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ELON MUSK – CRYPTOCURRENCY'S MOST IMPORTANT FAN

3 months ago

[editor](#)

Elon Musk recently announced that Tesla was purchasing \$1.5bn worth of bitcoin and intends to accept bitcoin as a form of payment. The market reacted rapturously, flying to an all-time high over \$48,200 appreciating a jaw-dropping 20% in one day, a record single-day dollar growth.

What this news means for the crypto industry more broadly, cannot be underestimated. It is indeed praise that one of the world's richest men backs crypto, particularly one whose business ethos is to be a renegade thinker pushing the boundaries of mankind itself! Whilst there is much talk of reaching a long awaited "tipping point", this over-simplifies the significance of the events of the last few days.

Of course, Musk's praise of bitcoin has attracted much attention in the traditional media, who have long been hostile to crypto, limiting their commentary to the two main themes of "scam" or "fad". The rally now seems to be indicative that crypto is held to be a mainstream asset; indeed, bitcoin now has a \$834.2 billion market cap, more valuable than all but seven of the world's publicly traded companies.

It is likely that the "Musk effect" will be reasonably long lasting, as investor interest in call options suggest as bullish bets have increased, with an increased volume ranging from \$56,000 to \$72,000.

A bull run for bitcoin is typically good news for the rest of the crypto market, and whilst bitcoin dominance in daily traded volume is strong (currently 60%+), Ethereum, particularly, benefited from the knock-on enthusiasm, also setting a record high of \$1,824 and a market cap in excess of \$200bn for the first time.

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There is much discussion of crypto as a viable treasury asset for large companies, following Tesla's lead in replacing a significant proportion of its USD cash stores with crypto. It is likely other fortune 500 / FTSE 100 companies will follow suit.

Michael Saylor, MicroStrategy CEO, who is massive proponent of this strategy as a hedge against future inflation, praised Musk's decision suggesting "the entire world will benefit from this leadership". Musk himself is certainly positive about this trend suggesting "bitcoin is really on the verge of getting broad acceptance by conventional finance people" Given that Tesla's purchase created a \$270M Gain on First Day, it is likely other boards will take notice!

In the US, certainly corporations are sitting on a vast cash surplus; according to Moody's Investors Service, nonfinancial firms had a stockpile of \$2.1 trillion in U.S. dollars over Covid, with a desperate need to park it somewhere inflation proof, and the dollar is not looking attractive. The knock-on effect for bitcoin prices will be phenomenally positive, with an estimated \$215bn of additional demand for crypto created by the S&P alone if they follow Tesla's lead.

I think we have to mention a few of Musk’s less sensible ideas, which can undermine the potency and credibility of his pro-crypto message. Leaving aside his unusual taste in children’s names (his seventh child, born last year, received the unusual moniker of X Æ A-12), let us not forget in 2018 a single tweet, suggesting he could take Tesla private at \$420USD per share, earned him a \$40 million fine from the American regulator, and necessitated him stepping down as Chairman.

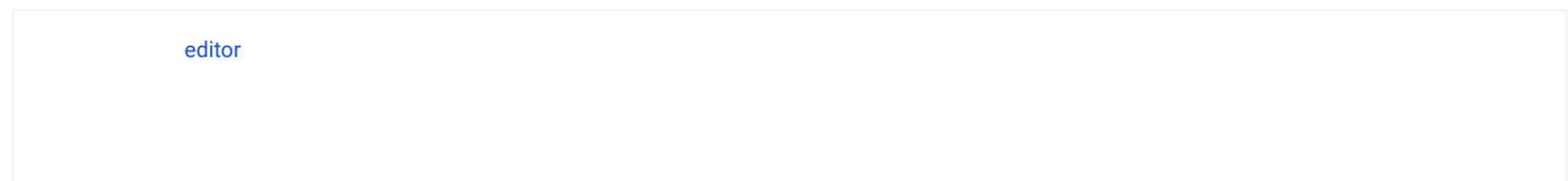
He has also flirted with dogecoin, a crypto which started a meme-based joke, seemingly endorsing it on twitter claiming “no highs, no lows, only Doge” and “dogecoin is the people’s crypto.” As a coin with no real world use case this cannot be anything other than dangerous, and the token now has a market cap of more than £10.3bn, more than many sensible established companies, including Dropbox and Invesco.

Interestingly, he seems to be trying to create some distance from his comments, and in a club house stream, claimed “occasionally I make jokes about Dogecoin but they are really just meant to be jokes”.

As regulators worldwide become more involved in crypto, and the market matures, we can assume that such volatility caused a storm in a twitter teacup will melt away. In the meantime, it makes for fascinating viewing, as we watch in the coming months and years the establishment of crypto as a dominant technological and economic trend. Musk’s summary of bitcoin is simple but almost certainly true: “inevitable”.

By Katharine Wooller

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February 16, 2021 at 11:14 am

Great article Katharine- the crypto market is starting to wake up all the big boys with institutional money going in, it’s all about education

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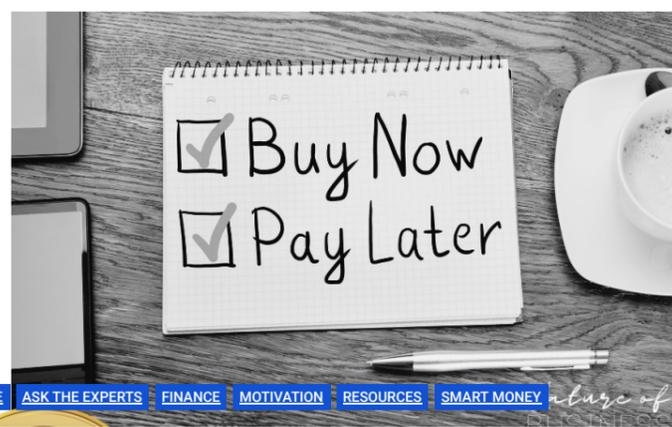


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