

Why Bitcoin Soars and Ether Coasts

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The world of crypto moves pretty fast. If you don't stop and look around once in a while, you could miss it.

In the last couple of months we've seen bitcoin hit an all-time high, crash almost 40% and then almost double again from there.

We've had Chinese crackdowns, support from Vladimir Putin, Paris Hilton promoting initial coin offerings (ICOs), bitcoin forks, and flip-flopping from major investment houses.

We've even had acknowledgement from the International Monetary Fund (IMF) that "virtual currencies might just give existing currencies and [monetary policy](#) a run for their money."

And despite all this, the price of ether continues to hover around \$300.

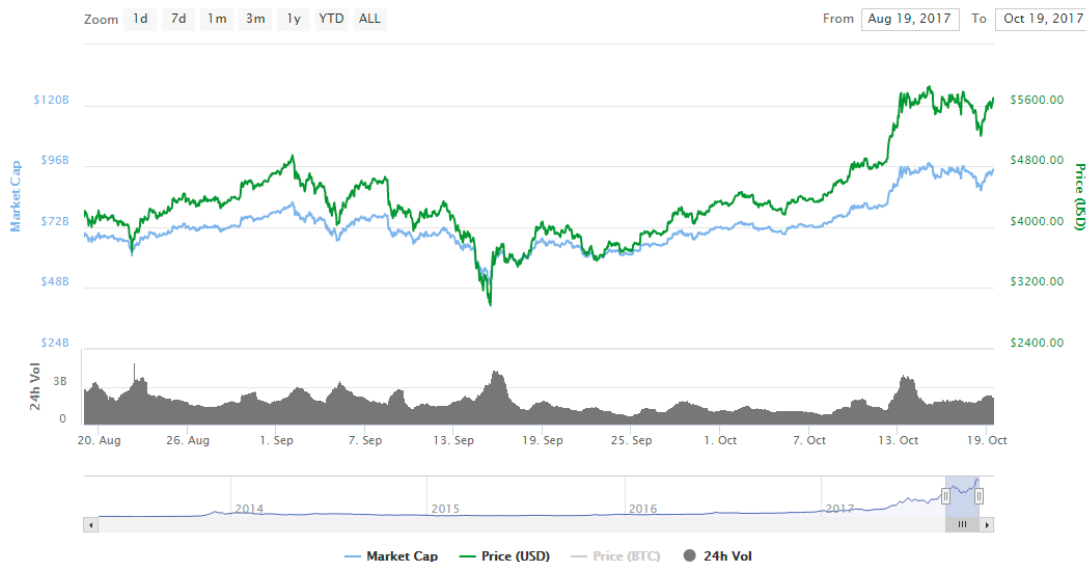
Today we're going to take a look at the biggest [bitcoin](#) stories from the last couple of months. We'll cover how they came about, and what they may mean for investors.

And, perhaps most importantly, we'll answer the question of why ether seems stuck in a price rut.

What's driving bitcoin's monster run

Bitcoin's price has been on a rollercoaster over the last couple of months. Even for bitcoin, this run has been unusual.

Bitcoin hits all-time high twice in two months



Zoom 1d 7d 1m 3m 1y YTD ALL

From Aug 19, 2017 To Oct 19, 2017

Source: coinmarketcap.com



On 2 September, bitcoin hit a new all-time high of just under \$5k. With this being such a psychologically significant number, there was a lot of profit-taking. So, understandably, the price began to correct.

As the price declined and more people took profits, rumours of a crypto crackdown started surfacing out of China.

These rumours were massively fuelled by a tweet from the founder of Litecoin, Charlie Lee.



Charlie Lee @SatoshiLite · 27m

Looks like this time China finally banned Bitcoin exchanges. (Anonymous source I trust fully) There's only one response: JUST HODL 🤪



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Charlie Lee ✓ @SatoshiLite · 27m

Looks like this time China finally banned Bitcoin exchanges. (Anonymous source I trust fully) There's only one response: JUST HODL 😊



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In the crypto world, one voice can really move prices. And as a result of Lee's tweet, bitcoin dropped 4% in an hour.

Now, Lee isn't the most liked figure in this space. And he's been accused of manipulating prices before. Many people accused him of making the news up, and he was hit by a hail of abuse. He eventually deleted the above tweet and kept quiet for a while.



Charlie Lee ✓

@SatoshiLite

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F this. I'm out. Banning myself from Twitter for 3 days. Tired of trying to do the right thing and get shat on. To tired of this 🤢.

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Charlie Lee ✓
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615



Then a couple of days later, the rumours were confirmed. China really was banning ICOs and exchanges. And so bitcoin took a massive tumble, all the way down to \$2,979.

Why was it cracking down?

The 19th National Congress of the Communist Party of China (China's equivalent of the general election) was set for 18-24 October. And the powers that be wanted to take a tough stance on cryptos in the run-up.

Most of the mainstream credit Jamie Dimon, CEO of JP Morgan, with triggering this crash. His "bitcoin is a fraud" proclamation also surfaced on 12 September. But this was arguably more of a coincidence than a cause.

People forget that cryptocurrency markets are global. Yes, the US is a major player, but so is China and South Korea. It was the China crackdown that really caused the price to tank.

