

# Bitcoin bombs, cryptocurrencies crash on regulation fears

January 16 2018

---



Bitcoin, which enjoyed a 20-fold surge in value last year, fell 20 percent on Tuesday alone

Bitcoin, the best known of hundreds of 'virtual' coins, slumped Tuesday to a six-week low below \$12,000 as analysts blamed a rush by various

jurisdictions to regulate the sector.

The final weeks of last year were marked by bitcoin mania as the unit topped \$20,000, but it lost some 20 percent in Tuesday trading which saw most of its fellow cryptocurrencies similarly wilt.

"Bitcoin has dropped below \$12,000, a level not seen since early December. The cryptocurrency has fallen nearly 40 percent since its all-time high," noted David Madden, [market](#) analyst with CMC Markets.

According to crypto exchange [coinmarketcap.com](#), other major virtual currencies ethereum, ripple and bitcoin cash, a clone which split from the original last year, posted double-digit losses by early afternoon.

"Explaining moves in bitcoin is always tricky but this plunge ... may well be a result of recent signs that regulatory pressures are building," said Neil Wilson, analyst for ETX Capital, as several countries, notably China and South Korea, target a crackdown.

Last week saw prices sag after the South Korean government said it was planning to ban cryptocurrency exchanges—though it later backtracked—while Justice Minister Park Sang-Ki said Seoul was preparing a bill to shut down the country's virtual coin exchanges to slam the brakes on a craze which "has started to resemble gambling and speculation."

South Korea is a hotbed for cryptocurrency trading, accounting for some 20 percent of global bitcoin transactions, while much of the "mining"—computerised creation—of the coin units is undertaken in China.

"South Korea holds some of the world's largest cryptocurrency exchanges, so a ban is expected to disrupt Bitcoin trading," said a note

from British consultancy Capital Economics, which also alluded to Chinese concerns of bitcoins's effect on financial stability.

Lukman Otunuga, research analyst at FXTM forex forecaster, also blamed the market jitters on the political regulatory backdrop surrounding the sector, which topped \$600 billion in market capitalisation in mid-December.

"Bitcoin was the talk across financial markets for all the wrong reasons on Tuesday, after prices tumbled sharply to their weakest level since early December," said Otunuga, noting talk of tighter regulation "has effectively eroded investor appetite for [bitcoin](#).

"With reports on a renewed crackdown on the [cryptocurrency](#) in China fueling anxiety over future restrictions, further losses could be on the cards in the near term," added Otunuga, noting the latest wild ride in value "should remind investors on how explosively volatile and unpredictable" cryptocurrencies can be.

"One has to ask if Bitcoin is currently in the process of flickering violently before it burns out?"

© 2018 AFP

Citation: Bitcoin bombs, cryptocurrencies crash on regulation fears (2018, January 16) retrieved 19 April 2024 from <https://phys.org/news/2018-01-bitcoin-cryptocoins.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.