

Drivers of Bitcoin

We have put in some work recently in digging around the drivers of bitcoin, our focus has centered on being able to judge and measure mania and how it manifests itself in pricing. As part of this exercise we have also looked into other drivers of value (eg the worth of bitcoin as a store of value and its general utility).

Most of the hype is built around price momentum, however the drivers to our eye seem broader based.

In our work combining search terms and market information is something that we believe provides insight (and not only for Bitcoin mind you).

To that end we were particularly interested in some of the search information over the last week.

What’s Happening?

South Africa’s ruling party, the ANC has announced laws that while likely give rise to land appropriation without compensation and the nationalization of the central bank

This has led to the Rand declining by approximately 6% and has also given rise to widespread concern around the white population.

Consequence

The below screenshot of Google search results illustrates that Bitcoin was the most searched term in South Africa during the last week. This is unique to the period of the last 7 days which leads us to believe that it is driven by central bank and economic instability, which speaks to bitcoin being seen as an effective hedge against systemic failure in EM jurisdictions.

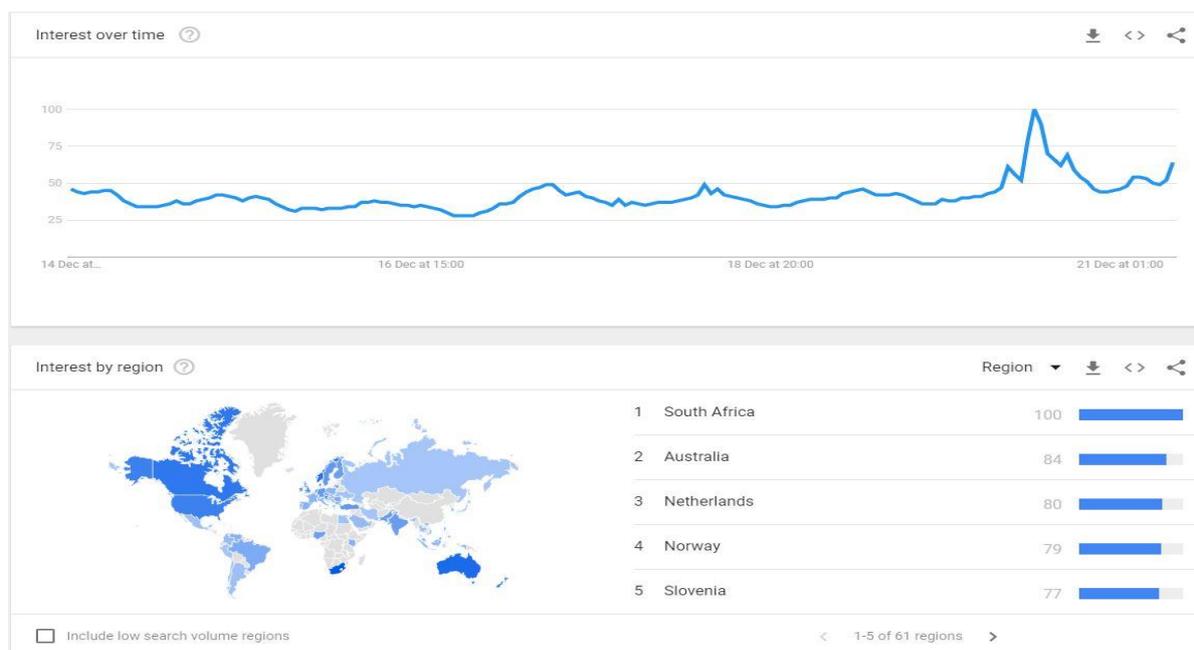


Figure 1-Bitcoin search results per country (source Google)

By comparison gold, which has generally been preferred as a store of value in such instances has seen no impact in South African search terms. In our opinion, portability and the practicalities of transporting large amounts across borders becomes important here.

