



2018: The Year of the Cryptocurrency Bubble Pop?

Description

Bitcoin, Ripple, Litecoin, other cryptocurrencies, blockchain, crypto-mining. If any of these “keywords” made you excited, then you’re probably thinking about speculating on this mania that’s likely going to come to a catastrophic end in 2018. When it comes to bubbles, sure, you can make money if you get in at the right time and get out and if you have the discipline to not get greedy.

But let’s face it; that’s easier said than done. To make matters worse, I believe this cryptobubble is approaching the late stages of the greed and euphoria — you know, the phase right before the house of cards comes [crashing down](#). Bitcoin’s chart resembles the chart of the South Sea bubble of 1720, and right now, we’re likely in the midst of a historic downfall.

From a technical perspective, the chart of Bitcoin really looks gruesome.

A history lesson on bubbles

Sir Isaac Newton, one of the greatest minds that’s ever lived, was a victim of such a speculative bubble. The Bitcoin of his day was the South Sea Bubble, a craze that everyone was getting rich off of over a very short period of time.

Newton created calculus on a whim before his 17th birthday. How could such a genius become a victim of a bubble and be broke because of the losses?

It’s a sad story, especially since Newton made a tonne of money when he got in and got out of the bubble with his first move. Newton had a bad case of FOMO (fear of missing out) after South Sea stock continued to surge above the price he decided to sell at. His friends were all bragging about how they were getting rich, so Newton returned with more money. Unfortunately, the crash came, and he lost £20,000, which, when adjusted for inflation over nearly 300 years, is quite a lot; it was his life savings at the time.

But cryptocurrency has many benefits, and blockchain is an incredible technology

Sure, the tech behind the mania is great, but it probably won’t become mainstream until after the

cryptobubble bursts — like the tech bubble!

At these levels, you're way too late to be speculating on Bitcoin. Smart money has got in and has profited a great deal already. Now with nothing but Bitcoin pieces flooding mainstream media, everybody and their parents already know about the "opportunity to get rich quick."

It's not just cryptocurrencies themselves that are risky; cryptomining firms like **HIVE Blockchain Technologies Ltd.** ([TSXV:HIVE](#)) are also exposed to substantial downside, so smart investors would be better off just ignoring all the hype following blockchain technologies — at least until after the bubble bursts.

When will the bubble likely pop?

Bitcoin really started to take off in Spring 2017. The South Sea bubble boomed and busted in just over a year. Given the resemblance of Bitcoin's chart to that of South Sea's, I suspect most of the Bitcoin gains will be surrendered by this summer. And after that, it'll probably be years of gradual losses, as the asset falls into triple-, double-, and single-digit territory.

Bottom line

It's very difficult to [avoid the cryptocraze](#) after hearing about success stories, like Peter Thiel's Founders Fund, which make a boat-load off cryptocurrency. Your friends may have made a tonne off cryptocurrency and may be bragging about it. They may even be trying to convince you to jump it at these levels.

But before you give into the temptation, just remember what Sir Isaac Newton experienced with the bubble of his time. It's a different story with cryptocurrency, but human psychology clearly hasn't changed since Newtonian times, and that's what's driving the cryptocurrency bubble, which I believe will come to an end in 2018.

Stay hungry. Stay Foolish.

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