



Weekly Market Review

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The Week Ending December 8, 2017

Bitcoin had another wild week with prices beginning last week around \$11,000 and ending the week over \$17,000. That is a 55% return in just five days. However, the Bitcoin market never closes, and trading continued into the weekend when the price fell back to about \$13,000 early Sunday. That is a 24% decline in just two days. And finally, prices rallied Sunday into Monday by over 25% to levels around \$16,500 in a little over 24 hours. This puts Bitcoin up over 1500% YTD. If you've been following Bitcoin, you know this volatility is not at all uncommon.



On Sunday at 6:00 p.m. EST, Bitcoin futures began trading on the Chicago Board Options Exchange (CBOE). This is a huge milestone for the cryptocurrency for many reasons. First, this allows institutional money to gain exposure to Bitcoin in contracts that settle in USD. This eliminates the issues of safekeeping, reporting, regulatory confusion, etc., for large investors. Second, you can now short Bitcoin for the first time. Before futures existed, you couldn't sell Bitcoin without owning it first. Now, you can bet against the price via the short side of a futures contract. In theory, this should lead to less volatility over time. Third, and perhaps the most important, is the existence of derivative markets adds to the creditability and legitimacy of Bitcoin. Right now, many still share Jamie Dimon's uninformed opinion that Bitcoin is a "fraud" and only for people "stupid enough to buy it," or only for "drug dealers and murderers."

CBOE won the race to be the first to launch a Bitcoin futures contract, but the Chicago Mercantile Exchange (CME), another large derivative exchange, will launch its own Bitcoin futures contract on December 17th. Both companies are also talking about launching ETFs as well in the future. Nobody knows where Bitcoin's price is going. I've seen guesses that range from \$0 to over \$1 million per Bitcoin. There are so many uncertainties that it is impossible to know the "value" at this point. But, there is certainly a growing interest to understand what Bitcoin and cryptocurrencies are and what role they may have in our lives.



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