Bitcoin tumble slows with help from Elon Musk

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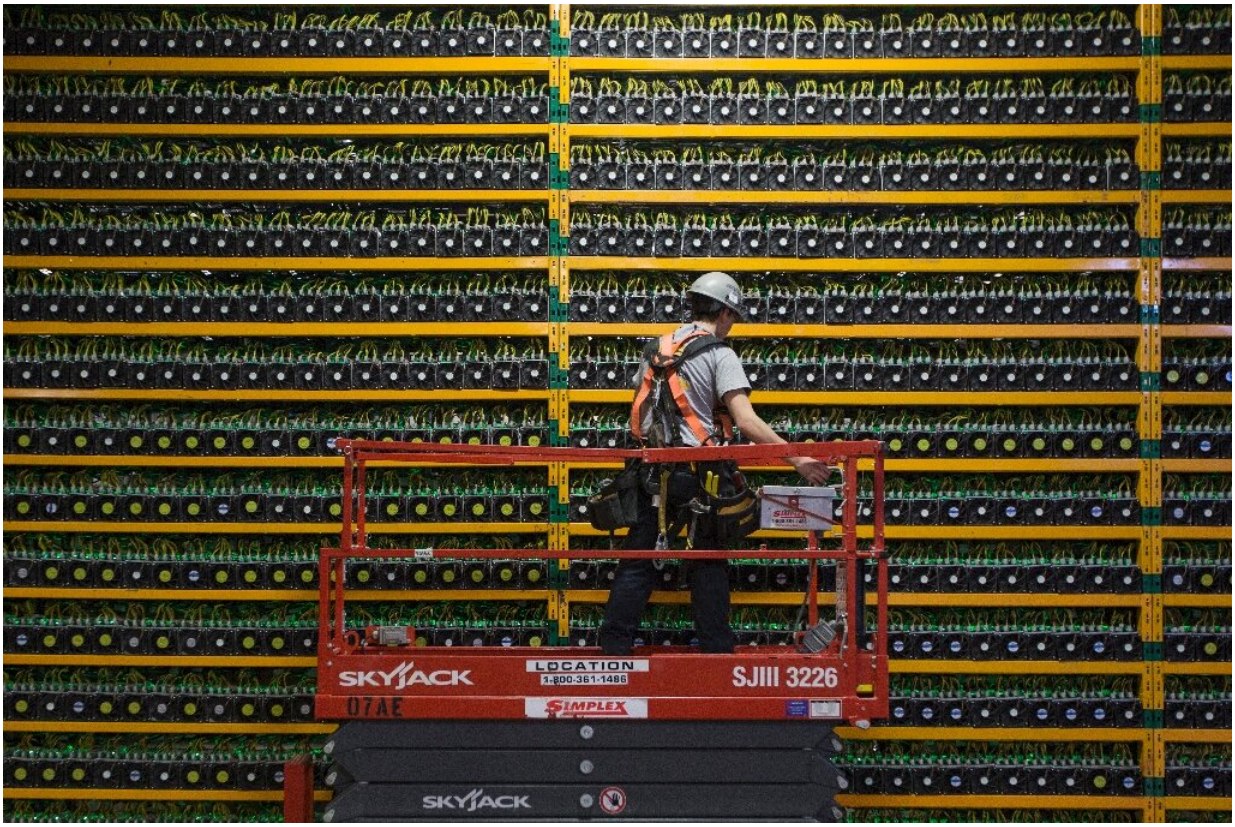

Concerns over the environmental impact of bitcoin mining prompted carmaker Telsa to stop using it in transactions.

Bitcoin's value plunged on Wednesday after China signaled a new crackdown on the cryptocurrency, but its losses were cushioned after

Tesla head Elon Musk spoke up on Twitter.

The virtual currency fell to almost $30,000—less than half the record value it reached last month—before climbing back over $39,500 around 2000 GMT. It was still above its level at the start of the year.

Bitcoin recovered somewhat following tweets from Musk that featured a diamond and hands emoji, taken as a signal the company had not sold off its huge bitcoin holdings as the CEO appeared to suggest recently.

At its daily low on Wednesday, the unit lost nearly a third of its value compared to the start of the week and more than half compared to its record, reached just a month ago, on April 14, at $64,869.78.

Making matters worse, Chinese authorities on Wednesday said cryptocurrencies would not be allowed in transactions and warned investors against speculative trading in them, despite the country powering most of the world's mining.

Trading in cryptocurrencies has been banned in China since 2019 to prevent money laundering, as leaders try to stop people from shifting cash overseas. The country had been home to around 90 percent of the global trade in the sector.

In a statement, three state-backed industry associations said "cryptocurrency prices have skyrocketed and plummeted, and cryptocurrency trading speculation activities have rebounded."

The price fluctuations "seriously violate people's asset safety and disrupt normal economic and financial order," said the statement posted to social media by the People's Bank of China.

The notice warned consumers against wild speculation, adding that the

"losses caused by investment transactions are borne by the consumers themselves," since Chinese law offers no protection to them.

It reiterated that providing cryptocurrency services to customers and crypto-based financial products was illegal for Chinese financial institutions and payment providers.

"This is the latest chapter of China tightening the noose around crypto," said Antoni Trenchev, managing partner and co-founder of London-based crypto lender Nexo.

Linghao Bao, analyst at Trivium China, said that despite the ban, Chinese investors could still find ways to buy cryptocurrencies through illegal vendors.

"There will always be a way to circumvent regulations," he said. "The point of this order is to tell financial institutions to up their game to detect these crypto-related transactions."

Bitcoin had a roller-coaster day on Wednesday, falling from $45,600 to under $40,000, then climbing back before dropping to $30,017 and up again.

"This looks like your typical flash crash, but there seems to be some hesitancy in getting back in," said Edward Moya, senior market analyst at OANDA.

'Here to stay'

Adam Reynolds, of Saxo Markets, added that avoiding use of cryptocurrency, which can be transferred out of the country, is "essential to maintaining capital controls" in China.

Bitcoin has had a torrid few days, in good part because of Musk and Tesla.

Last week Tesla hit the brakes on letting people pay for its electric cars with bitcoin, citing concerns about the harmful effects that mining cryptocurrencies has on the environment.

Then Musk appeared to suggest Tesla was planning to sell its huge holdings of the unit, before clarifying that the company had not sold any bitcoin.

"Elon Musk started the ball rolling," Germany-based crypto analyst Timo Emden told AFP. "It will take some time for them to recover from this shock."

Mining cryptocurrency is a hugely energy-intensive process requiring large amounts of electricity in giant data centers.

China, which powers nearly 80 percent of the global cryptocurrency trade, relies on a particularly polluting type of coal, lignite, to power some of its mining.

"If bitcoin was a country, it would use around the same amount of electricity a year to mine as Switzerland does in total," Deutsche Bank analysts said in a note.

Some Chinese enthusiasts, however, remained unfazed.

"This has happened before and it happens every year...," said trader and ex-tech industry worker Zeng Jiajun. "Crypto is here to stay."

China is in the midst of a wide-ranging regulatory crackdown on its fintech sector. Its biggest players—including Alibaba and

Tencent—have been hit with big fines after being found guilty of monopolistic practices.

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