December, it plummeted back to around US\$100 by February 2014.

Now that's what we call volatility!

Are we worried about China banning ICOs? No. We think it's just a measure to allow the government to catch up with the pace of change. Once it realises how big an opportunity this is for its country and its people, it'll open the doors again.

Backflipping on crypto seems to be a common occurrence with China. This is just history repeating, in our view.

The way we see it there is much more to come. In fact, we think you'll be looking back in a few years and consider **US\$5,000 per bitcoin outrageously cheap**.

A perfect “straw man argument”

We know a lot of people think this is a fad. A bubble.

Their favourite dismissal of this new asset class is to refer to “tulip fever”.

Here’s such a dismissal, in a tweet... from when bitcoin was around \$2,000 cheaper than it is right now.



Source: Twitter

Let’s set something straight. Money (dollars) has had no “intrinsic value” since it came off the gold standard. It is literally backed by a promise.

And it’s done so on the pretence that the nation printing it is a successful, solvent concern. That’s a promise that most debt-choked nations (or banks) cannot deliver upon, on request.

Crypto-cynics very quickly lose sight of the massive deficiencies of fiat currency when bashing crypto.

And the “no industrial or consumer use” argument?

Earlier this year 260,000 stores in Japan started accepting cryptos as legal tender.

Microsoft and PayPal accept bitcoin. McLaren and Ferrari will let you buy a car with bitcoin.

Just this week a London property agency has started to allow tenants to pay deposits and rent in bitcoin.

A Dubai developer is selling apartments off the plan for bitcoin. And as we’ve shown you before, livingroomofsatoshi.com lets you pay for your bills in bitcoin.

The criticism that cryptos have no consumer use just tells us that they are still fundamentally misunderstood.

Another favourite dismissal of cryptocurrencies is that “they are not backed by an authority”. This is a straw man argument, if ever there was one.

The whole point of cryptos is that they *are decentralised*.

And for that reason, they offer a unique function that dollars don't – they are out of the reach of the financial authorities.

Ask the people of Venezuela what they think of cryptos. Bitcoin has given thousands of honest savers the chance to get their money out of a sinking financial system.

Ten years ago there was no practical option to escape the tyranny of government and central banks. If your domestic currency devalued by 40% overnight, stiff luck. If your country's economy was imploding, tough bikkies.

Before crypto you had to suck it up and deal the hand that was dealt for you. With crypto you get to pick the cards you want to play. It's a chance to beat the house. A chance that people never thought would exist. Now it does.

And the power that crypto provides to everyday people like you is like nothing else before. I believe that's the reason the likes of China's government are cracking down on it. It's why the US is watching it with its finger over the trigger. It's petrified of the implications to its power base.

This my friend is a true financial and social revolution. And there's nothing the government or the central banks can do about it. The power of the network, the power of the people, is too great for them this time.

Here's everything you need to know about cryptocurrencies

When you understand the enormity of what's happening in front of your very own eyes there is only one option in our view. But you still have a choice. You can be a part of this revolution, or you can stand by and watch it pass.

This alternative and independent financial system cannot be stopped. In times of crisis, crypto is exactly what people are looking for. It's a revolution. And you're either on board, or you're not.

Every time bitcoin or the other major cryptos dip, you should feel lucky. In our view, it's a fantastic opportunity to get in on this new asset class just that little bit cheaper and join the revolution.

Regards,

Sam Volkering,

P.S To make an informed decision on whether you'd like to take part in the crypto revolution or not...

[Then take a look at this.](#)