



# HOW HIGH CAN BITCOIN GO?



# Agenda

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- **Technology: Blockchain vs. Bitcoin**
- **What is money? In particular private money.**
- **Valuation: How much are they worth**
- **Recap**



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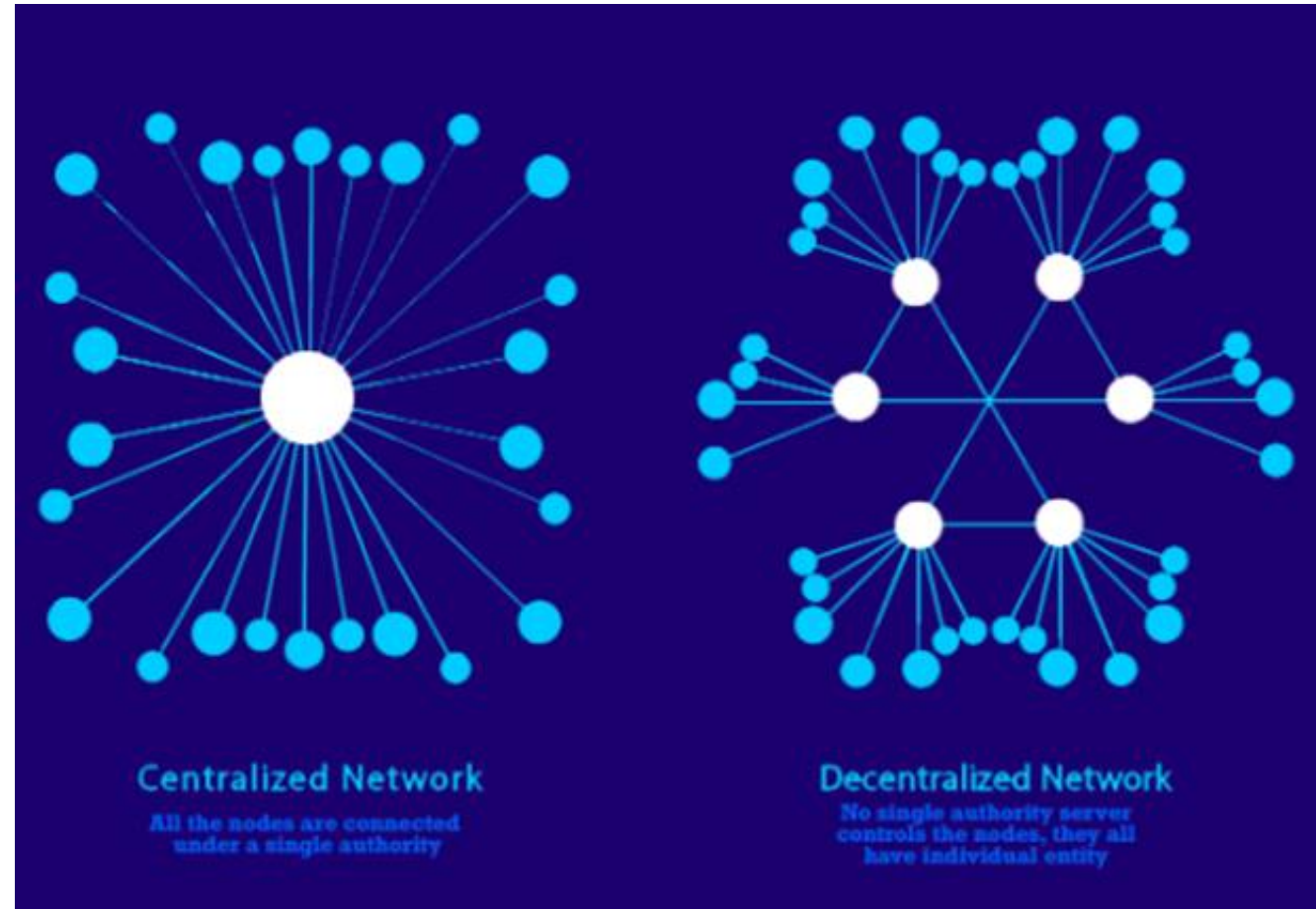
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# Technology: blockchain

