

CRYPTOCURRENCY UPDATE

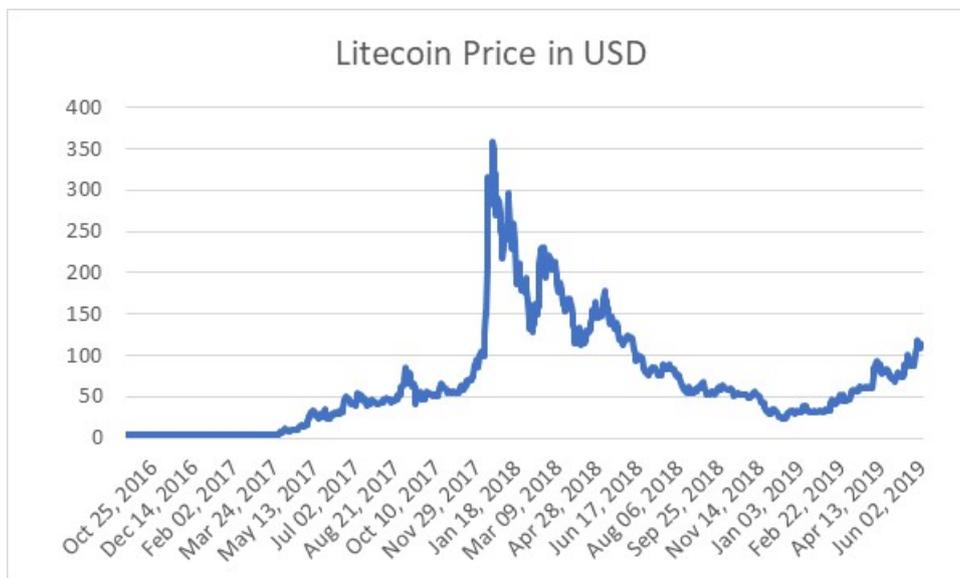


Russell Clark's
Market Views

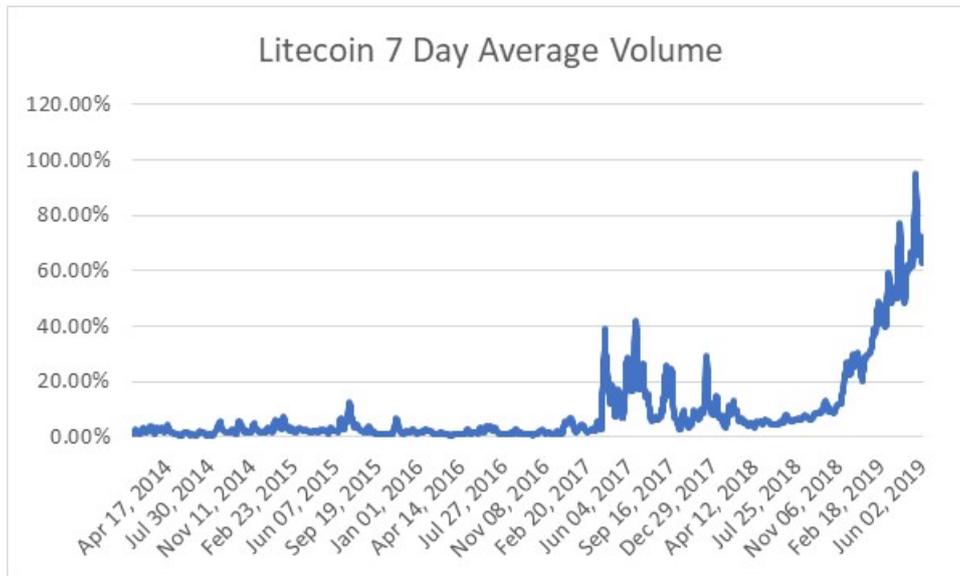
“The value traded in Bitcoin in 2019 has far surpassed the levels seen at the peak, in late 2017. Yet strangely, the rally in 2019 seems to lack the hype and hysteria seen previously.”

I wrote a market view on cryptocurrencies back in [January 2018](#), with a view that the weakness in cryptocurrencies would lead to weakness in semiconductors. If the current rally in cryptocurrencies continues, then this could be a tailwind for semiconductors.

