

MARCH 2021 EDITION

Bitcoin Outlook

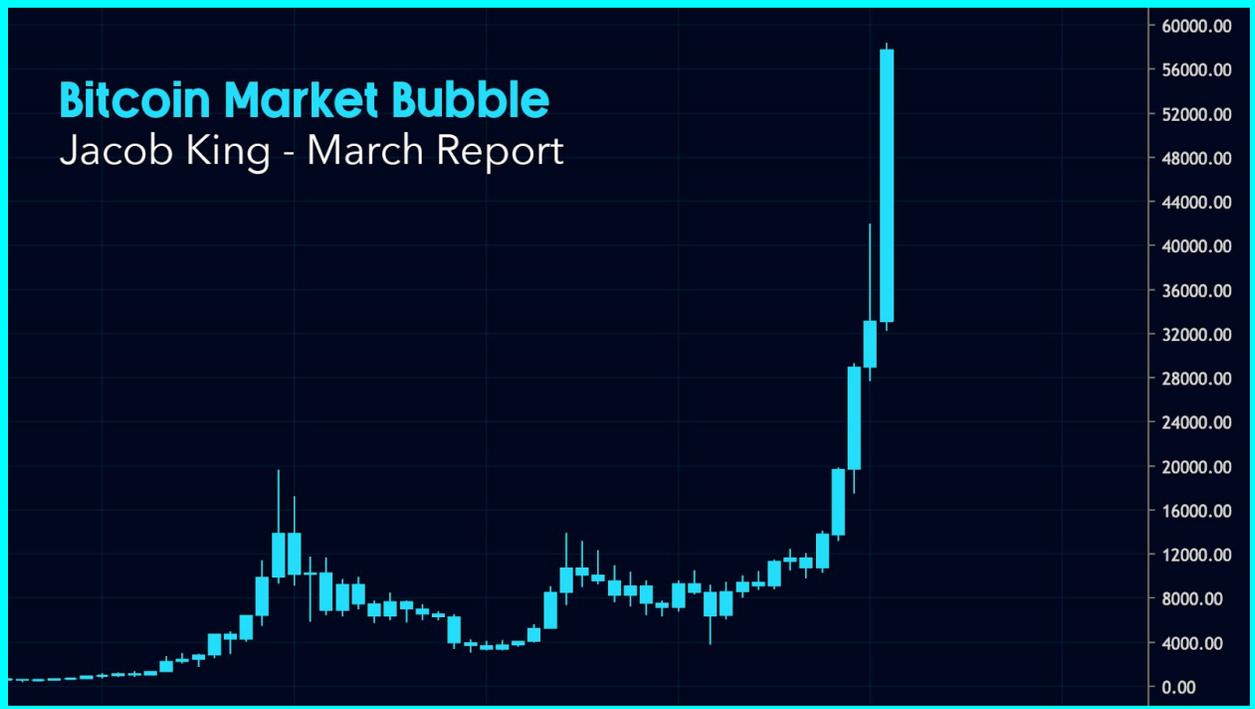
A Looming Cryptocurrency Crisis?

Jacob King
www.jacobking.org

Over the last 12 months, we've witnessed a global health crisis, a flash recession, extreme political division, an economic decline, harsh lockdowns, environmental disasters, record high money printing, mass unemployment and much more.

These events have undoubtedly had a major influence on the global economy. As the world attempts to recover from the COVID-19 health crisis, governments are rushing to inject trillions into the economy to stimulate it, and avoid another major market downturn.

Catching global headlines as of recently is Bitcoin's massive price surge. This weekend Bitcoin managed to reach new all time highs above \$60,000, and bulls are more euphoric than ever, many traders even predicting we will reach \$1,000,000+ by the end of the year.



The most common narrative that comes to mind to explain the surge in crypto prices involves the illusion that institutional demand has skyrocketed, and companies are “rushing to buy up all of the supply”

This couldn't be further from the truth, and plays a minimal role in Bitcoin's surge. Not only do companies make up less than 6.1% of the market, many have stated they have no desire to purchase Bitcoin.

