Bitcoin Is A Bubble We Have Seen Before

***e*Research Corporation** is pleased to provide a weekly commentary, authored by Tom McClellan, entitled "The McClellan Chart-In-Focus", which is a free technical analysis article published each week.

In this article, Mr. McClellan analyzes the relationship between climate change and long-term interest rates.

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The McClellan Chart-In-Focus

by Tom McClellan (bio at end)

Most investors remember the 2000 Internet Bubble, which was an example of bubbles for the history books. What is harder is to recognize a replica bubble when it appears again later, especially if it disguises itself.

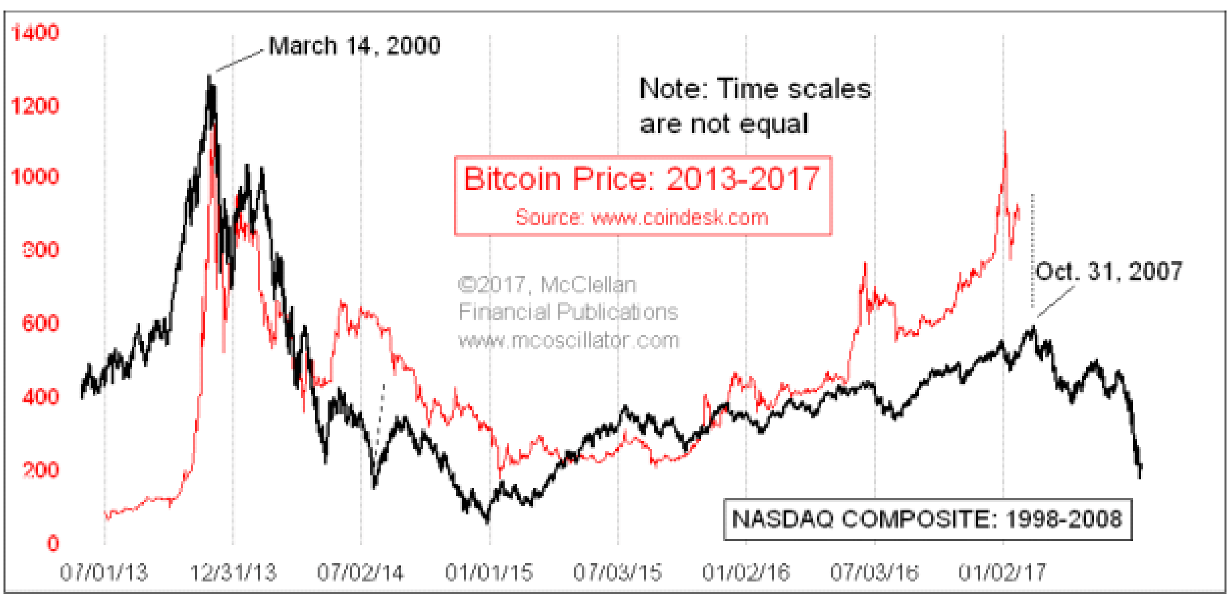
This week's chart reveals that the price of Bitcoins is replicating the 2000 NASDAQ bubble and its aftermath. However, the curious point is that Bitcoin prices are tracing out the dance steps much more quickly. This is a great example of the new and improved "Efficient Market Hypothesis" or EMH. No, it is not the one you think. The new EMH states that the market now can get a lot more work done in a short time, work that used to take a long time.

An example of the new EMH is the Brexit minicrash, which was a surprise to investors and which took two and a half days to play out. It saw a rapid price drop for stock prices, and then a robust rebound.

The November 8 election victory of Donald Trump caused a similar upset to the financial markets, but rather than taking two and a half days to play out, the minicrash and rebound unfolded in a single overnight session. The market is getting more efficient.

The price of bitcoins had a bubble top and crash back in late 2013 to early 2014. As a brief review, a bitcoin is a "cryptocurrency", or a digital asset designed to take the place of money. Bitcoins have only been used as a medium of exchange since 2010. Adherents are attracted to them because of their (supposed) anonymity, and portability without border restriction, or so it has been believed. China's intrusions into that market have brought that assumption into question.

Bitcoin prices had an initial bubble top in late 2013. This week's chart compares the history of bitcoin prices since mid-2013 to the pattern made by the NASDAQ Composite from 1998-2008. As noted in the chart, the time scales here are not equal. It appears that bitcoin prices are tracing out the double-bubble dance steps seen in the NASDAQ, but the Bitcoin prices are doing so much more quickly.



The time scales are not equal in this comparison. So I had to do a little bit of chart trickery to create this image.

Most charting programs that allow two data series to be displayed together in one chart want equal numbers of data points for each data series. To get around that, and allow the resemblance to be visible, I actually created two charts with transparent backgrounds, and then overlaid one upon the other, like two pieces of acetate used for overhead transparencies (remember those?). Then a little bit of accordion style stretching and repositioning allowed the pattern correlation to be revealed.

Assuming that this correlation continues into the future, bitcoins are going to arrive in a few days at the equivalent of the October 31, 2007 top in the NASDAQ. Shortly thereafter, they should see an echo of the 2008 bear market (again, assuming that the correlation continues).

So if you are "holding" any Bitcoins (not that anyone can actually hold something so ethereal), your moment to exit and flee is rapidly approaching.

Tom McClellan

Editor, The McClellan Market Report

BW: Information on Tom McClellan and *The McClellan Market Report* and *The Daily Edition* follows on the ensuing page.

ABOUT THE AUTHOR

Tom McClellan

Tom McClellan has done extensive analytical spreadsheet development for the stock and commodities markets, including the synthesizing of the four-year Presidential Cycle Pattern. He has fine-tuned the rules for inter-relationships between financial markets to provide leading indications for important market and economic data.

Tom is a graduate of the U.S. Military Academy at West Point, where he studied aerospace engineering, and he served as an Army helicopter pilot for 11 years. He began his own study of market technical analysis while still in the Army, and discovered ways to expand the use of certain indicators to forecast future market turning points.

Tom views the movements of prices in the financial market through the eyes of an engineer, which allows him to focus on what the data really say rather than interpreting events according to the same "conventional wisdom" used by other analysts.

In 1993, he left the Army to join his father in pursuing a new career doing this type of analysis. Tom and his Father spent the next two years refining their analysis techniques and laying groundwork.

In April 1995 they launched their newsletter, The McClellan Market Report, an 8-page report covering the stock, bond, and gold markets, which is published twice a month. They utilize the unique indicators they have developed to present their view of the market's structure as well as their forecasts for future trend direction and the timing of turning points.

A Daily Edition was added in February 1998 to give subscribers daily updates on their indicators and also provide market position indications for stocks, bonds, and gold. Their subscribers range from individual investors to professional fund managers. Tom serves as editor of both publications, and runs the newsletter business from its location in Lakewood, WA.

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