

Crypto Signal Crypto Noise

By: Dr. Richard Smith, PhD

The excitement of the cryptocurrencies is the top story almost daily in the financial media. They're here to stay. But how should they be viewed from an investment perspective?

For the past few months I've been doing a deep dive on the potential of crypto currencies and blockchain. Every day that I dig deeper is another day that I am awestruck with the significance of what is unfolding before our eyes.

This new technology is very likely as significant as the Internet itself ... maybe even more significant.

It's hard to believe that we are witnessing a second major technological revolution just 20 years after everyone finally started to grasp the significance of the original Internet revolution.

The potential for wealth creation ... and wealth destruction ... in blockchain and cryptos is truly incomprehensible. No one knows exactly where this train is going to take us.

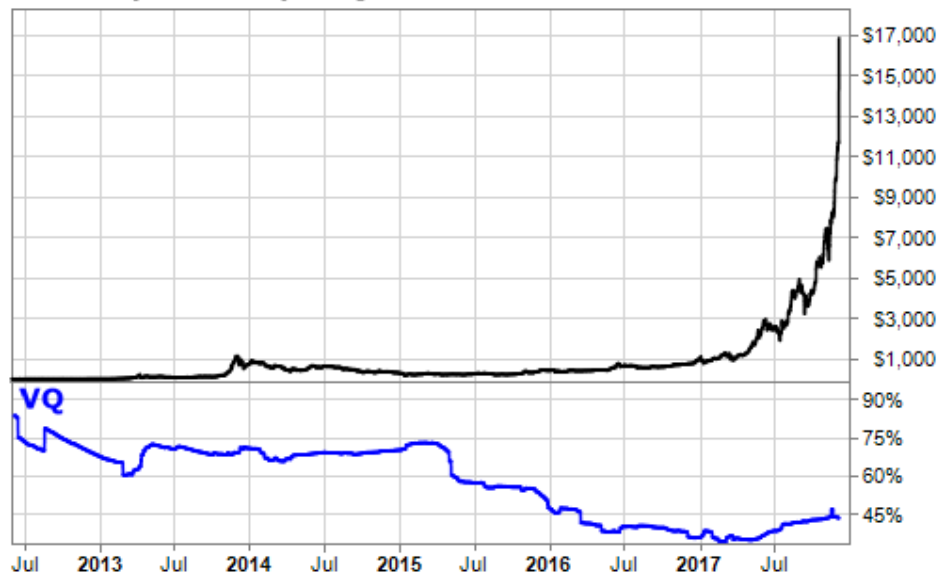
That's why it is more important than ever to be able to separate the true signal from the noise and to do so year after year for probably the next 10 years or more.

Analysts have predicted that Bitcoin (BTC) can go to \$40,000 by the end of 2018, and that it could ultimately go as high as \$1 million or more. These BTC bulls tell us that when it comes to investing in the cryptocurrencies, "this time is different."

Those who understand the history of investing know that this time *won't* be different. There will be winners and losers. It's possible that BTC, with its relative longevity, will end up being one of the winners. It's also possible that it won't.

We do know that BTC is very volatile. This past friday , I showed you this chart of Bitcoin and how the VQ has dropped from almost 90% five years ago to 46% today. That's still considered to be high-risk, but the VQ is dropping and that's a positive sign.

Bitcoin (BTC/USD) - VQ = 46.3%



Speaking of volatility, here's another interesting chart that shows extreme volatility over an 18-month timeframe. The price went from almost \$22 in January, down to under \$6 just 8 months later, and then back up to \$20 the following May. The Volatility Quotient (VQ) was almost 90% as it moved lower and then, as it was moving back up, the VQ dropped to only 75%.



While this looks as if this could be an early chart of BTC, it's not.

This is a chart of Amazon (AMZN) from almost 17 years ago. Before AMZN became the dominant force it is today, it was a highly volatile stock 17 years ago. From that \$6 low, it has risen to \$1150. And today, it has a VQ of under 20%.

Amazon.com, Inc. (AMZN) - VQ = 19.6%



Is BTC likely to be the Amazon of the crypto-blockchain revolution? I don't think that anyone knows the answer to that question yet. It's certainly a strong candidate though.

Other winners so far in the crypto space include Litecoin (LTC) and Ethereum (ETH).

LTC triggered a TradeStops Stock State Indicator (SSI) Entry signal in late 2015 and has rocketed from under \$5 to almost \$150. Its VQ is above 60%.

Litecoin (LTC/USD) - VQ = 60.6%



ETH entered the SSI Green Zone in late March and has shot higher along with BTC and LTC. Its VQ is almost 90% which is twice the volatility of BTC.

Ethereum (ETH/USD) - VQ = 82.3%



At the end of November, there were more than 1300 cryptocurrencies in existence with more being created weekly. The vast majority will probably not survive or, at best, will barely hang on.

We're working hard to make sure we'll be able to separate the crypto signal from the crypto noise,

Richard

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