The truth is, a group of cyber criminals, and price manipulators are the real underlying cause of this dangerous bubble, and could mean the start of a major cryptocurrency liquidity crisis that many aren't prepared for.

Fake dollars have real consequences.

Stablecoins are cryptocurrencies created to decrease the volatility of the coin's price, relative to some “stable” asset or basket of assets. A stablecoin can be pegged to currency or exchange-traded commodities.

When it comes to Tether, the most popular stable coin, they claim to be fully backed 1:1 with the U.S dollar. This claim has been controversial for years because unlike other stable coins, Tether hasn't provided any evidence of holding sufficient reserves.

The issue with Tether is they've been printing billions of unbacked USDT, which is sent to corrupt exchanges like Bitfinex, and Binance, then used to prop up Bitcoin's price, similar to what the Federal Reserve does in the Stock Market, but much worse.

There are dozens of counter arguments to this, although none of them have any validity. Many claim that Tether's market cap is so tiny compared to Bitcoin's, so it shouldn't have any impact. Not only does the market cap mean absolutely nothing in terms of what they inject into Bitcoin, but roughly 70-80% of all trading is done with USDT on dozens of exchanges.

In an April 2019 court order, New York Attorney General Letitia James alleged that iFinex, the parent company that operates both Bitfinex and Tether, defrauded cryptocurrency investors by engaging "in a cover-up to hide the apparent loss of \$850 million dollars of co-mingled client and corporate funds."

This investigation has been going on for 2 years, and despite many delays, Tether was ultimately forced to hand over millions of documents relating to their business activities.

On February 23rd 2021, New York Attorney General Letitia James made a statement confirming that they have reached a settlement with iFinex, Tether, and their related entities. They required them to cease any further trading activity with New Yorkers, as well as force the companies to pay \$18.5 million in penalties, in addition to requiring a number of steps to increase transparency.

Immediately after the NYAG statement was made, Tether tweets out a misleading claim that "the case is closed", and they "admit to no wrongdoings", which for many bulls, is seen to be a positive development.

Tether has been talked about for years, and bulls have insisted it's nothing more than FUD (Fear, Uncertainty, Doubt) being spread to mislead investors.

The actual press release, which you can read for yourself [here](#), makes clear that Tether had in fact been deceiving and defrauding investors, and likely the main price manipulators for Bitcoin.

The NYAG confirmed a few important things:

- 1. Tether covered up financial losses to keep their scheme going*
- 2. Tether lied about being fully backed by the U.S dollar*
- 3. Tether had no access to banking*
- 4. Tether held no reserves*

Unlike other agencies like SEC, which do surprise lawsuits, NYAG gave us a bright red warning signal.

Bitcoin plunged over 25%, and had \$250 Billion erased from its market cap the days after the news was released. Smart investors are taking profits, and decreasing their exposure to the cryptocurrency markets due to the looming crisis.

Who's coming for Tether next?

While the New York State Attorney General vs Tether case may have reached a settlement, Tether is still required to provide quarterly audits to investigators for the next 2 years.

It's important to remember that Tether has yet to provide a single audit over their 7+ years of actively running their fraudulent scheme. In fact, they even fired their previous auditors after they found unsettling irregularities with their financials.

It's only a matter of time before the Department of Justice, Securities and Exchange Commission, Commodity Futures Trading Commission, or other State Attorney Generals go after Tether.



What it means for the Markets?

Nobody can predict the future, but we can make estimated guesses based on the expected intensity of the situation.

With Tether propping up the markets for years, and being the main factor in the last two bull runs, I think we could see an unforgiving bear market, and major liquidity crisis.

Once Tether disappears, investors will immediately try to sell their cryptocurrencies, and withdrawal from exchanges. I expect a huge portion of exchanges to immediately disable withdrawals, and the prices will tumble unlike anything we've seen before.

We currently have billions of dollars invested into assets that are highly manipulated, and worth a fraction of what they're currently priced at.

As with all market bubbles, predicting the top is impossible. Bitcoin could increase for the next few weeks or months, but It's clear a major recession will occur sooner or later, which will result in extreme losses.