

Bitcoin goldrush sparks fears of speculative bubble

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Bitcoin has vaulted in value, with one now worth five times the amount one year ago

Bitcoin has enjoyed a record-breaking week after electric carmaker Tesla and Wall Street finance giants sparked a goldrush for the world's most popular virtual currency, but bubble fears persist.

Investors and mega-corporations alike have been wooed by dizzying growth and the opportunity for profit and asset diversification.

The unit blasted past \$50,000 on Tuesday following a week in which Tesla invested \$1.5 billion in [bitcoin](#) and vowed customers could use it to buy vehicles and both New York bank BNY Mellon and [credit card](#) titan MasterCard announced plans to support bitcoin.

The cryptocurrency then vaulted higher, topping \$52,000 on Wednesday after [investment fund](#) giant BlackRock also confirmed a push into the booming sector.

Yet this week's astonishing ascendancy of bitcoin has sparked renewed fears of a big bubble which the market had last experienced four years ago.

'Riding the crypto wave'

US software firm MicroStrategy meanwhile announced plans on Wednesday to sell convertible bonds in order to buy more bitcoin, raising eyebrows in some quarters.

"Suddenly it feels like 2017 again when everyone wanted (to) ... ride the crypto wave," warned OANDA analyst Craig Erlam.

"If companies' fundamentals are going to become closely tied to movements in bitcoin because they have suddenly become speculators on the side, we are going to be in bubble territory before you know it."

The unit had previously hit the headlines in 2017 after soaring from less than \$1,000 in January to almost \$20,000 in December of the same year.

The virtual bubble then burst with bitcoin's value then fluctuating wildly

before sinking below \$5,000 by October 2018.

Bitcoin tops 52,000 dollars



Bitcoin's rise has been vertiginous

"Bitcoin is an asset that is incredibly volatile and is very risky," said professor Matthieu Bouvard at the Toulouse School of Economics.

"At the same time, we have been saying for ten years that bitcoin will

collapse—but it's still there," he told AFP, adding that the unit's volatility would decline as its popularity broadens.

One bitcoin is currently worth five times more than a year earlier, while the combined value of all units in global circulation is almost \$1.0 trillion.

'Digital gold'?

Industry professionals maintain however that bitcoin is a new and groundbreaking financial unit of the future.

Eric Demuth, chief executive of cryptocurrency broker Bitpanda, describes bitcoin as the "new digital gold" that is prized by investors who seek to diversify assets and guard against inflation.

"Bitcoin will soon be added to the balance sheet of central banks," Demuth told AFP.

A number of central banks have indeed announced plans for bank-backed digital units, but are highly sceptical over bitcoin because of its shadowy nature—and the fact that it remains unregulated.

European Central Bank President Christine Lagarde declared this month that bitcoin was "not a currency" and was a "highly speculative" asset requiring global regulation.

At the same time, Europe represents just ten percent of bitcoin purchases from investment funds, according to cryptocurrency data provider ByteTree.

US companies have meanwhile been quicker than their European counterparts to embrace the unit.

"The difference between the US and Europe in that regard is the same with pretty much any kind of adapting to new technology. It always takes just a bit longer. In the US, they started two years ago," noted Demuth.

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