



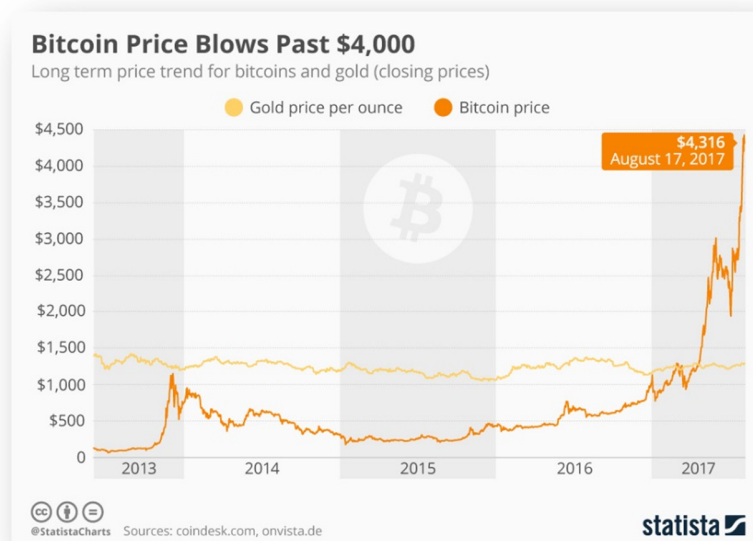
## Crypto Currency

*"A cryptocurrency is a digital asset designed to work as a medium of exchange using cryptography to secure the transactions and control the creation of additional units of the currency."*

(Definition from Wikipedia)

Bitcoin became the first decentralized cryptocurrency in 2009. Since then, numerous of these "altcoins" have been created, and of this writing there were more than 1050 of them available over the internet. A new cryptocurrency can be created anytime. Bitcoin is by far the largest in market capitalization and is the best known, followed by Ethereum, Bitcoin Cash, Ripple and Litecoin. Back in 2013, when the crypto market capitalization was about \$1.7 billion, Bitcoin was 93% of the total. It is estimated the market cap of these "altcoins" is now in the \$144 billion range, with Bitcoin still accounting for 47% of the total (source: Gartman Letter Sept. 20<sup>th</sup> 2017).

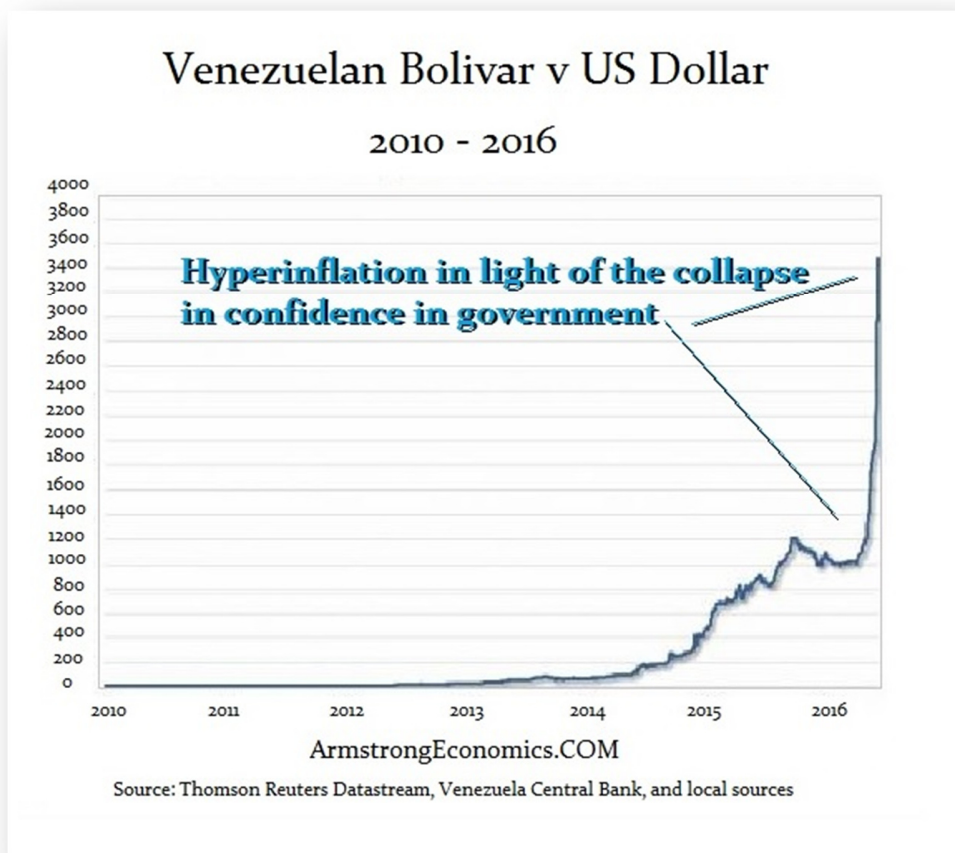
The chart below shows how prolific the price gain has been:



Bitcoin's initial creation was with the intention of acting as a currency pricing mechanism to take the place of U.S. Dollars in the United States, or the Euro in Europe, the Yen in Japan, etc... The original beauty of it was that it was to have a finite supply and new coins were created by "mining" for them. But as we know, the supply of new crypto currencies has proven to be infinite.

Bitcoin supporters will argue that it qualifies as a currency because it's something that parties can agree to accept as legal tender and a store of value. Using that definition, sure, it seems right.

But I would argue it has no intrinsic or underlying value, and unlike most fiat currencies, has no government standing behind it, or gold bars held in a vault behind it, etc... Fiat currencies have value simply because of faith in governments that issue them. When that faith in those governments vanishes, so do their currencies. I present to you what's happened in Venezuela, and what happened to the Bolivar:





These crashes have been part and parcel of Bitcoin, where drops of 10%, 20%, and even 40% are not that uncommon. One day in 2013 it dropped 71% in 12 hours before rebounding (took 7 months) after news the Mt.Gox (holder of Bitcoins) announced they had a major hack where 850,000 Bitcoins were “withdrawn”. I still believe these cryptocurrencies, for the most part, have become popular in the arenas of antigovernment anarchists, drug dealers, money launderers, illicit arms dealers, tax dodgers, and users of the dark web. Last week China became the first to loudly crack down on the cryptocurrencies by going after, and banning digital exchanges. Could it be a socialist China sees more than the West?

I will side with Jamie Dimon, one of the best CEOs in the U.S.A., and I still believe Bitcoin will end like Tulip Bulb Mania, or any such manias, losses for many who can't afford them, and a lot of blame and finger pointing, blaming others for that old vice called greed.

*"It's creating something out of nothing that to me is worth nothing.  
It will end badly... Bitcoin is a fraud."*

CEO of JPMorgan, Jamie Dimon  
(Sept. 20<sup>th</sup>, 2017)

Stay tuned,

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