

Seeking Alpha^α

If You Don't Own Any Bitcoin, Read This

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by: Chris Martenson

Wow. Just....wow.

Bitcoin's price has gone 'beyond exponential' this week. As I started working on this article, it shot up 22% -- from \$14,000 to \$17,000 (hitting an intraday high of over \$19,000).

And that's after a mind-blowing upwards rocket ride over the past several months.

I think it's safe to say that the vicious melt-up in price over such a short timeframe has surpassed the expectations of even the starriest-eyed Bitcoin fanboys.

The whole world, especially the 99.99% of us that own zero cryptocurrency, is asking: *What happens next? And, What should I do?*

Is this insane trajectory going to continue for a lot longer? Do I need to get in now to avoid missing this once-in-lifetime fortune-making opportunity?

Or is this a classic bubble blow-off top? Is this the deadliest time to enter, right before the price implodes?

An Expert's Take

I had the chance to ask these questions Wednesday to a long-time veteran in the digital currency space. We met at a gathering of online media 'mavens'; this guy has published news and analysis on cryptocurrencies since 2011, for both investors and developers. He knows the space exceedingly well.

Unsurprisingly, he holds a lot of Bitcoin. I didn't ask directly how much; but knowing that he was covering the space back when Bitcoin traded in the single-dollars range, my conservative mental math quickly concluded he's probably worth more than most people I've met in my life.

So here what I learned during my chat with him:

- **He thinks the current price action is "nuts":** To his veteran eye, the current frenzy is a speculative mania and will end in a massive sell-off, resulting in huge losses for those buying in at these prices. He's watched Bitcoin long enough to have seen it experience several 70%+ corrections. In his mind, this will simply be the latest one. And there will be more in the future, he predicts.
- **But he's not worried in the long run:** Like many longtime crypto investors, he sees a much higher price potential for Bitcoin. But to reach that level and sustain it will take years. The currency will need to be much more widely held among the general populace and used in a material percentage of transactions (i.e., not just being held by speculative investors). Until then, he expects lots of volatility (both up and down) of the sort we're seeing now.
- **He admits that Bitcoin could lose out to a superior successor:** When asked if the capital currently flowing into Bitcoin could flee for a better crypto 'mousetrap' in the future, he says "sure". Which is why he has diversified holdings across a number of cryptocurrencies and watches new entrants into the the space closely. But one advantage Bitcoin increasingly has over the rest of the crypto field is scale. He gave a highly-technical argument for how the blockchain actually has limited value without a platform to offer it sufficiently critical scale. "Does Bitcoin offer that critical scale yet?" I asked. "Probably not yet" he answered, "But it's much closer to it than any other competitor at this time. And it's growing faster than the rest." Translation: Bitcoin is the odds-on winner at this point.

- **He expects the world's central banks to criminalize the cryptocurrencies:** We talked about the central banking cartel's longstanding monopoly of the money supply and its historic ruthlessness for squashing all competition. He agreed that the central banks would like nothing more than to replace the current cryptos as well as all paper fiat currencies with digital sovereign versions. And he predicts they will likely try to do exactly this. How successful will they be? Uncertain. He can certainly foresee a time when they ban ownership of Bitcoin and its brethren, criminalize transacting with them, and shut down the exchanges. Though while the cartel may be able to seriously curtail Bitcoin *et al*, he doesn't see it succeeding in driving them to extinction for several reasons. One he offered that I hadn't heard before (but have since verified) is that private investors have put a network of satellites up in space dedicated to making it possible to transact in Bitcoin anywhere on Earth even if the terrestrial networks are taken down by the authorities or natural disaster.

His overall takeaway? Don't buy at today's prices; wait for a correction (it could be a really big one). But once it happens, buy in and hold, as he sees the price going much, much higher over the next decade.

By the way, I'd share this guy's name with you but he asked me not to. Given how stratospheric Bitcoin has risen over the past year, he says his biggest priority right now is to fly under the radar and have as few people as possible be aware of his crypto holdings. Apparently this has recently become a real concern for Bitcoin investors who have suddenly become overnight multi-millionaires (Or hundred-millionaires. Or in the case of the Winklevoss twins, even billionaires). A vast windfall like this makes you an alluring target to criminals.

Just one more unexpected consequence of this crypto mania we're watching play out in real time.