- External verification of transfers
- Central/distributed permanent record of every transaction



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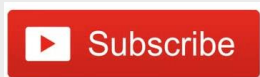




# Technology: Bitcoin

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- **First mover advantage**
- **Limited supply**
- **Issues with power usage**
- **Issue with number of transactions**



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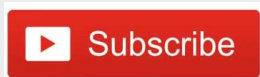
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# Technology: Cryptocurrencies

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- **Many different types**
- **Solving different issues**
- **Bitcoin has problems, many are solved by other crypto currencies**



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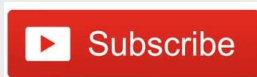
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# What is Money: Background

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- a medium of exchange;
- a unit of account;
- a store of value; and,
- sometimes, a standard of deferred payment



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# What is Money: Fiat Money

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- **Fiat money needs trust**
- **Central banks created (in part) to manage trust**
- **Cryptocurrencies are fiat money – trust is required**
- **Convertibility to real money is now critical**
- **Exchanges need your money**



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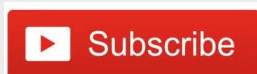
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# What is Money: Sovereign digital applications

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- **Sweden – e-kronor in trial, finishing in Feb**
- **China USD300m trial just finished**
- **UK – central bank supportive, written several papers**
- **Japan - J Coin has some digital features**
- **Australia, Netherlands, Canada, Denmark all writing about and considering**



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# What is Money: Private Money is not new!

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- **Disney Dollars, frequent flyer points**
- **In the 1800s individual banks created US dollars**
- **Four challenges for any currency:**
  - **belief and confidence**
  - **distribution**
  - **volatility**
  - **capitalisation and sovereign backing**



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# What is Money: In a crisis will it be there?

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- **Private money is not what governments want**
- **Central banks formed for crises - bitcoin is to avoid central bank**
- **Climate change?**
- **Terrorism?**



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# Valuation: For Bitcoin, the story is the important factor

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- **anonymous?**
- **transactional?**
- **financial asset?**
- **hedge against inflation?**
- **disintermediating traditional finance?**
- **low interest rate asset / Gold 2.0?**
- **institutional involvement?**



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# Recap

- **Don't get hung up on individual flaws in cryptocurrencies - technology works and is good**
- **Don't confuse private money with crypto**
- **Will central banks & governments allow private money**
- **This time is not different**
- **They are worth whatever the greater fool is prepared to pay**
- **Exchanges not regulated: Don't be the last one to sell**
- **10x bigger and central banks will have to act. Could be earlier.**



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# Investment implications

## Structural downturn lurking, acute or chronic?

### Key positive factors

- Government stimulus
- Low probability of US tax hikes
- Earnings very good
- Inequality to increase

### Other positive factors

- Bankruptcies limited
- Evictions limited
- Mortgage repayment holidays
- Wage growth very low
- Capital efficiency
- Low oil prices
- Vaccine hope
- Policy certainty
- Structural change in industries leading to cost efficiencies

### Key negative factors

- Virus in Northern Hemisphere
- Valuation
- Latent bankruptcies
- Low genuine credit growth

### Other negative factors

- Short term gap in US economic conditions
- Inequality longer-term effects
- Effects gradually rolling off
- Structural change in industries leading to weak demand
- Cycle
- Demand weak
- Australian stimulus badly targeted



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# Viewer question of the week

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Would you invest in cryptocurrency? If so, which one, and why?

Drop your answers in the comments



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Coming up

# Nucleus Investment Insights : Patrick Ceresna

[YouTube.com/NucleusWealth](https://www.youtube.com/NucleusWealth)

next Thursday  
14<sup>th</sup> January 2021



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