



## Bitcoin Hype vs. Reality

*The Truth About Bitcoin and Its Future*

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### Abstract:

This whitepaper attempts to correct the widespread misunderstanding about Bitcoin and debunk the hyped cases by its promoters & detractors.

This post attempts to correct the widespread misunderstanding about **#Bitcoin** and debunk the hyped cases by its promoters & detractors.

A simple, honest, and accurate description of **#BTC** is much better than the current complex, hyped, and promotional narratives leading to misinformation. No wonder traditional investors do not understand **#BTC** and smart but less tech-informed old investors like **#CharlieMunger** hated it, and powerful global banks (**#JPMorgan**) fear it.

In simple and realistic terms (no hype):

***#BTC is an independent globally distributed technology bank allowing user accounts to store and transfer fiat currencies & #USD across borders.***

When you buy BTC, you are essentially investing in the shares (~ stocks) of a global network bank with better ledger (accounting) security, privacy, and account control by its users. Also, this bank has no account maintenance.

*Bitcoin is simply a new innovative startup global bank with a better business model and user trust than traditional banks.*

**Contrary to its name and to the popular opinion, Bitcoin is not a currency (coin) and is not a threat to fiat currencies, simply because it is not a stable store or value (highly volatile). However, it can act as a hedge against fiat currency devaluations (money printing) similar to any other tech stock, no more, no less.**

**Bitcoin is not "digital gold".** In the future, this could change if enough of the tech-oriented young generation adopts BTC as an alternative to gold, but as of today this is more of a hope than a reality. I remind you of the adage: *hope is not an investment strategy*.

On the other hand, **#Bitcoin** is a threat to traditional bank revenues. No wonder **#JamieDimon** and other banks strongly opposed it and informally lobbied against it, but cannot do much about it.

### **Valuation Advantage of #Bitcoin:**

At IIM think tank research, we found many flaws in academic teachings and Wall Street investment models that mislead investors rather than help them. The flaws explain why more than 90% of all hedge funds, CFAs and PhDs under-perform the market. After decades of investment research, we came to the conclusion that:

*The most fundamental valuation formula is Supply  $\geq$  Demand for the target investing time-frame. All other formulas are secondary.*

### **Supply:**

With hard-coded limited supply of shares (BTCs), **#Bitcoin** is the most shareholder friendly publicly-traded asset ever, even better than Gold in terms of supply and with more utility (easier to transfer). The positive long-term outlook for BTC target price is tied to more user adoptions and the institutional investors buying its shares. Unlike all other publicly-listed stocks, you are not at the mercy management mistakes, accounting fraud, unethical or incompetent board of directors allowing common executive enrichment schemes via outrageous shares-based compensation = shareholder dilution (~ legalized theft).

### **Demand:**

As with any new tech venture stock, the initial demand can (and is expected to) be highly speculative and volatile. However, the investment demand case for **#BTC** has increased dramatically after the legalization and adoption of bitcoin ETFs (easier access). So, the **#1** threat to BTC adoption is removed (legal ban). The future upside for user growth includes **#BTC** banking ecosystem applications such as international bank settlements, FX, loans, etc. After the BTC ETFs approval by US government and Wall Street promotion, **#BTC** has entered a Virtuous VC growth Cycle: Higher Demand = Higher Prices = More Users = New Financial Apps = More users = Higher BTC prices.

The supply & demand characteristics of this cycle makes **#BTC** a unique growth stock with no management risk and ecosystem of fintech innovations and marketing enabling global demand growth.

The detractors state that **#Bitcoin** is a highly volatile and speculative asset. The truth is all stock investments are speculative and volatile. Even those who claim that they invest only in stocks with

intrinsic value (generating cash flow or dividends), they use DCF formula that Forecast FUTURE cash flows for the next 10, 20 or 30 years. No one knows what happens in 10 to 30 years, so the DCF intrinsic value formula is inherently making a speculative bet. Some of the best stocks today such as AMZN, lost 90% of its value in the past and most stocks of largest cap companies with largest moats like MSFT & META, and others lost more than 50% of its value in the past. At IIM think tank research fund, we consider Bitcoin investment prior to the ETFs as a venture capital investment and after the launching of the ETFs as a young publicly traded tech stock with unique characteristics, valuation and trading model.

## Conclusion

In short, new fintech startups can be highly rewarding but also highly volatile and risky, especially in the early years, therefore it is wise to watch for threats from future competing fintech business models and technologies ETHER, and other projects. However, as of today, Bitcoin's Moat is strong and there is no better alternative than the independent BTC Globally Distributed Bank in its category. Also, the BTC & crypto community is working on developing even more use cases and Apps with promising features such as lightning network with faster and lower fees and more functionality (utility) e.g. smart contracts and cross-blockchain transfer.

As with all investments, #BTC's stock price will continue to see volatility risk, so invest and trade accordingly. Learn and understand the reward/risk ratio for each investing or trading period, right position sizing in your portfolio, user adoptions, sentiment drivers, as well as the entry and exit price points.

This is not an investment advice. This is an investment education post. Always do your own due diligence.

Sources:

1. Med Jones <https://www.medjones.com/investment>
2. International Institute of Management: <https://www.iim.education/think-tank/investment>