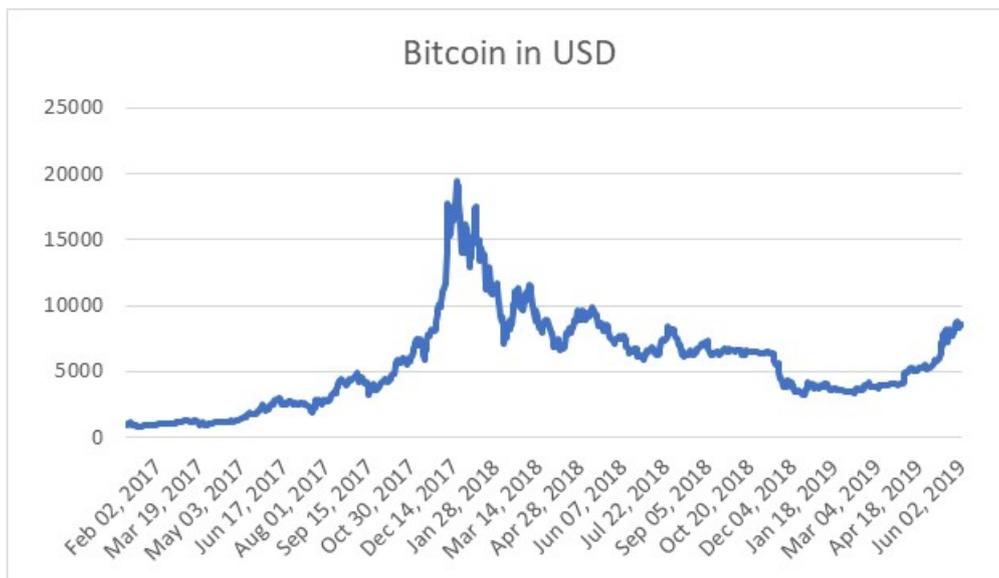
In the original market view I noted that the founder of Litecoin had chosen to exit his entire holding in Litecoin. At the time I noted that the enthusiasm for Litecoin in late 2017 and 2018 was the only time there was enough market volume for such a “whale” to exit their position, and was likely bearish. Litecoin subsequently collapsed but, in line with other cryptocurrencies, has rallied this year.



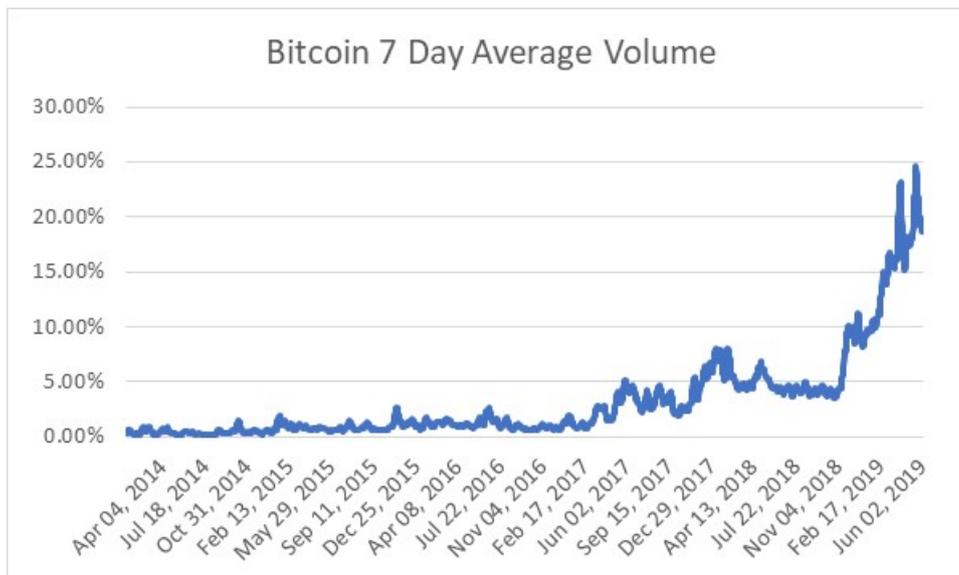
Perhaps the most extraordinary feature of the rally in Litecoin this year is that it is seeing volumes of almost 100% of its market capitalisation being turned over. Given that the founder largely sold out at the top in 2017, this is maybe not that surprising.



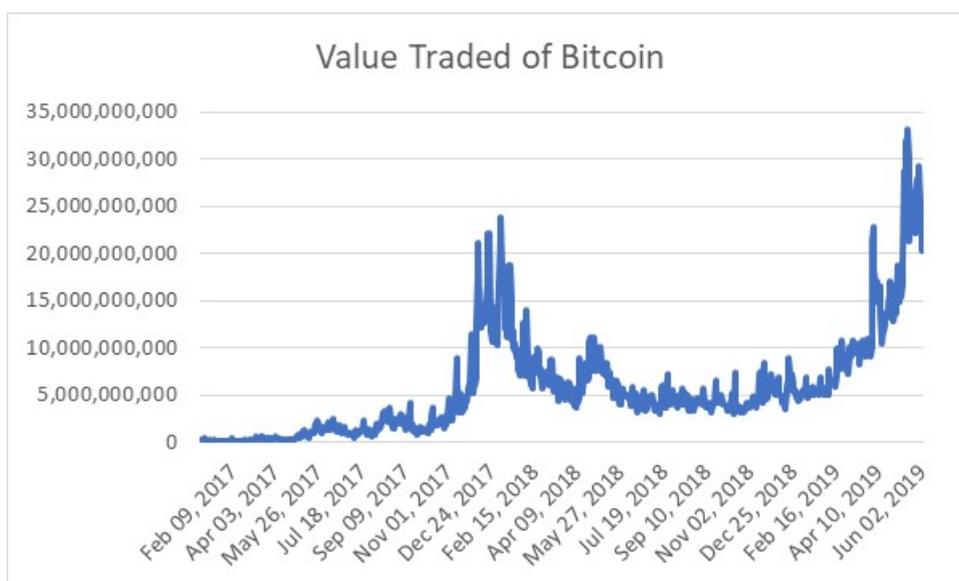
Keen eyed observers will note that even with the significant rally in Litecoin this year, it is still well below its highs. We can also observe that spikes in volume traded have tended to be more indicative of a top. Low volumes tend to be a buy signal. All cryptocurrencies have rallied this year, with Bitcoin up over 150%.



