

ASK THE ADVISERS

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Is Bitcoin Entering its Next Rally Phase?

Anyone who has invested in Bitcoin or other cryptocurrencies probably noticed the rapid price increase in March of 2021, from under \$5,000 per coin to more than \$65,000 in November 2022. However, since that time bitcoin has fallen back to about \$16,000 per coin.

There are many, including Warren Buffett, who think cryptocurrency should essentially be worthless because it has no intrinsic value. However, major institutions like Goldman Sachs and Fidelity have digital asset departments. For those who have watched their crypto shoot up and then plummet consider this: unlike precious metals like gold and silver, which are constantly being mined, Bitcoin has a relatively modest finite supply.

The Bitcoin code states that a total of 21 million coins is the maximum amount of Bitcoin that can ever be created. Today 6.25 coins are created every 10 minutes. Every four years the "block reward" is cut in half. This is known as "halving." Every time there is another halving event, bitcoin scarcity increases.

This process repeats until the year 2140 when the limit will be reached. Each time there has been a halving event, bitcoin experienced a major increase in price. The next time there will be another "halving" further increasing scarcity will occur on March 24, 2024.

In theory, if the supply of new coins is cut in half, this should force the price to rise as has happened previously. Historically, the price has begun to rise from its low about 477 days before halving and continued its ascent until the actual event and then exploding after the event. Previously, the price peaked 480 days after the halving event.

If history were to repeat itself, the price of bitcoin would have hit a low on November 30, 2022, and then the price would appreciate to about \$36,000 just before halving and then peak at \$149,000 in the summer of 2025. For those who are holding Bitcoin, hopefully history will indeed repeat itself.

Sources: Yahoo Finance and
Magnum Crypto Fund

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