

NEWS ANALYSIS

Can Bitcoin go mainstream?

After huge growth in 2017 and a precipitous drop to begin 2018, will cryptocurrency gain acceptance in the wider investment community?

IT WASN'T much of a happy new year for cryptocurrency traders, as the market lost \$370 billion in a 10-day period in January. That slump represented 40% of the market's total value; Bitcoin alone fell by more than 50% after peaking at just under \$20,000 in late December.

Since its inception, this asset class has been characterized by spectacular growth, and that was especially the case in 2017. The price of Bitcoin increased by 1,900% during the year, and it wasn't even the best performer in the space. That goes a long way toward explaining how cryptocurrency has moved from strange curiosity to legitimate investment option for many people.

That's not to say this market doesn't have its naysayers – quite the opposite, in fact. Some of the biggest names in finan-

(Allianz Global Investors global strategist Neil Dwane). The world's most venerated investor, Warren Buffett, has been more tempered with his remarks, simply stating that because it is not a value-producing asset, cryptocurrency would ultimately “come to a bad ending.”

But there are plenty who disagree with this viewpoint. David Mondrus is the CEO of Trive, a tech startup that uses blockchain technology to verify facts in the media. The firm also has its own cryptocurrency, Trackcoin, which it uses to pay its employees, and Mondrus is a long-standing advocate of this asset class.

“There is no question that the growth is sustainable; it's just a question of which cryptocurrency will do it – Bitcoin, Ethereum, Litecoin, Dash,” he says. “The parabolic



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David Mondrus, Trive

cial services have blasted cryptocurrency as a “fraud” (JPMorgan Chase CEO Jamie Dimon), a “bubble” (Peter Schiff, president and CEO of Euro Pacific Capital) and “a scam for criminals around the world”

charts I have seen, which have been correct for the last eight years, predict that Bitcoin will hit \$100,000 by the end of 2019.”

While the rise of Bitcoin was undoubtedly the investment story of 2017, cryptocur-



rency remains a largely untapped market for retail investors. That means there's plenty of room for further expansion, especially if the banking industry finally warms to the idea.

“Right now we are at US\$800 billion worth of market cap,” Mondrus says. “Compare that to any large-size market in the United States – it's miniscule in comparison. We still haven't onboarded any of the big boys yet – Fidelity doesn't allow you to buy crypto; Schwab doesn't.”

Another hurdle cryptocurrency will have to manage is government interference. Reports of a crackdown in South Korea, one of the global leaders in virtual-trade volume, precipitated Bitcoin's plunge in January. China and Russia have also promised tighter



FAST FACTS: BITCOIN



As of January 31, 2018, the Bitcoin market cap is US\$169 billion



Bitcoin has a ceiling of 21 million, and there are 16.7 million coins currently in circulation



The limit of 21 million is expected to be reached in 2140



Around 1,000 people own 40% of total Bitcoin assets



Some Fortune 500 firms, including Expedia, Dell and Microsoft, have begun accepting Bitcoin payments

Source: Coinmarketcap.com

and silver, paper currency, bank accounts and now digital assets. Once you give up on the search for perfect money that solves all problems at all times, we will have a much clearer idea of digital assets and see that maybe it is good for global commerce.”

A professor of finance and investment at Harvard Business School and MIT, Cohen takes issue with the view that Bitcoin and its ilk have no intrinsic value. Already these products are being used as a more efficient means to transfer money, leaving existing wire transfer systems in the shade. It’s an ongoing process, but in Cohen’s view, cryptocurrency is here to stay.

“I think we will see the volatility drop over time,” he says. “The Chicago Mercantile Exchange initiated futures recently, and that will moderate volatility because it opens the possibility of investing to more institutional players, long as well as short. The more it becomes not just for speculation, but for actual use, then the price will stabilize.” **WV**

regulation, and it’s only a matter of time before other countries move to introduce taxes on crypto trading.

But despite the headwinds, it’s unlikely

concluded that despite their extreme volatility, digital currencies would indeed make up part of a diversified portfolio in the future.

“As is so often the case, there are extremes



“The more it becomes not just for speculation, but for actual use, then the price will stabilize”

Randy Cohen, Alignvest Asset Management

these disruptors will disappear anytime soon. Randy Cohen of Alignvest Asset Management recently co-authored a study entitled “Illuminating the Path Forward: Digital Assets in Institutional Portfolios,” which

on both sides, so I try to find the truth somewhere in the middle,” Cohen says. “There have been a lot of different things that have been used as money throughout history, and all have their pros and cons. That includes gold