

Bitcoin is on the up again. Here's why

By [Marius Reitz](#)

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The price of Bitcoin has increased 42% over the last month, and 187% in three months. Along with Ethereum, the cryptocurrency's prices have risen significantly since the end of March and there was another rally this weekend.



Image source: Getty/Gallo

We are more interested, though, in the long-term potential of Bitcoin forming the backbone of a new international financial system which will see long-term interest in the asset. The upward price is also in line with the longer-term trend. As a result of the price fluctuations, there is more interest.

There are a number of factors which are believed to have driven the price rally:

- **Facebook launches Libra**

There have been a number of crypto hypes over the past few years but this is most certainly not one of them. In our view, this is a game changer not just for the cryptocurrency industry, but also the broader financial system. It is linked to a basket of currencies people already trust and understand, and the issuer is associated with a major trusted global company. It mitigates volatility with a more balanced and smart issuing mechanism which is ultimately more stable, and it instils broader acceptance - should Facebook add Libra to all Facebook products, it will instantly bring billions of people closer to the crypto realm.

- **Speculation**

Numerous investors don't want to lose out the price increase and so they pile in. There has been a lot of pent-up interest and capital from both consumers and institutional investors who want to make sure they don't miss the next wave as the asset class appreciates in line with its long-term upward trend.

- **April spike**

In April, there was large buyer or group of buyers that invested a substantial amount in the market which may have signalled a buy trigger and the current run may still be in response to the momentum of that initial price increase. Many investors were sitting on the sidelines waiting for the right moment to enter the market.

- **The trade war between China and America**

Investors intend to diversify to Bitcoin which has historically shown low or no correlation to assets such as stocks, cash and other commodities. The general worldwide market negativity is driving investors to alternative or safe-haven assets which is benefiting cryptocurrencies such as Bitcoin and Ethereum.

- **Institutional interest**

International asset manager, Fidelity Investments announced that it is building a crypto solution for institutional investors (institutional money may come from pension or hedge funds). Institutional investors have not been able to trade successfully in the crypto market. Yet many also view Bitcoin as an alternative asset class and want to invest a small percentage of their cash. Fidelity's infrastructure could facilitate millions and even billions of dollars of investment into the market. In addition, the owners of the New York Stock Exchange, ICE, have also indicated that they would launch a crypto trading platform called Bakkt for institutional investors. We don't, however, believe that we will see mass institutional adoption in 2019.

- **Bullish signs**

There have also been a number of bullish signals over the last few months, including large banks and tech companies moving into the sector, positive news on Bitcoin's scaling capacity and a host of new instruments like stablecoins with much better-defined use cases, much of which one needs to access via existing crypto onramps.

Cryptocurrencies have seen many price spikes and many drops. If you review the trend over the past 10 years, the price continues to rise despite these movements. At the moment any buying of Bitcoin tends to lead to a period of speculation, which is the ongoing theme for the currency, so we expect more volatility to follow, as we have seen with many similar waves over the past few years.

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