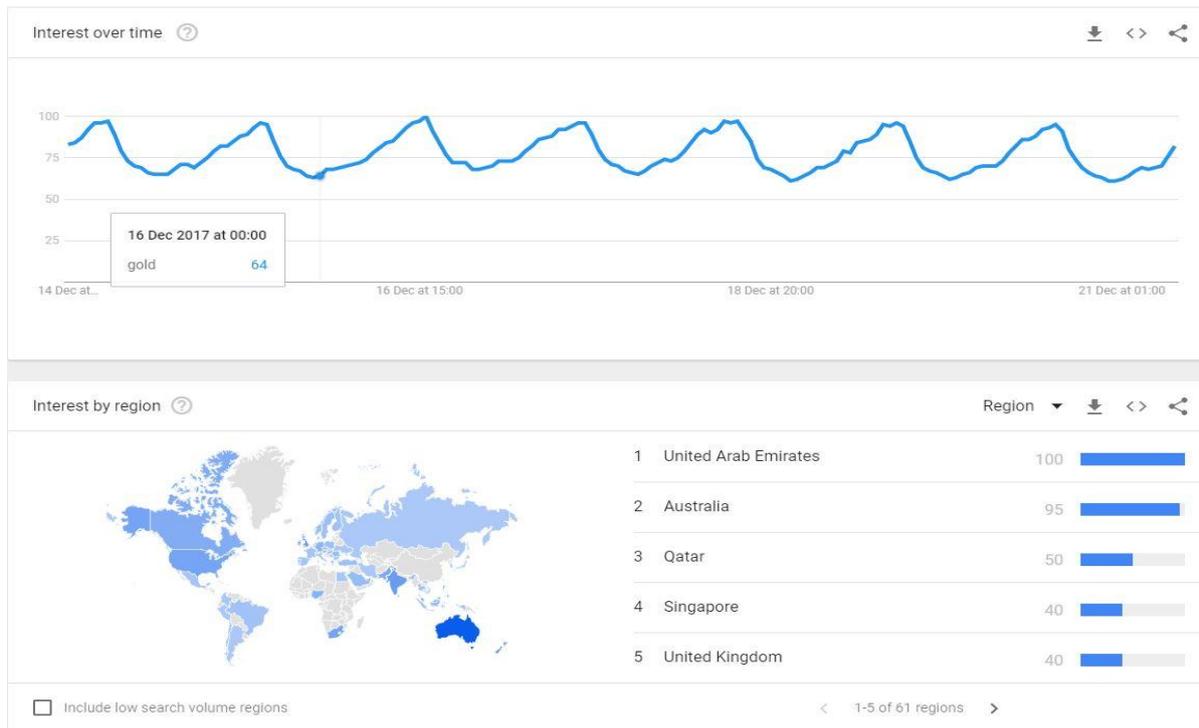


Figure 2-Gold search results per country (source: Google)

Since the announcement of these proposals by the ANC, the South African Rand (ZAR), tumbled around 6% against the USD. Money certainly is leaving the country but in what form? Does the above mentioned google search trends manifest itself into bitcoin purchases?

Well, yes, the last week has seen the largest volume of South African purchases of Bitcoin (Figure 3). Ever.

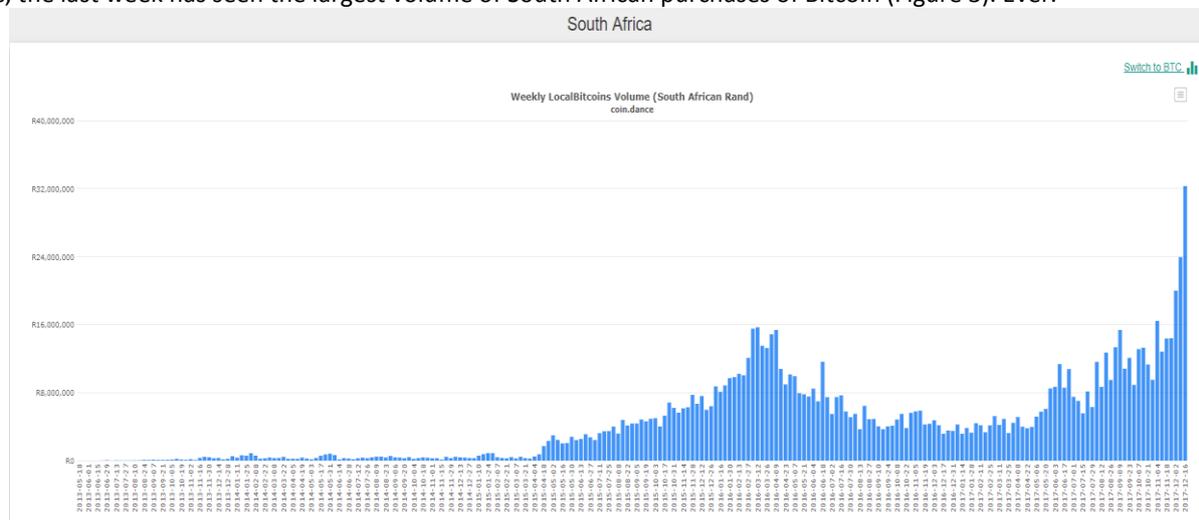


Figure 3-Bitcoin volumes in South Africa (Source: Coin.dance)

I'll leave the readers to make their own decisions as to what the underlying value drivers of bitcoin are. We have completed a report on our beliefs which we have not circulated but will make available on demand.

In the meantime, we wish everyone a safe and joyous holiday season.

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