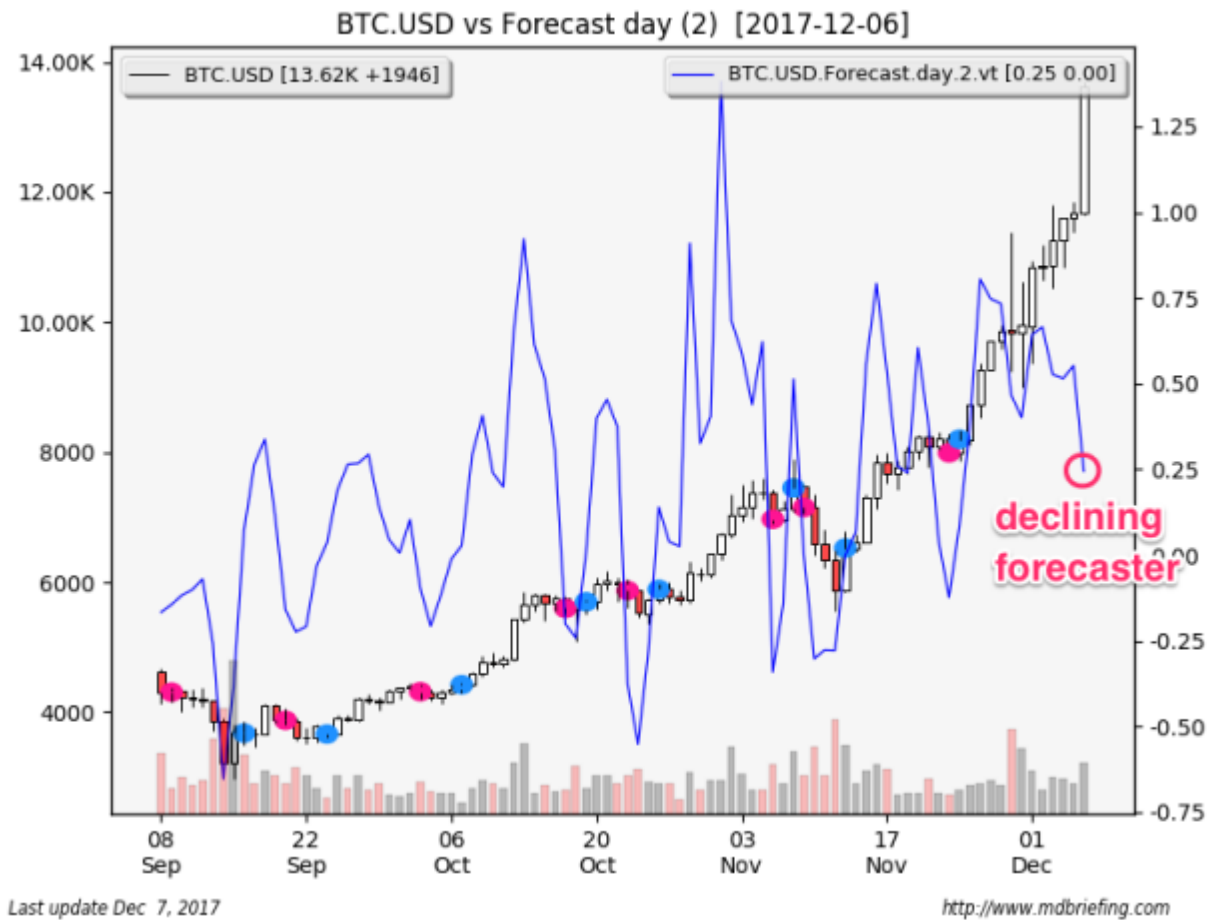
The Peak Prosperity View

The above expert's views match well with those of our team's outlook here at PeakProsperity.com.

Charles Hugh Smith, who has been writing about Bitcoin for us since it traded below \$600 has long had a price target of \$17,000 -- which seemed unattainably high even just one short week ago. That underscores how insane the price moves of the past few days have been.

With the \$17,000 milestone hit so quickly, does he think a large correction could ensue? Very possibly. (I should make clear though, he remains quite bullish about Bitcoin's long-term future potential).

Davefairtex, our resident charting expert, notes that his model now shows Bitcoin's level of overvaluation at "nosebleed" levels with a daily RSI of over 98 and the forecaster clearly predicting a reversal:



And reader mrees999, our community's most-respected educator on the cryptocurrency space -- and one of the biggest advocates earlier in the year for buying Bitcoin -- offered the following words of caution yesterday:

I probably wouldn't get in now. It's gotten irrational with FOMO. I'm selling into this rally and waiting for a massive correction once the bit shorts come in with the futures trading about to begin.

(Again, I should point out that mrees999 remains robustly optimistic about Bitcoin's longer-term future price potential.)

To the above, I'll simply add two additional pieces of data to show how quickly Bitcoin has outstripped any sort of rational justification for its recent price explosion.

The first is this chart below, which shows how Bitcoin's price has blown above the maximum Fibonacci extension between its previous swing low and yesterday's swing high (note: this chart was created before the price continued higher to \$19,000):



(Source)

And lastly, here's a table showing the accelerating compression of time it has been taking for Bitcoin to hit each new \$1,000 price milestone:

- \$0000 – \$1000: 1789 days
- \$1000– \$2000: 1271 days
- \$2000– \$3000: 23 days
- \$3000– \$4000: 62 days
- \$4000– \$5000: 61 days
- \$5000– \$6000: 8 days
- \$6000– \$7000: 13 days
- \$7000– \$8000: 14 days
- \$8000– \$9000: 9 days
- \$9000–\$10000: 2 days
- \$10000–\$11000: 1 day
- \$11000–\$12000: 6 days
- \$12000–\$13000: 17 hours
- \$13000–\$14000: 4 hours
- \$14000–\$15000: 10 hours
- \$15000–\$16000: 5 hours
- \$16000–\$17000: 2 hours
- \$17000–\$18000: 10 minutes
- \$18000–\$19000: 3 minutes

(Source)

That right there, folks, is the madness of crowds. It's a FOMO-driven mania to make the South Sea Bubble blush.

