



Is It Time To Revisit Holding Cryptocurrencies?

By: Joe the Investor

At the time of writing, Bitcoin was approaching a new high of \$20,000 USD per bitcoin. What has changed since the last time this high was reached?

Covid Crazy

The Covid19 situation has changed the way people do many things. Technology has been thrust into the forefront of everyday living. Things that used to be done physically are now being pushed into the virtual world – schooling, eating in restaurants, entertainment, work and the purchasing of many goods and services. The natural fit to this kind of agenda is using cryptocurrencies. Why? They are an extension of the technologically driven world. They also can be used for competition to the existing financial system at a potentially lower cost.

Acceptance

The last time Bitcoin reached its record high, many institutions were demonizing cryptocurrencies as methods of payment used by criminals for terrorism, money laundering and illicit drug sales. (6) (7) At this time, Mastercard and Visa are linking cryptocurrencies to their credit cards (1), and Paypal is now accepting Bitcoin to be used on its platform (2). Many governments are talking about issuing cryptocurrency versions of their traditional currencies. (3)(4) There was also a push from Facebook partnered with major banks and other institutions to issue a cryptocurrency called Libra which did not go very far but the intention is there (5). Cryptocurrencies are not for criminals any more unless the aforementioned institutions are doing the crimes.

Adoption

The key for any technology is widespread or mass adoption. The more people use something, the more demand there is for its use and the more important it will become. With widespread adoption, the systems working in conjunction with the product also begin to change. Look at the Apple iPod, Microsoft Windows, providers of the internet, and electric cars as examples. With new demand will come new industries and piggy back products that were not very useful without the adoption of the original product.

Vulnerability of Traditional Investments

Due to the Covid scenario and the depression that is unfolding, investment in stocks and bonds is becoming quite expensive and carries higher risk since the underlying economy is disconnected from the performance of these markets. The high debt level makes real estate investment riskier than in the past as well as the volatility of rental income and people's ability to pay for their mortgages. Cash is a safe haven but rising debt and inflation prospects mean that cash has risk as well. The concept of diversification means that these investments should be held to some extent, but there is now a yearning for an asset that complements these products. This new asset is cryptocurrencies. This product allows for diversification from excessive debt, currency debasement, and high inflation.

- (1) <https://www.distributednews.com/475996.html?fbclid=IwAR2jY-vwabYPA4rCZfizVMbZ89-dJ3wp26ilJwFFS9vJJQgS7Nb8KBYSeyM>
- (2) <https://newsroom.paypal-corp.com/2020-10-21-PayPal-Launches-New-Service-Enabling-Users-to-Buy-Hold-and-Sell-Cryptocurrency>
- (3) <https://cointelegraph.com/news/pandemic-has-accelerated-adoption-of-digital-currency-ecb-president>
- (4) <https://www.cnbc.com/2020/10/09/central-banks-lay-out-a-framework-for-digital-currencies.html>
- (5) [https://en.wikipedia.org/wiki/Libra_\(digital_currency\)](https://en.wikipedia.org/wiki/Libra_(digital_currency))
- (6) <https://www.cnbc.com/2019/12/20/jp-morgan-ceo-jamie-dimon-in-2017-calls-bitcoin-a-fraud.html>
- (7) <https://www.theguardian.com/business/2017/nov/30/bitcoin-is-a-vehicle-for-fraudsters-warns-goldman-sachs-boss>