



Market Musings

January 15, 2018

Bubble, bubble, toil & trouble

Over the years, I have written my Market Musings as a method of trying to inform my readers as to my thoughts of the day or to discuss our processes. I went “radio silent” for most of 2017 as politics dominated the landscape.

I have awakened **Market Musings** to discuss the latest fad / bubble du jour: Bitcoin. Bitcoin is the most recognized cryptocurrency. According to Investopedia: *A cryptocurrency is a digital or virtual currency that uses cryptography for security. A cryptocurrency is difficult to counterfeit because of this security feature.*

Bitcoin is to cryptocurrencies as Alzheimer’s is to dementia. Alzheimer’s is the most well-known of approximately 200 different forms of dementia. Bitcoin seems to be the most well-known of 1,442 cryptocurrencies (according to coinmarketcap.com 1/15/18). While not backed by a particular government, many of these cryptocurrencies are “backed” by some famous people. Paris Hilton, Dennis Rodman, Mike Tyson, 50 Cent and the notable rapper Ghostface Killah all back various forms of cryptocurrencies. If that is not enough for you to invest your life savings into something that has no legitimate backing, I just do not know what is.

Cryptocurrencies is not a currency in the sense that people are utilizing it to transact commerce with any regularity. Inevitably the media will hyperventilate and discuss a company that will now take Bitcoin etc. as payment; but that does not necessarily mean people are *actually* utilizing it as a means for exchange. When was the last time you were in Home Depot and someone used a Bitcoin to buy their merchandise?

Currencies also tend to be a store of value. Generally speaking the US Dollar, the EURO and the Japanese Yen do fluctuate against each other, but it’s pennies a day. Bitcoin et al., tend to move with swings of thousands of dollars a day. I am sorry, but that it not a stable store of value.

The entire cryptocurrency fad has attracted an enormous amount of speculators whom are speculating on an investment in a rapid fire method to induce wild swings as they trade an unregulated security within an unregulated environment. The first documented bubble was the Great Tulip bubble which collapsed during the Dutch Golden Era of 1637. I was not around then, but I sure recognize a bubble when I see one. I am convinced that this ends badly. I would avoid it like the plague and in fact our firm, along with many others, forbid trading in cryptocurrencies.

I do not discount that fact that at some point in time 5-10-15 years from now, the cryptocurrency mania will subside and there will be a few, relatively stable cryptocurrencies that people may actually utilize.

On behalf of North Florida Wealth Advisors: Al Cockrell, Curtis Henson, Kris Cotton, Terri Skiles, Trip Hargraves and myself, we wish you a great 2018.

All my best,

Christopher J. Conner, CFP

Managing Director

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