



Will Bitcoin Reach US\$20,000 Before the End of 2017?

Description

While many prominent investors, financiers, and bankers claim that Bitcoin is in the midst of what could arguably be one of the [largest asset bubbles](#) of all time, the revolutionary cryptocurrency continues its relentless march upwards. In a single day, Bitcoin rose by more than a US\$1,000 to now trade at over US\$17,000.

This sudden spike in value can be attributed to the launch of Bitcoin futures on the CBOE Futures Exchange, which was a watershed moment for the cryptocurrency, heralding its formal acceptance by Wall Street. The emergence of regulated exchange-traded derivatives and other financial products linked to Bitcoin will attract further investment and drive its price to new highs.

Now what?

Institutional investors and traders were deterred from investing in Bitcoin because of the lack of oversight as well as the need to invest through unregulated venues. Now that they can bet on the price of Bitcoin rising or falling on an official regulated exchange, there will be a tremendous influx of capital, which will [propel Bitcoin higher](#).

That stampede of capital can be seen with the considerable gains made by Bitcoin futures during the first day of trading, where they soared by 26% from their opening price. In the space of less than two days, the one-month Bitcoin futures contract surged to over US\$18,000 and then pulled back to be trading at US\$17,710, or a 6.5% premium to Bitcoin. The considerable interest this has attracted also caused Bitcoin's price to surge by almost US\$2,000 from the moment the futures started trading.

Contrary to the claims of many pundits that the futures contracts would reduce the considerable volatility associated with Bitcoin, they have created a financial instrument that appears even more volatile, while ramping up the volatility of the underlying asset. While this is certainly of concern for investors, it doesn't signal that the massive bubble is close to ending.

You see, the growing interest from Wall Street indicates that there will be a multitude of Bitcoin-linked financial instruments hitting mainstream exchanges in coming months. Exchange operators **CME Group Inc.** and **Nasdaq Inc.** also plan to launch their own Bitcoin futures.

The growing acceptance of Bitcoin and its recognition as a legitimate asset also increases the likelihood of a listed exchange-traded fund being introduced. This would eliminate many of the problems associated the **Bitcoin Investment Trust** (NASDAQOTH:GBTC), which is traded as an over-the-counter stock and has to be among [the worst ways](#) to gain exposure to Bitcoin.

Those instruments will only attract greater interest from investors, thereby boosting Bitcoin's price and further fueling the cryptocurrency bubble. This means there are no signs of the frothy market for cryptocurrencies running out of steam anytime soon.

There is also an ever-growing influx of funding for new initial coin offerings, or ICOs. In November 2017 alone, ICOs attracted US\$743 million in funding, which was 43% higher than in October and 37 times greater than a year earlier. The value of investments will only increase as the mania surrounding cryptocurrencies grows and the volume of exchange-traded Bitcoin-linked financial instruments expands. For these reasons, it is conceivable that Bitcoin could hit US\$20,000 before the end of the year.

So what?

There is clearly time for investors to make money on Bitcoin as the bubble shows no signs of bursting anytime soon.

Nonetheless, attempting to time any market is fraught with risk, but one key sign that the end of the cryptocurrency bubble is approaching will be when Wall Street floods the market with cryptocurrency-linked financial instruments and then quietly starts taking profits. That means there could be considerable downside ahead for cryptocurrency miners such as **HIVE Blockchain Technologies Ltd.** (TSX:HIVE) and the Bitcoin Investment Trust when the bubble finally bursts.

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Date

2025/09/06

Date Created

2017/12/13

Author

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