

Is this the death of crypto?

 By [Fred Razak](#)

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One side of the fence says that cryptocurrencies are part of the future and the other says that cryptocurrencies offer no real world value and are worthless. We could therefore say, oh look, it's all falling apart and the side that said it's worthless are right, but in truth it's much more complex than that.



Source: Supplied. Fred Razak chief trading strategist at QMTrading.

We have just gone through the “introduction to cryptocurrencies” phase, meaning that now people know about them and know what they are. The next phase will be “application to cryptocurrencies”. This is where we will see a lot of either regulation come in, or some sort of body for the control of crypto come into the market.

Currently the strongest currency in the world is the US dollar and it has been the standard for everything we do in trading.

At the moment, all commodities are quoted in dollars. There is a problem with that, which is that the United States and the dollar becomes much stronger. Because the dollar is tied to a country, this means the whole world is bound by that country's wealth and success.

When the United States starts struggling, their currency starts struggling and there is no other currency we can go to – the pound isn't there anymore, the yen isn't there anymore – there is no dominant currency in the world we can rely on. So, let's look at crypto as an idea to replace this.

The search for safety

For a while it worked, but it was unregulated and this then bothered investors and they stayed away.

The different coins were valued randomly from a few cents to \$60 000 each. That bothers those into crypto trading. That doesn't make them feel safe. It doesn't feel like clean money. It feels like hype.”

Is crypto out there? Yes. Is it being valued? Yes. Is it the new standard? Well, there is the big question mark. Markets hate big question marks, and for as long as that question mark remains, you will always see big sells offs.”

But will hodling save crypto? This depends on how big that holding community is? Is that community big enough to firstly maintain its bottomline and secondly able to sustain its growth?

Ultimately, this faithful community is going to have to come up with some way to overcome these ridiculous swings in the market. A person cannot live with a currency that has a \$10 000 range on a weekly basis. The question is therefore, not, can hodling save crypto, but rather, will it employ the kinds of standards that can save it? It's about whether it is capable of injecting trust and will into these types of currencies.

There is something that echoes this in history.

In the 1920s people actually stormed the banks to get their money. And the banks physically changed their architecture. These days if you look at a photo of a bank after that, you can see they now look something like a roman castle. They are marble behemoths that resonate safety and security, a safe place to put your money.

And that's what crypto is going to have to do. Rebrand. To give people the sense that it is safe.

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“This resonates almost perfectly with the dotcom bubble and crash that followed. Names like Amazon went from a \$20 stock to a \$400 stock in 1999 to \$2000, and then went down to \$6 a share. If you had bought a share back then at \$6 you would have about \$3500 dollars now after all the splits. So yes, there will be a comeback for crypto, but the question is how long will this take? And which ones will come back?”

Just because a company is called Bitcoin doesn't mean it will be the one to come back.

This stage of the dotcom bubble bursting saw the successful companies being the ones that looked at what went wrong, and

then came back and did business better. For example, in 2000 Google was not a name yet. Google did not exist. But Google came out shortly after, in 2002 or 2003, and went public in 2004 at \$125 a share. It had a better product and made it free for the public and changed the world.”

But at the end of the day, I'm not sure the world actually needs crypto. If we want untraceable transactions, we have cash for that. And I like that.

It adds liquidity to the market that we otherwise wouldn't have. If Big Brother is watching all the time, it has too much information on each individual. I don't like the way crypto currencies show up the entire history of who did what when. It's a breach of privacy which is seldom discussed.

Imagine if a person has an embarrassing rash, and they buy a cream using crypto, well that's logged on the blockchain now forever. This is now public information.

ABOUT FRED RAZAK

Chief Trading Strategist at CMTTrading. Prior to entering Wall Street, Razak studied at Baruch College - City University of New York majoring in Finance and minoring in International Business. He landed his first trading position during the boom and bust of the roaring late 1990's and early 2000's, having witnessed the largest expansion to the world economy as the internet age made its debut.

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