

Bitcoin goes on wild ride and it may only get crazier (Update)

December 22 2017, by Marley Jay



In this April 7, 2014, file photo, Bitcoin logos are displayed at the Inside Bitcoins conference and trade show in New York. A bitcoin sell-off that began at the beginning of the week is gaining momentum, with a quarter of its value evaporating in the past 24 hours. Just hours before U.S. markets opened Friday, Dec. 22, 2017, bitcoin was trading at \$13,659.85, according to the tracking site CoinDesk. (AP Photo/Mark Lennihan, File)

What's a bitcoin worth? Lately nobody knows for sure, but after a wild ride on Friday, it's worth a good deal less than it was Thursday.

After losses over the last few days, the digital currency fell as much as 30 percent overnight in Asia, and the action became so frenzied that the website Coinbase suspended trading. It later made up much of that ground, and slumped 9.5 percent to \$14,042 Friday, according to the tracking site CoinDesk.

Experts are warning that bitcoin is a bubble about to burst, but things might get crazier before it does: A lot of people have heard of bitcoin by now, but very few people own it.

"Bubbles burst when the last buyers are in," said Brett Ewing, chief market strategist for First Franklin. "Who are the last buyers? The general public, unfortunately."

Ewing said 40 percent of bitcoin belongs to just 1,000 people, and hedge funds and other major investors are going to start buying it soon. But those funds may buy bitcoin and also protect themselves by placing bets that it will fall. Retail investors may just buy it only to see it fall.

"I think investors should approach it with caution and I think many people will dive into it not understanding what it is," he said.

As bitcoin skyrocketed this month, the volume of trading was unprecedented as investors hoping to catch a ride up piled in. Prices have risen so fast, the Friday returned the price of bitcoin only to where it was trading two weeks ago.

The volatility has created a circus-like atmosphere. Some companies that have added the word "bitcoin" or related terms to their names to get in on the action. The craziest thing is, it's worked.

Long Island Iced Tea Corp. until this week had been known for its peach-, raspberry-, guava-, lemon- and mango-flavored drinks. Then, on

Thursday, the company announced a radical rebranding. It's changing its name to Long Blockchain Corp., shifting its primary focus from iced tea to "the exploration of and investment in opportunities that leverage the benefits of blockchain technology."

Blockchain is a ledger where transactions of digital currencies, like bitcoin, are recorded.

Shares in Long Island Iced Tea soared 200 percent in one day.

The Hicksville, New York, company did what investors are doing, hitching a ride on a currency that raced from less than \$10,000 at the end of November to almost \$20,000 on Sunday. And it cost less than \$1,000 at the beginning of the year.

The rise of price of bitcoin, which is still difficult to use if you actually want to buy something, has led to heated speculation about when the bubble might burst.

The currency has been, if nothing else, highly elastic, bouncing back every time it crashes, which occurs about once every quarter.

It fell 11.5 percent over two days in early December and 21.5 percent over five days in November.

Curiosity has now driven bitcoin to the futures market, where investors bet on which direction it will go.

Bitcoin futures started trading on two major exchanges—the Cboe and CME—this month. Those futures fell about 8 percent Friday.

If people get burned, it won't be because they were not warned.

The Securities and Exchange Commission put out a statement last week warning investors to be careful with bitcoin and other digital currencies. The Commodities Futures Trading Commission has proposed regulating bitcoin like a commodity, similar to gold or oil.

Financial Industry Regulatory Authority, a financial watchdog, issued a similar warning recently.

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