



Was Bitcoin's Latest Rally Manipulated?

Description

Last month, Bitcoin went on a major rally after months of stagnating. The cryptocurrency, which started off October at \$11,000, was up to \$12,372 by the end of the month. It was a major jump for BTC, which had spent most of 2018 in a free fall and only started rising significantly in March of this year.

Although the jump in BTC is good news for long-term holders, there has been persistent speculation as to whether the rally was manipulated.

Last year, finance professors John Griffin and Amin Shams released a study arguing that [BTC's 2017 rally was manipulated by "whales" using tether](#). Now, they're back in the news, doubling down on their claim with a new bold assertion: that a *single* person or entity was responsible for most of 2017's astronomical surge.

It would be a whopper of a discovery if true. It also raises the question of whether the same could be happening again.

Evidence that the 2017 Bitcoin bull was manipulated

The crux of Griffin's and Sham's claims about Bitcoin's price manipulation was that Tether coins were being used to purchase BTC at fixed time intervals. Tether is a cryptocurrency whose value is pegged to the U.S. dollar and can be used to purchase other coins.

According to Griffin's and Shams' research, Bitcoin purchases with Tether reliably increased whenever Bitcoin fell by certain increments. The consistency of the pattern suggested that there was a deliberate plan to ensure upward price action in BTC. Furthermore, they allege that most of this purchasing was driven by a single large account holder on Bitfinex, which, if true, further corroborates the theory that Bitcoin was manipulated by a "whale" in 2017.

Is it happening again?

Before exploring whether Bitcoin is being manipulated again, it must be stressed that the theory about price manipulation in 2017 is not universally agreed on. Bitfinex is vigorously denying the allegations, and not all third-party experts agree with the two professors' claims.

However, assuming that Bitcoin was manipulated in 2017, we can be sure of one thing: there's nothing *stopping* it from happening now.

All of the infrastructure allegedly used to manipulate BTC in 2017 — Tether, Bitcoin exchanges, etc. — is still in place. Furthermore, thanks to the anonymous nature of crypto, this can all go on under the noses of regulators. Even if financial regulators could spot manipulation in real time, they'd have no way of knowing who's doing it. This makes Bitcoin's price manipulation in 2019 possible, if not likely.

One stock to avoid at all costs

If you're worried about Bitcoin's price manipulation, one stock you'd want to avoid is **HIVE Blockchain Technologies** ([TSXV:HIVE](#)).

HIVE is a cryptocurrency mining company that aims to mine crypto at low costs by scaling their operations with data centres. They use climate-controlled facilities, which keep servers from overheating. Theoretically, this makes sense, because overheating can cause excessive electricity bills. However, HIVE has overhead costs like any business, and it depends on high crypto prices to make money. Accordingly, its value is [correlated with that of Bitcoin](#).

If Bitcoin really is being manipulated by a single individual or organization, then a company like HIVE would be seriously at risk when they decide to take profits. Because of the decentralized and anonymous nature of crypto, there's nothing stopping a "whale" from making big market moves and causing huge upswings or downswings. Stocks like HIVE are vulnerable to this kind of price manipulation, which can easily dictate how much their mined coins are worth.

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