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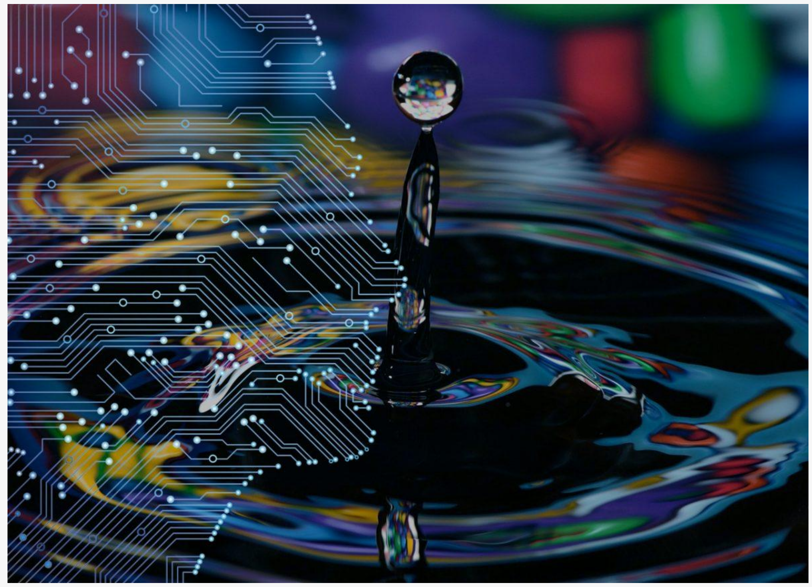
Why Did The Crypto Market Dip This Week? An Inside Look.

In this article, I outline why the current dip presents a great opportunity to average your portfolio positions by incrementally buying as prices decrease.

WEST PALM BEACH, FL, UNITED STATES, January 19, 2018 /EINPresswire.com/ -- These are dark days in the world of cryptocurrency or so it seems. Ripple lost $32,000,000,000 off its market cap and Bitcoin plunging below $10,000. To new investors, the crypto bubble has seemingly burst but there's more than meets the eye. The current market selloff is driven partially by real events and largely by rumors and fear-mongering. The reality is, downswings are part of a healthy market and a great opportunity for your own long-term investments.

There's a lot to unpack here, so let's start with all the doomsday news coming out of Asia. The Far East has long been a crypto hub. China's cheap electricity prompted some of the world's largest mining pools. Singapore is a tech and finance hub, home to many crypto startups. South Korea has some of the busiest cryptocurrency exchanges in the world. The China and South Korea governments have driven the crypto news lately.

In 2017, China closed down Bitcoin exchanges. Now, there are rumors Bitcoin will be banned altogether. This could mean the shutting down of some of the largest mining pools in the world, with uncertain ramifications. South Korea already banned ICOs last year and rumors are swirling that it too will be banishing cryptocurrency. That being said, South Korea loves crypto so much that coin prices on Korean exchanges frequently averaged 10-20% higher than anywhere else in the world. This made it tough to exchange and distorted global averages. Based on their status, CoinMarketCap removed South Korean exchanges from their weighted global average prices. Overnight, dozens of cryptocurrencies appeared to be plunging. The reality is, investors were finally seeing true market prices.



It all adds up to a lot of FUD: an investor abbreviation for “Fear, Uncertainty, and Doubt.” It’s tough to watch the big name cryptos like Bitcoin, Ethereum, and Ripple greatly dip. I’ll explain why this is a good thing, not just for these coins but for you to make some money.

Let’s start with China which has a long history of banning anything that might affect the Yuan. A decentralized electronic cryptocurrency that circumvents any government or institution isn’t exactly on their wish list. Others have pointed out the massive amounts of electricity Bitcoin mining is consuming. Bitcoin mining worldwide is estimated to use around 4 gigawatts of electricity. That’s equivalent to what three nuclear reactors produce. It would be even more expensive if mining pools had to relocate somewhere without cheap energy. China’s frequent and heavy-handed regulation of cryptocurrency doesn’t make it the ideal home for mining pools anyway. In the long run, a more even geographic distribution of mining would ensure that one mining group will not become too influential which defeats the purpose of decentralization.

South Korea is another situation that looks worse than it is. The government has gone back and forth on cryptocurrency, banning ICOs last year. However, given the proliferation of sketchy ICOs, you can hardly blame them. Cryptocurrency is wildly popular in South Korea. It’s tough to see the government banning it entirely. Even if they did, cryptocurrencies by definition bypass government regulation and are almost impossible to regulate in practical terms.

CoinMarketCap’s call to pull Korean exchange data was part of their forward thinking however; a warning to its users would have been a good idea. Cryptocurrency is a long way from seeing daily P2P and B2B usage. It surely won’t get there if different exchanges are listing significantly different prices, cryptocurrencies fluctuate up and down enough already. If an accurate weighted average price can’t be determined, they’re almost useless. This move yanked the rug out from under a lot of new investors but in the long run it’s smart.

One of the coins that took a ding from CoinMarketCap’s audible was Ripple. Closing out 2017 and starting 2018 as a big winner, Ripple’s bank-to-bank payment system was the driving force behind the coin’s staggering 4000% increase to end 2017. A lot of new investors have plunked down cash into Ripple lately. The coin has seen extensive press in media and CNBC ran a segment explaining how to buy Ripple.

A lot of new Ripple holders are regretting their buy but they shouldn’t. This could be a phenomenal buying opportunity for people who missed the first round. A core investment strategy of many successful crypto traders is buying coins on the dip and holding long term. There’s no need to try and trade when you can just hold steady and profit more with less effort. Investors who bought into Ripple because they liked the technology and the team shouldn’t like them any less because the entire market is doing poorly. That has nothing to do with Ripple.

There’s a lot to like about Ripple. Ripple was built from the ground-up to facilitate bank-to-bank transfers. Previously, Japanese banks and Mexican pension funds had trouble transferring funds. Bank to bank transactions take time and money. Per the Ripple whitepaper, the current financial system takes 3-5 days to settle a payment on average, with 1.6 trillion annual costs and a 4% failure rate. Imagine all that, gone. That’s the potential of Ripple.

MoneyGram recently announced its experiment with Ripple, the latest in a long line of companies to test the technology. Ripple’s ledger can handle 1500 transactions per second, 24 hours a day, 7 days a week, 365 days a year. That’s on par with the major volume companies like Visa. A lot of cryptocurrencies were created with an unclear purpose or are overly ambitious. Ripple is simply a technologically-advanced solution to a real and persistent problem.

If you believed in Ripple or your other crypto coins before the big dip, you should still believe in it now. Cryptocurrencies enjoyed an unprecedented banner year in 2017. It was inevitable there would be a correction. There’s no way to tell if the bottom is today, tomorrow, or in 2020 but cryptocurrencies aren’t going away. The long-term benefits of decentralized projects and blockchains have the ability to add massive amounts of positive value to the lives of people worldwide.

Yes, it’s not fun losing money. Nobody enjoys watching their beloved coins dip but a pullback is part of a healthy market. Maybe even seize the opportunity to buy in the dip. Keep calm and think long-term.

Engr. AJ Jama, MBA
PermuTrade LLC
+1-561-228-4111
email us here
