

Bitcoin and Cryptocurrency Today

What is Bitcoin and Cryptocurrency?

Bitcoin is a decentralized digital currency developed in 2008 that is used as a means of transacting globally to buy / sell currencies, products, or services. Bitcoin is just one of the many digital currencies. Many others have slight differences and specific uses. For example some companies are offering cloud storage that can be purchased with their cryptocurrency at a discount while others offer zero transaction fees.

What Has Been Happening Lately?

large buyers the price will naturally increase. So this spike, in essence, only happened due to market manipulation.

The most recent spike in Bitcoin has a much different feel. Bitcoin has been on a swift run up in the recent months, (this year alone up 90%) hitting major milestones of \$1 trillion market cap and an all-time high over \$58,000. This spike is due largely in part to major institutions backing / incorporating Bitcoin into their businesses. Some of the names include: Paypal, Square, Tesla, and Bank of New York Mellon.

With recent backing and run up Bitcoin has drawn a lot of attention and is becoming harder to dismiss as a temporary trend or fad. We breakdown the pros and cons below.

Pros

- Bitcoin / cryptocurrency can add diversification to a portfolio as it does not move in correlation to the performance of other currencies or commodities.



*<https://www.coindesk.com/price/bitcoin>

Since Bitcoin's inception there have been two significant spikes in its price. The first spike in 2017 and the second in 2021. While these may look to be similar they are far different for one specific reason – market manipulation.

The first spike in 2017 was due to a market manipulation scheme called a pump-and-dump. This refers to the attempt to inflate a stock's, or Bitcoin in this case, price through misleading or exaggerated statements. When you couple this scheme with a few



SOURCE: TRADINGECONOMICS.COM

- President Joe Biden has selected Gary Gensler to lead the SEC.
 - Gary Gensler former Goldman Sachs under Secretary of the Treasury helped reshape and build



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consumer confidence in the derivatives market after the market crash in 2008.

- This can be a positive for Bitcoin and many of the cryptocurrencies as they undergo scrutiny from the SEC which may help build confidence through regulations.

Cons

- Most of the Bitcoin and cryptocurrencies are held for a short period of time which leads to extreme price volatility.
- With ongoing scrutiny around Bitcoin and cryptocurrencies from the SEC this presents a lot of uncertainty to the future of Bitcoin.
- Some experts see Bitcoin as a “pseudo-asset” that is still being pumped up by massive market manipulation.

Introduction of Cryptocurrency Exchange-Traded Funds

Like all ETFs, a cryptocurrency ETF is an investment fund that tracks the price of an underlying digital asset. If the digital assets increased in value, so does the ETF. Rather than trading on a cryptocurrency exchange, the ETF trades on a traditional market exchange like the NYSE.

Cryptocurrency ETFs offer investors many advantages. First, the ETF provides a way of leveraging the digital currently without signing up for a crypto-exchange or taking on the risks of owning crypto directly. Moreover, an ETF can hold more than one asset. “For example, A Bitcoin ETF could comprise bitcoin, Apple stocks, Facebook stocks, and more—providing investors with the opportunity to mitigate risk and diversify their portfolio.”

Our Take

We believe that cryptocurrency is a very interesting investment option and, while we remain cautious, the recent introduction of Crypto ETFs provide a more appropriate option for some of our less conservative investors.



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