

Fall in Bitcoin Value - Future of Cryptocurrency

What is the issue?

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- The value of bitcoin has fallen over the year, compared to the last year.
- But the potential future of bitcoins and cryptocurrencies will have to be looked in a larger context.

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How has bitcoin been over the year?

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- Currently (December, 2018), one bitcoin values \$3,585, against \$15,189 a year ago.
- This is a fall of more than 76% in just one year.
- Ever since January this year, the cryptocurrency has been falling after witnessing one of its best rallies in 2017.
- The crash is powered more by a long-pending correction and the curbs introduced by countries such as China.

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How was it received earlier?

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- In 2017, almost everyone seemed optimistic about the future of the bitcoin.
- Investors even termed it the “digital gold” and the finest financial product of the century.

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- Block chain, the technology that provides it, has triggered a series of similar innovations and inventions.
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- [Blockchain is basically an online public ledger system that allows digital information to be distributed but not copied.]
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- It was bitcoin's success that even prompted financial institutions and governments to look at the potential of digital currencies.
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- Some of the world's big banks went a step ahead and introduced their own digital currencies.
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- It was followed by its many clones - from Ethereum and Litecoin to the Bitcoin Private - which came out in 2018.
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- The ensuing hype propelled the sudden spike in the value of cryptocurrencies.
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- The global financial crisis and public's loss of trust in traditional currencies and asset classes, helped bitcoin in its upward journey.
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- The dip in its value is seen as a signal of doom for the cryptocurrency.
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- However, there are still many reasons to be optimistic about the bitcoin and other crypto currencies.
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How will bitcoin's future be?

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- Like in the case of gold, most investors consider the bitcoin as an alternative asset.
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- Cryptocurrency does not have any patrons in the form of a central bank or a government or a financial institution of some repute.
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- The existing fiat currencies also have historically gone through many episodes of corrections before they have gained trust.
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- Still, they are susceptible to third-party manipulations and government tweaks.
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- So it would take a long time for bitcoin to gain that level of maturity, confidence and enter the mainstream financial discourse.
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- The emerging formations in geopolitics is another important factor that would help bitcoin and cryptos going ahead.
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- E.g. the US's measures such as the tariff hikes on Chinese imports, and China's counter measures to it
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- These are potential enough to create situations in 2019 where both the dollar and the Yuan could face turbulence.
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- Perceivably, the next financial meltdown is closer, and there is a currency crash looming in the horizon.
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- So it is natural that smart investors with good surplus monies go for alternative forms of assets, and cryptos would be a potential option.
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Source: BusinessLine

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