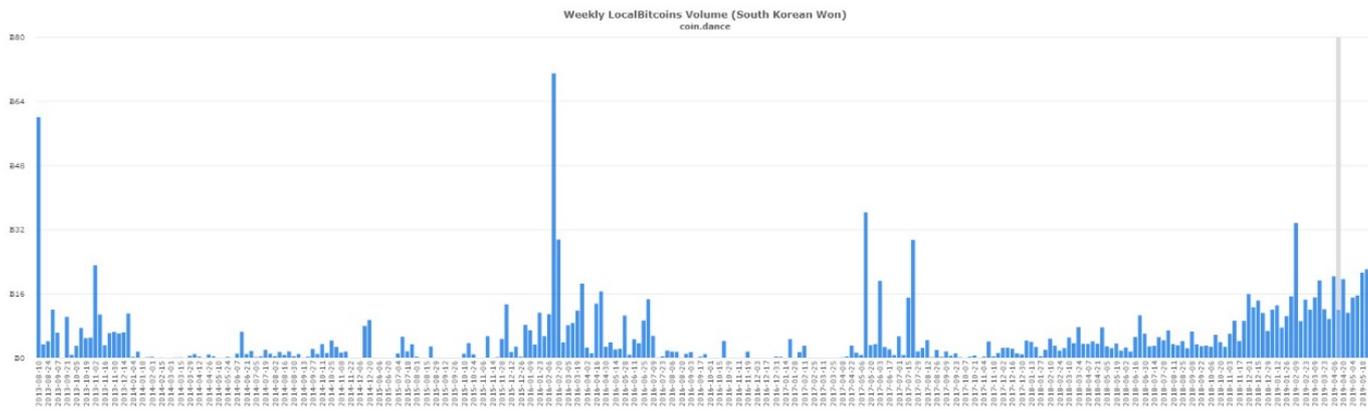
What does average volume look like for Bitcoin then? While not at the fabulous levels of Litecoin, it is more than double the levels seen in late 2017.



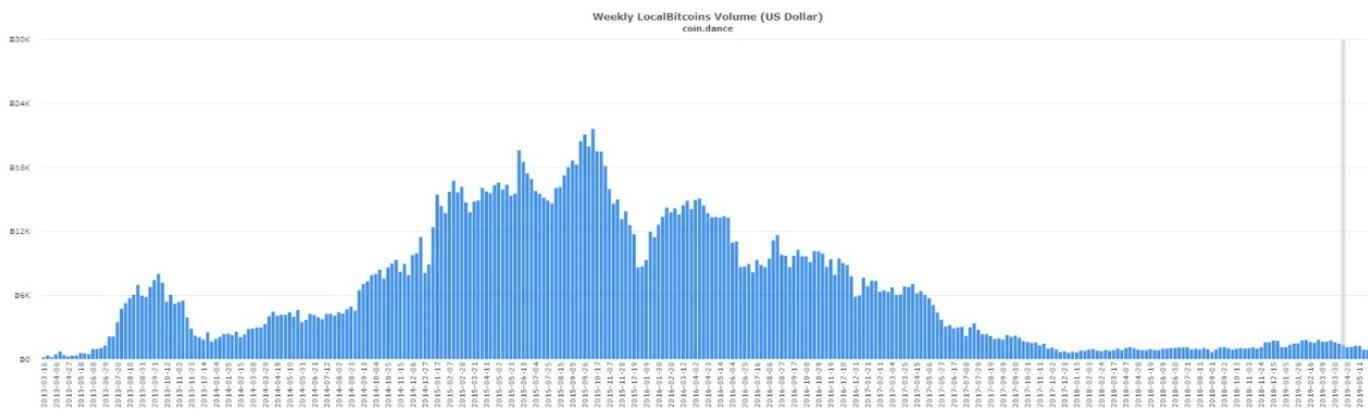
Perhaps more extraordinarily the value traded in Bitcoin has surpassed the levels seen at the peak in late 2017. But strangely, the rally in 2019 seems to lack the hype and hysteria of 2017. In 2017 almost everyone I knew had considered investing in some cryptocurrency. These days, the question I tend to hear more is whether they should take profit.



So where is all this trading in Bitcoin coming from? Using data from coin.dance – the only market to see significant increase in trading of Bitcoin is South Korea. Below shows South Korean volume traded in Bitcoin terms.



For contrast below are the numbers for the USA. Although hard to see, timeframe and scale are broadly equivalent.



As pointed out in a previous [market view](#), broad retail participation by Korean investors has historically marked tops. The signals are that we are nearing a top in this countercyclical rally in cryptocurrencies, and demand for cryptocurrency mining rigs are unlikely to boost demand for semiconductors.

INFORMATION

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