

Are cryptocurrencies having their “shoeshine boy” moment?

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Joe Kennedy, a famous American investor, is often quoted as receiving a warning of the Wall Street Crash from his shoeshine boy. When he was given stock tips while having his shoes cleaned, he realised the market was in a catastrophic bubble – and he sold.

Something happened to me a few days ago which made me think that we might be entering a similar situation with cryptocurrencies. To explain this, I'll need to give you a bit of background.

One of my greatest bugbears with our online world is the astonishingly incompetent advertising we are subjected to. I'll give you an example: Google (Alphabet) is the owner of YouTube and it should have a pretty clear idea of what I'm like. One of my most obvious and defining characteristics is that I am male. Unsurprisingly, this isn't something I've ever tried to hide – online or otherwise.

Accordingly, it's a source of ongoing frustration for me that I routinely have to view adverts for feminine hygiene products on YouTube. Sanitary-towel firms either seem too stupid to avoid selecting me (which seems unlikely), or they are not presented with sufficiently usable tools to target their ads effectively. Accordingly, I've got very little faith in the quality and targeting of the adverts I receive on YouTube (and online, generally).

These badly-targeted tampon ads lead me to believe that the extremely persistent advertising of Plus500 cryptocurrency trading services is probably not much smarter. If "shoeshine boys" are also getting these cryptocurrency investment adverts, it rather implies that advertisers are seeing a return on their investment. That may suggest that we're nearing the top of the "hype curve" for cryptocurrencies.

Now, I could be wrong. Maybe Plus500 is targeting me with expert precision. But it seems odd that the tampon manufacturers don't know that I'm incorrectly plumbed for their products, if Plus500 has managed to target me personally. That rather suggests that they're indeed advertising to shoeshine boys – as well as to financial editors.

Of course, I wouldn't expect you to change your entire trading strategy based on one advert – and I certainly can't claim any insider knowledge of firms ad targeting. But the cryptocurrency hype goes far beyond this one campaign. The overexposure is currently endemic, and far outstrips the current day-to-day usefulness of bitcoin, and other cryptos.

You should be very carefully attuned to the risks of a "shoeshine boy moment", in any asset class. When every other TV show was a property renovation and investment show, it strongly implied the time had come to get out of buy-to-let – or at least form an investment strategy that didn't rely on ever-rising prices. I was heavily leveraged in UK property at the time of the financial crisis, and almost lost my shirt as a consequence. However, unlike most investors, I saw it coming. I vividly remember calling out the coming train wreck well before it happened in 2007-8 – but I could not get out of the market in time. Property is a notoriously illiquid asset, and I was left holding a large portfolio of vacant properties, when the property party ended. It hurt, badly.

When cryptocurrencies are all over the mainstream media, but are not routinely used, we may likewise be seeing a great opportunity to sell. However, an early peak is absolutely no guide to the long-term fundamentals of a market. Remember the dotcom crash? That was by no means the end of the investment boom in online firms.

Ultimately, if we all eventually start using cryptocurrencies as much as the media currently likes to talk about them, they could experience huge long-term increases in value. Tomorrow, we'll be looking at how the future might unfold for cryptocurrencies.

One of Southbank Investment Research's writers, Sam Volkering, has very strong opinions about these developments. He believes that cryptocurrencies will ultimately experience gargantuan growth in value – as they move to become a much more mainstream currency product. The long-term rises he's predicting would allow you to experience spectacular returns – potentially multiplying your investment in a way that's unachievable in any other asset class. Please do check out his book, which you can get for free here – or you will risk missing out on the potential long-term growth of these currencies.

Do tell us where you think bitcoin's going – both short and long term: andrew@southbankresearch.com.

Best,

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