Bitcoin Stock to flow model

In simple terms, stock-to-flow model is a way to measure abundance of particular resource. Stock to flow is ratio amount of resource available in reserves to the amount produced on an annual basis. The model however has reached viral popularity and inspired people to risk it all on bitcoin's future.

The stock-to-flow model is usually applied to natural resources such as gold and silver. This model was introduced for Bitcoin by a Dutch investor who operates under the Twitter account "Plan B" because of the similarity this resource(Bitcoin) has with commodities such as gold and silver in limited supply and also the rigorous nature of its mining and/or production, which could take long period of time. The model relies on the assumption of scarcity as the model argues that like gold and other scare commodities, bitcoin is a scare digital resource. This model fails to consider other metrics apart from supply scarcity for drawing its assumptions and conclusions. No other evidence or research is provided to support this idea, other than the singular data points selected to chart gold and silver's market capitalization against bitcoin's trajectory.

The fact that this model uses scarcity of Bitcoin to make assumption and predict price and value over time can be very inaccurate and ill-informed given that gold for which this model takes a queue from does that have its prediction singularly from this basis. SF has no direct relationship with gold's value over the last 115 years. Gold's market capitalization held valuations between ~$60 billion to ~$9 trillion, all at the same SF value of 60. A range of $8 trillion is not very indicative of explanatory power and lends itself to the obvious conclusion that other factors drive gold's USD valuation.

However, every model is as strong as its assumptions, and it may not be able to account for all aspects of Bitcoin valuation. Bitcoin has only been around for a little more than ten years. Which might not be a good measure for a model like "Stock to Flow" that measures long-term valuation and needs a larger data set for more reliable accuracy especially in this situation; where there is a large degree of freedom for random data to fit a specific outcome.