

Bitcoin

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Current Price when starting article: \$2,500

Current Price Today: \$3,450

Forecasted price by 2020: \$12,000

Background

The Bitcoin is unique since it's the first true cryptographic currency to gain adoption and traction. Computer power is needed to mine for bitcoins. This makes sense in the technological age, instead of physical miners for gold. Bitcoins are easily transferrable, easily divisible, challengingly, if not impossible to hack, and irreversible. These properties makes it interesting as a currency. From the dawn of time to today, people have always been fascinated with instruments of value as evidence with the early days of the accumulation of gold.

High barrier to entry due to infrastructure

Like Visa or Mastercard, there is a high barrier to entry as there's so much integration already.

Stages of Adoption

There are three stages of Bitcoin adoption. The early adopters include pure technologists, then those who are non technical and know about investing and interested in exploring, finally the late adopters who are the generic public.

Pure Technologists: Back in the day before exchanges were established, mining was done through one's computer as their CPU had enough power to do so. The average Bitcoin would eventually reach \$1-\$10 from pennies. Trading was done through forums, peer to peer transfers, along with insecure trading platforms (which were eventually frozen). This arises from the days of early file music sharing sites and torrents where users are familiar with computer to computer transfer. Buying Bitcoin at its cheapest point here would be risky, with limited usage, and mostly for early adopters.

Non Technicals: As the non technicals started appreciating this new method of wealth transfer & payment method, venture capitals in Silicon Valley and other locations have taken this seriously and have funded start ups revolving around the Bitcoin concept. This is validation that this new technology is something to be considered. As exchanges are established, liquidity is generated from the high number of users transacting back and forth along with a stable exchange platform. With the establishment of these key resources, the Bitcoin price have risen above the \$130-\$200's and has never dropped back below then again. In the past year, prices has gone up to \$1000's+ due to speculation driven mostly by China and foreign buying with its crash due to the ban from China. Buying Bitcoin during this phase gives you the chance to make the most money if adoption by the generic public

occurs. \$1000's would be considered a small tick compared to the price upside that could occur. We are currently at this stage and slowly transitioning to the general public stage.

Generic Public: As the liquidity, national/international legal recognition, merchant acceptance increases, Bitcoin will become accessible to the public through ATM's, ETF's, and other venues.

Below is a chart of the potential market sizes and usage potential.

	Addressable Market Size	Method of Usage	Usage
Pure Technologists		Peer to Peer Transfer	Drugs, Gambling
Non Technicals		Big Exchanges like Coinbase, Venture Funded Exchanges	Speculation,
General Public		ETF's, Pension Funds, 401k's, IRA's, Physical ATM's & Point of Sales Transaction	Everyday Transactions

To understand what the price of Bitcoin can become, we have to understand what's the total possible addressable market, along with what the supply looks like, and possible catalysts that could increase this adoption.

1) Bitcoin Production is Slowing Down

Think of a stock with shares outstanding. Bitcoin production is slowing down and therefore supply is finally becoming limiting. The supply production is slowing down compared to the improvement in technology to mine faster. As a result we have a constricted supply. 16 million out of the 21 million bitcoins have already been mined.

2) Usage of Bitcoins have picked up

Bitcoin as a gateway to other cryptocurrencies.

Countries with High Inflation Rate Looking to Protect their Assets

There's a high correlation between countries of high inflation rate and their interest in Bitcoin as seen by Google Trend Searches & Spot Exchange prices in those countries.

3) Country Adoption & Legalization

With each approval we have seen the price of Bitcoins jump.

Canada

Japan

Bitcoin as an ETF & It's Impact

Additional capital inflow will incur once Winklevoss's application for their Bitcoin ETF is approved through the equities market, possibly 401k plans, and IRA's. The Bitcoin is considered a real and viable diversification asset just as gold is.

4) High interest from Wall Street

Currently all closed ended Bitcoin funds price are oversubscribed with 2x their net asset value (NAV) due to high demand. This oversubscription alludes & forecasts the possible high demand once Winklevoss's Bitcoin ETF is approved.

-Fidelity's pro bitcoin ceo leads the company as they add the ability for customers to view bitcoins in their investment account - bitcoinist.com/fidelity-investments-add-bitcoin-website/

-CBOE has announced integration of Bitcoins recently

-CBOE partners up with Gemini, 4th largest exchange, to offer institutional investors and large-scale traders to invest in bitcoins - <http://www.prnewswire.com/news-releases/cboe-and-gemini-enter-into-exclusive-global-license-agreement-to-use-bitcoin-market-data-300498072.html>

This means, this is the beginning that eventually they will want to figure out how to add investments and have users invest in this asset.

