

## **Bitcoin: Why is the largest cryptocurrency crashing?** **By Zoe Kleinman, Technology editor, BBC June, 14th**

The first rule of writing about Bitcoin is: don't write about Bitcoin.

The story of the world's best known cryptocurrency is astonishingly fast-moving and its fans will soon line up to tell you you've got it all wrong. But write about it we must, because the past 24 hours have been catastrophic for the grande dame of cryptocurrency, even by Bitcoin standards. I'm going to concentrate on Bitcoin here, but if you're a crypto follower, you'll know the whole market is troubled, to put it mildly.

As I write this, Bitcoin has fallen 25%, in the past five days alone. The charts are all red and they're going in one direction: downwards. Why?

Experts say this is because of the wider global climate. It's not just in the crypto world things are not looking good: recession looms, inflation is soaring, interest rates are rising and living costs are biting. Stock markets are wobbling too. As a result, even the big investors are less free with their money, and many ordinary investors, not rich hedge-fund owners or corporations but people like you and me, have less to invest in anything, full stop.

For many, an investment in something as volatile and unpredictable as cryptocurrency feels like a risk too great in these times. It's unregulated and unprotected by the financial authorities, so if you're using your savings to invest in it and it loses value, or you lose access to your crypto wallet, your money has gone. Last month saw two much lower-profile but nonetheless significant coins collapse, and this knocked a lot of confidence in the market overall. As a result, people are increasingly deciding to sell up, and the more people sell, the less Bitcoin is worth, because that's how it works, its value is pegged to its desirability. This has a knock-on effect of more people selling because they can see the value going down... and the cycle continues.

Unlike other more traditional assets, Bitcoin has no intrinsic value to underpin it, there's no bricks and mortar. FT markets editor Katie Martin says: "The price is only and purely whatever people are prepared to buy it from you for". "That's when it gets scary for people because, if enough people head for the exit, there's no floor." The past 24 hours saw these developments: Binance, the largest global crypto exchange (basically a platform for trading cryptocurrencies), paused all Bitcoin withdrawals for a few hours. It said this was due to a "stuck transaction", although, not everybody believed it. It caused panic. Spooked investors started selling off even more Bitcoin.

Imagine if you suddenly couldn't withdraw cash from your bank, or you heard other people couldn't. You'd be at the nearest cash machine, along with everybody else, in record time, and this in itself would create more upheaval and more panic.

Crypto fans, telling persuasive stories of those who have "got rich quick", will tell you now is a great time to buy, because it's cheap, and you just have to sit tight and watch it turn the corner. This is how it's always worked. "The pump will always happen." But investment advisers urge tremendous caution. You can lose all your money. Easy come, easy go.

Would you dare to invest in crypto?