



THE PARLIAMENT STREET THINK TANK

THE GREAT CRYPTOCURRENCY REPORT

MARCH 2021 // PREPARED PARLIAMENT STREET

THE NEW GOLD?

Just over a year ago, cryptocurrency was perceived by many to be little more an overtly volatile bubble, receiving little interest from institutional investors. Today, and as a direct of a confluence of factors, cryptocurrency, and particularly Bitcoin, has exploded into mainstream acceptance.

Dozens of digital currencies are currently in the midst of an extraordinary market bull run, which has seen Bitcoin surge over 700% of its bottom valuation in 2020. This is due in large part due to the advent of the Covid-19 pandemic, which soon led to the debasement of traditional fiat systems of currency. Bitcoin provided institutional investors with a hedge against the rapid devaluation of fiat currencies, bonds and traditional assets, and soon, massive institutional players including JPMorgan Chase and Deutsche Bank began making huge investments into cryptocurrency.

Aiding its meteoric rise to mainstream acceptance within society, has been social media and the cult of celebrity. Perhaps the most prolific public endorsement was from Elon Musk, who announced that Tesla had spent \$1.5bn on Bitcoin in January, causing the currency to surge 17% in value.

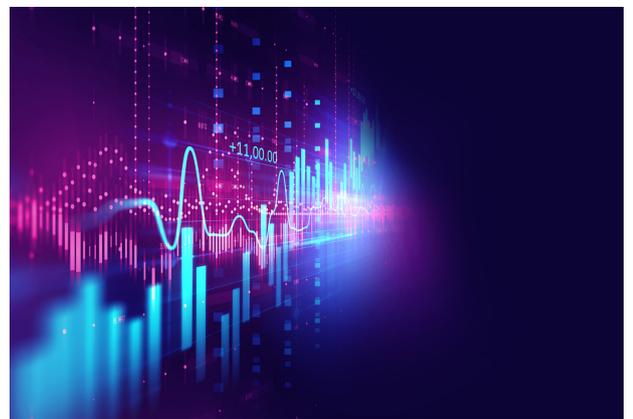


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Tesla already revealed future plans to accept Bitcoin payments for its services, and they are not the first tech giant to do so: Microsoft, Mastercard and Wikipedia all accept Bitcoin as payment for its services, and rumours of Apple's introduction to the cryptocurrency space are gaining increasing momentum as we progress further into this astonishing cryptocurrency market bull run.

Interest in cryptocurrency snowballed exponentially as Bitcoin continued to break new boundaries – beating its previous all time high valuation from 2017, then doubling it, and now nearly tripling it. Soon, swathes of retail investors were turning their attention to Bitcoin in a similar fashion to how they were in the previous market bull run of 2017.

Interestingly, however, this bull run is much different, and much more stable than the previous one. This time around institutional investors are predominantly driving the price up, as opposed to retail investors. What's more, three years ago Bitcoin was regularly being used for trading or as a way to move capital into other crypto assets, or 'alt-coins', creating a bubble. Today, Bitcoin is being accumulated and held for the long term, making it no longer a speculative collectible or 'gamble', instead it's becoming a true alternative to 'gold' that institutions and consumers are accumulating to protect and grow their wealth over time.



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OUR RESEARCH

As part of our research into the growing interest in cryptocurrency, Parliament Street commissioned independent polling company Censuswide to survey 2,000 UK savers about their confidence in crypto and general investment plans for 2021.

Our research found that nearly one-third (30 per cent) of investors will not invest in cryptocurrency because they feel they have 'missed the boat'.

Despite this, 31 per cent of investors admitted that they expect the price of Bitcoin to hit a £50,000 valuation this year – which would be an increase of nearly 40 per cent compared to what it is now (approximately £35,000 at the time of writing). One in five (18 per cent) even agreed that they expect the price of Bitcoin to hit a £100,000 valuation this year.

Interestingly, one quarter (25 per cent) of all investors surveyed, revealed that they would have made over £1 million profit, had they moved all of their assets into Bitcoin at the start of 2020.

Additionally, according to the data, 37 per cent of investors feel that 'traditional' assets, such as stocks and shares, are too risky to invest in right now due to the economic downturn caused by Covid-19 – a travesty which has only benefitted cryptocurrency due to its disassociation with fiat systems of currency.



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As a result, cryptocurrency, and especially Bitcoin, has become an increasingly legitimate option as an investment asset, with 29 per cent revealing that they would never have considered investing in cryptocurrency before the most recent bitcoin bull run, but they are now.

Bitcoin has also been buoyed by other external events, such as Elon Musk and Tesla's endorsement of the digital currency – which saw its value surge. 24 per cent of respondents to ITI Capital's survey also revealed that the Elon Musk endorsement has given them more confidence to invest in cryptocurrency.

However, not all consumers are convinced by the recent Bitcoin bull run – a significant 55 per cent of respondents revealed that they have no plans at all to invest in cryptocurrency this year. Additionally, 52 per cent admitted that they are still more likely to invest money into traditional assets such as gold, stocks or shares, than into cryptocurrency.



Fresh
CONFIDENCE

+8.0



EXPERT VIEW

Crypto investment expert Stephen Kelso, Head of Capital Markets at ITI Capital says: “Many traditional investors are still cautious of cryptocurrency’s volatility, and have been cautious about adding it to their investment portfolios. The nomenclature ‘crypto currency’ has deterred many who have perceived it to be anti-establishment rather than how ITI considers it – as the increasingly relevant store of value against the rapidly accelerating debasement of fiat currencies’. Gold became accessible to institutional investors via futures in 1976 and directly accessible to retail investors in 2003 with the first ETF. These are relatively short time-frames and Bitcoin is simply an evolution of the market’s toolbox to access a Scarcity Asset and protect portfolios. Bitcoin is the world’s first investment megatrend where retail investors have led institutional adoption and equity markets have taught institutions over the last year that they can no longer ignore the influence of retail platforms.

“This Digital Asset market ‘bull run’ is different from the previous crypto peak back in Dec 2017 because its price has this time been driven by a confluence of factors, including the rate of change of central bank balance-sheet expansions and improved information and understanding of macro conditions and how market forces are changing after a 37 year bull-market in bonds. The biggest change however is that now institutional investors, gatekeepers and corporate CFOs now need to be able to point to the most fiduciary-responsible way to access Bitcoin. ITI provides block-trading access to institutional investors via BTCE, the world’s first centrally-cleared exchange traded product on Bitcoin.

“Bitcoin’s decentralised structure makes it more readily accessible investors without dependence on intermediary administrators and custodians. This is an attractive proposition to billions of investors around the world who do not benefit from the same confidence in the structure of financial markets as we can assume in the UK. ITI observes that these dynamics are an extension of the Emerging Markets investment phenomenon that has driven markets since EM GDP surpassed that of developed markets in 2007. This is why ITI expects interest in digital currencies to continue its upward trajectory as more investors look to diversify their portfolios.”



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