



Bitcoin Soars to New Highs With No Sign of the Bubble Bursting

Description

In the latest sensational piece of news to emerge from financial markets, ground-breaking cryptocurrency Bitcoin continues its spectacular rise in value, recently smashing through US\$10,000 to be trading at over US\$11,000 for a brief period. Since then, it has pulled back sharply to now trade at just over US\$10,000, making it worth just over 10 times more than its value at the start of 2017. Despite Bitcoin appearing to be in a bigger bubble than the Dutch tulip mania almost 400 years ago, there are no signs of the bubble coming to an end any time soon.

Now what?

The growing [recognition of cryptocurrencies](#) by mainstream financial institutions, including moves by futures market maker **CME Group Inc.** to launch tradeable Bitcoin futures, has been a key driver of the current spike. The rising interest in cryptocurrencies and widespread belief that they will receive widespread acceptance as a medium of exchange has triggered considerable speculation.

It is this surge of speculative interest coupled with growing acceptance of cryptocurrencies that will give the rally its next leg up into 2018.

You see, while Bitcoin undeniably exhibits all the signs of being caught in a [massive bubble](#), it is still in its relatively early stages.

According to research on the psychology of market bubbles, there are four distinct phases of a bubble, commencing with the stealth phase, the awareness phase, the mania phase, and ultimately the blow-off phase. Bitcoin appears to have entered the mania phase, where prices keep rising, the parabolic price curve associated with bubbles builds, and less-sophisticated investors clamour to make what they believe is the investment of a lifetime.

It is here that the media starts giving the asset class significant attention, and the chorus of voices calling it a new market paradigm grows. As this phase builds, prices will rise at a stratospheric rate, and future prices become an extrapolation of past price appreciation. At this point, the paper fortunes of regular investors start growing at an unprecedented rate, triggering further investment and greed.

The surge in the value of cryptocurrencies is matched by the stratospheric rise of initial coin offerings, or ICOs, where entrepreneurs seek funding to launch a new coin or token. Cumulative funding by start of the third week of November 2017 had reached almost \$3.8 billion, which is US\$227 million greater than in October, and there are signs it will keep growing with more ICOs to be launched over the remainder of 2017.

A key signal that the end of the bubble is fast approaching will be when Wall Street jumps firmly on the cryptocurrency bandwagon and the market gets flooded with cryptocurrency investment products. It is at this point pundits will claim that a new paradigm has been created in attempt to justify the outlandish prices and future price increases, yet many institutional investors will start to quietly pull out and take profits.

Nevertheless, until then, Bitcoin, Ethereum, Bitcoin Cash, and other cryptocurrencies will keep appreciating at a staggering rate.

So what?

One Canadian company that has benefited from the dizzying rise of cryptocurrencies has been cryptocurrency miner **HIVE Blockchain Technologies Ltd.** ([TSXV:HIVE](#)). Since the start of the year, its stock has risen almost three-fold and will continue to surge as cryptocurrencies rise in value. HIVE mines Ethereum, and as a miner, it plays an important role in verifying blockchain transactions.

HIVE has two cash flow positive mining facilities and the ability to mine other cryptocurrencies. While it is certainly only an investment for the most risk-tolerant investors, it provides a far more liquid alternative to directly owning cryptocurrencies, which doesn't come with many of the drawbacks associated with their purchase and storage.

CATEGORY

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