But cryptos are like whack-a-mole. A week or so after the news the Chinese exchanges were to shut down by 30 September, Hong Kong stepped in to fill the void.

Optimism was back on the menu, and bitcoin's price began to climb... just in time for the Bitcoin Gold hard fork scheduled for 25 October.

More free money?

In the run-up to bitcoin's last hard fork – the creation of Bitcoin Cash – its price surged. Commentators claimed Bitcoin Cash would be instantly worthless, dumped upon creation.

They said not only would Bitcoin Cash crash, but it would take bitcoin down with it. But, as usually happens, the commentators were wrong.

Bitcoin Cash was trading at over \$200 on its opening day, and it peaked just over a month later at around \$994. It's at \$333 at time of writing.



Source: coinmarketcap.com



And you have to remember, this was free money. It was created out of thin air. All you had to do to claim it was to own bitcoin before the fork.

So, when news caught on of a new bitcoin hard fork, investors began piling in. The China issue was seemingly just a roadblock. Investors are more confident than ever. And they want their free money.

This upcoming Bitcoin Gold hard fork is likely the main driver of bitcoin's current price. But unlike the Bitcoin Cash fork, it could leave a lot of people out of pocket.

“Here is why bitcoin gold is shady and a scam you should dump it as soon as you get it”

That's the line of one of the most shared, upvoted and commented threads in a major cryptocurrency forum.

Here's the main part of the author's argument:

As some of you may know, BitcoinGold is attempting to fork Bitcoin at the 25th of October. However in the past they decided they'll fork during the Bitcoincash date, both of which have ended up confusing me thus I've decided to do more research on the matter.

It seems that they have possibly ran an ICO (Unsuccessfully most likely) but most certainly had premined the coin... I went to the wayback machine (a wayback machine takes snapshots of websites so you can tell what changed in a website over time) and picked the August 31 date of the bitcoingold website. <https://web.archive.org/web/20170831032225/http://btcgpu.org/>

This confirmed the rumors, the website owners/original developers intended to run an ICO (which may or may not been successful) and also premined 16000 Blocks, worth at least 200,000 Bitcoin gold. The ICO price was supposedly 1 BTC = 10 BTG.

Since they are holding that information away from us and hiding it, this makes me believe that, bitcoingold is infact a scam and an attempt to milk the Crypto community out of their money.

You can read the whole thing for yourself [here](#), if you're interested.

There are a few things we should take into account when reading this though.

- The author may have an ulterior motive. Cryptocurrency prices run on rumours. If you can discredit something before it's even launched, you could stand to make a lot of money from it.
- This was posted on a forum which is very pro "altcoin". An altcoin is any crypto that isn't bitcoin. It's in this forum's interests for money not to flow from altcoins into bitcoin, but for money to flow out of bitcoin and into altcoins.
- The author is just a random person on the internet. Yes, their arguments seem to make sense, and hundreds of commenters seem to agree with them, as you can see on the post. But until the actual fork happens, we won't know whether they were right or not.
- If you already own bitcoin, it's not like you can lose out from this fork anyway. Bitcoin gold is either a scam, and it doesn't make you any free money. Or it's not a scam and it does. The only way you'll lose out, is if you sold out of other cryptos to buy into bitcoin hoping to make money off Bitcoin Gold, and then the price of bitcoin tanks. Even then, it probably won't affect the price for very long.

Still, it's a big claim. And it will be interesting to see what happens after the hard fork on 25 October.

Why ether seems doomed to hover around \$300

This cryptocurrency update wouldn't be complete without addressing the price of ether.

If you're invested in ether, you'll no doubt have noticed it can't rise much above \$300 without getting dragged back down.

While bitcoin is smashing all-time highs, day in, day out, ether is miles off its own peak of over \$400 set in June.

The reason, many now believe, is ICOs.

Most ICOs are funded by ether. And instead of putting new money into the system, many people investing in ICOs simply syphon some of their ether profits into them.

The ICO companies then collect vast amounts of ether, issue their tokens to investors, and then begin dumping that ether back into the market.

These companies want to maximise their profit, so they only tend to sell when the ether price is over \$300. Once it goes too much below, they stop. The price then rises, and they start dumping again.

One of the biggest culprits of this is the EOS. It's already dumped over one million ether back into exchanges, and its ICO doesn't close until June 2018.

The sell-offs from ICOs, combined with people trading out of ether and into bitcoin to catch the all-time high ride and hard fork is doing a good job of keeping ether prices down.

So it would make sense that ether stays low until after the bitcoin fork on 25 October.

But then, anything can happen in crypto. And, let's not forget, the Chinese election draws to a close on 24 October. Who knows what news will come out of that...

As you can see from what you've read today, the world of investing in crypto is incredibly complex.

That's why, more than in most types of investing, it's important to have an expert on your side.

Our in-house crypto expert is Sam Volkering. He's been involved in cryptos since 2011, and he knows more about investing in them than anyone I've ever met.

Until next time,

Harry Hamburg

PS If you caught the [Ferris Bueller](#) reference at the start, congratulations. You have a good eye for classic 1980s film quotes.