Advice For Those Who Missed The Rocket Ride

So, if you've been feeling like the loser who missed the Bitcoin party bus, you've likely done yourself a favor by not buying in over the past few weeks. It is highly, highly likely for the reasons mentioned above that a painful downwards price correction is imminent. One that will end in tears for all the recent FOMO-driven panic buyers.

To that point: as I'm finishing up this article, Bitcoin has retraced back to \$15,100. That's a 21% loss in less than 24 hours for those who bought at yesterday's \$19,000 high. If yesterday indeed proves to have been the blow-off top, that loss could get a lot uglier quickly.

But even if it doesn't, what can those of us who don't currently hold any cryptocurrency do as we wait for the dust to settle here?

Here's our current guidance:

- **Open an account with a crypto exchange:** While we maintain Bitcoin and many other cryptocurrencies are in a bubble right now, we reiterate our position that they are worth having exposure to in your portfolio -- albeit not at today's prices. So, while waiting for (possibly much) lower prices after the inevitable blow-off top, you should open an account with a leading crypto exchange (like Coinbase, Kraken, Bitfinex or Bitstamp), so that you'll be positioned to buy when the insanity is over. These exchanges require a fair amount of personal information that they use in account verification, and some of them take a surprising amount of time and effort to set up before your account is approved and/or funded to transact. So get all of that out of the way now, while your waiting on the sidelines.
- **Build cash:** We've been beating this drum for a while because it's not just Bitcoin that's in a bubble. As laid out in previous reports, nearly all financial assets are dangerously over-valued in today's financial markets. Keep building your cash

reserves as "dry powder" to deploy when the next big market correction hits. Chances are likely that at some point in the next 0-2 years, you'll have the opportunity to buy cryptos, stocks, bonds and real estate at generous fractions of the prices seen today.

- **Hold on to your precious metals:** Holders of gold and silver have watched Bitcoin's moon-shot with a lot of understandable envy. This is the kind of massive re-pricing boom they expected the precious metals to experience as world fiat currencies inflate away their purchasing power. Were PM investors wrong? Did they pick the wrong horse in this race? Should they have piled into the cryptocurrencies instead? While it has been a painful five years, we expect precious metals holders will be rewarded in the end. Separate from the current emotion-driven FOMO blitzkrieg, the reasons informed investors are buying Bitcoin have heavy overlap with the rationale for owning gold and silver. Capital will return to the PM market as soon as the current nested set of financial bubbles begins bursting. And if you think the jump in Bitcoin has been tremendous as a money tsunami has flooded into this small market, remember that Bitcoin's market capitalization is now substantially larger than that for all the world's above-ground silver. How high could we see silver go when that metal become en vogue again?
- **Practice emotional resilience:** Hey, Bitcoin could still rally higher from here -- much higher. It's still a small market with a lot of hot money fighting to enter it. How long the mania will last is unknowable -- we could be seeing the end of it right here (Bitcoin's price dropped below \$15,000 as I wrote the last paragraph), or it could still go on for a lot longer than we can imagine. If it does, don't let the twin devils of fear and greed compel you to be one of the "last fools" to jump in before a correction takes hold (remember: that's how Isaac Newton lost his fortune in the South Sea bubble). And don't beat yourself up for not being one of the very few people to make millions from this craze. It's like being jealous of lottery winners. Instead, focus on the real wealth in your life (hint: it's much more than the money in your bank account), take time to appreciate what you have, and plan on sustainable ways -- instead of speculative ones

-- to increase it. Those looking for some guidance on how to best do this can find our thoughts here.

Don't Ignore The Revolution

While we've made the case that Bitcoin's current run-up has been "too far, too fast" and a painful correction is highly likely, the new cryptocurrency era is a bona fide revolution. The underlying technology of the blockchain will transform industry and commerce on a similar scale as the Internet has.

While we urge prudence and caution regarding the conditions under which you invest in the cryptos, we don't recommend you ignore their significance.

Charles Hugh Smith has written several reports for us designed to demystify the digital currency space and help you understand the future value that the blockchain promises to unlock for society.

If you feel you don't yet have a good grasp on all this, make his report [Understanding The Cryptocurrency Boom](#) your mandatory reading over the next few days.

Written just a few short months ago, when Bitcoin was a mere \$2,600(!), this publication and its excellent companion report, [The Value Drivers Of Cryptocurrency](#), explain in layman's terms the real utility value of digital currencies and why a long-term view can justify prices that may ultimately be much higher than where they are today.

Don't let ignorance or a sour-grapes frustration from missing out on the first big run make you blind to the revolution underway. Whether you participate in it or not, and at what price, is up to you. Just make sure your decisions are well-informed ones.

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