A lot of alt crypto currency hedge funds are springing up.

The SEC wants to eventually legalize and approve the Bitcoin ETF since it results in:

1) Increased oversight, regulatory control, and taxability

The gold ETF can be the most notable comparable to the Bitcoin ETF which took many years before approval. The below is the market estimation of the Gold ETF.

There's definite interest from institutional money

(https://www.reddit.com/r/ethtrader/comments/6ahdej/what_is_the_fundamental_driver_of_value_behind/)

5) Circumvention of Foreign Capital Controls

A lot of countries limit foreign capital withdrawal by limiting the yearly amount one can take out. If these people buys bitcoin and convert it into the USD in order to purchase properties in the US, demand for Bitcoin will go up. This has been proven true through China, some southern american countries and some European countries.

My Analysis

As a lot of people perceive possible good outcome, the amount of sellers lessen, and for people who need Bitcoin, they are willing to pay a higher price for it.

Risks

With all these catalysts that could cause the price to rise, there are risk that could hold Bitcoin's usage, adoption back which may result in a price reversal or decline. Given we know the accepted interest in Bitcoin beyond its early adopter stages, it may be considered wise to wait for a crash before we decide to invest/buy into Bitcoin. Buying it now could be giving us less safety margin than we need to be comfortable with.

At this point, the only thing that could slow down the price of Bitcoins are the following:

Divestment of Capital to Other Investment Opportunities

Investors, mostly speculators will be unhappy with the slow progress by Bitcoin and may feel the desire to seek return from other existing assets (such as equities) and will pull out their funds when they see enough profit & price rise. The price of Bitcoin may drop as a result.

Likely

Small 5-15% drop

Ban by Certain Countries

A ban by certain countries could mark the currency as illegal and therefore drop its valuation voiding the generic public from participating in its usage. This would hold the currency back from reaching its full valuation and possibly result in a severe drop if any major country bans its usage. Despite the ban, no central authority or government can physically stop its transfer if users have the technological capabilities to continue using it. This is why this currency is the universal currency and the last currency that will exist.

Possible

30-50% drop

Rise & Mass Adoption of Alternate Crypto Currency

Bitcoin becomes disfavored as the primary crypto currency. This is unlikely as technology already exists for the transfer of Bitcoin along with its high brandability and liquidity. Yet if Bitcoin prices gets too high, there might possible be demand for alternative crypto currency. The only possible currency right now that could overtake is Litecoins, and it is less than 10% in adoption by Merchants as compared to Bitcoin which is a longshot away.

70-80% drop

Unlikely

The opportunity to reinvest into Bitcoin when the price is low enough will have to be due to some catalyst that is so catastrophic enough, hyped by the people/media along with validation from its drop in price that people believe Bitcoin won't rebound again. This would be the perfect opportunity to get in, park your money, and check back in, in 5-10 years rather than buying right now when the hype is at its highest. As long as people are not afraid of any new threats, then the price of Bitcoin will remain strong and the long term speculators won't sell. We see this trend in the US equities market. As soon as we noticed weakness in the overvalued, capital infused bubble Chinese market, possible war tensions and political shifts, the stock market shrugged these signs off as people believe in the companies (which was also backed by real revenue from real demand).

Another issue we are facing is transaction speed issues which is due to a high usage of Bitcoin. Transactions are slowing down as a result. There are currently tech procedures in place to try to address this.

Conclusion

Due to the financial and high interest from institutional investors, acknowledgment and integration by financial decision makers, commitment from developers and miners to improve Bitcoin, we see these catalysts happening a lot quicker than expected. Now is a great time to pay attention to the most internationally recognized digital currency and development protocol with the largest market cap, fixed supply, which has the potential to grow in demand due to rising institutional interest.

-Fidelity lets retirement holders invest in Bitcoins - Amount - Additional Price to Bitcoin - Total Price

Current price assumed of: \$3,450

Institutional Investors	Amount Invested*	Addition to Price	
Fidelity lets retirements holders invest in Bitcoins	\$23B = 1% of \$2.3T	\$1,100	\$4,550
Gold ETF'S Equivalent Demand	\$55B = assuming 100% match rate	\$2,600	\$7,150
BlackRock	\$57B = 1% of 5.7T	\$2,700	\$9,850
Vanguard	\$40B = 1% of \$4T	\$2,000	\$11,850
TIAA	\$1B = 1% of \$938B	\$50	\$11,900

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*1% is an imaginary feature for illustrative purposes as a proxy to measure amount invested in alternative assets

*assuming 21,000,000 shares of Bitcoins