

Bitcoin price forecast to drop below USD 1,800 by December 2018, dragging total cryptocurrency market capitalisation down by ~70% to USD 220bn

Quinlan & Associates sees Bitcoin bubble bursting in 2018 as it struggles to become a mainstream payment system, while utility cryptocurrencies gain traction

Hong Kong, 11 January 2018 – Quinlan & Associates, an independent strategy consultancy specialising in the financial services industry, has released a landmark 156-page report looking at the global cryptocurrency industry.

The report, titled ‘Fool’s Gold? Unearthing The World of Cryptocurrency,’ takes an in-depth look at the fundamental functions of cryptocurrencies and their surrounding ecosystem, powered by blockchain technology. It also seeks to demystify the ongoing debate in financial markets (and the wider economy) around the true value of Bitcoin (BTC) and its future outlook using detailed valuation models, supported by industry interviews and survey responses from over 1,500 individuals working predominantly in financial services, FinTech, consulting, and technology.

‘Despite fulfilling most of the characteristics of a traditional fiat currency, cryptocurrencies are largely being utilised as speculative investment assets, leading to considerable volatility in their value. This lack of stability, together with soaring valuations, means they are rarely used for payments,’ said Benjamin Quinlan, CEO & Managing Partner and lead author of the report. ‘In the earlier part of 2017, many of the gains in BTC could be tied to ongoing discourse around its potential regulatory legitimacy. Since then, however, its popularity – and infamy – has appeared to fuel a widespread “fear of missing out” (FOMO), characteristic of most bubbles. Consensus regarding its future value also remains virtually non-existent, with valuations ranging from USD 0 to as high as USD 1,000,000.’

‘Using two key approaches to value BTC as both an asset and a currency, we determined the underlying value of BTC to be USD 687 and USD 1,780 respectively, deviating significantly from where it is currently trading,’ added Hugo Cheng, co-author of the report. ‘We are even less optimistic around BTC’s long-term value as we see it ultimately being ruled out as a mainstream form of payment. We believe this will exert greater downward pressure on its price and forecast it to trade at ~USD 810 by 2020, if not lower.’

However, the report argues the outlook for the broader cryptocurrency industry as being much more sanguine. ‘While cryptocurrencies designed to replace fiat currencies, such as BTC, are unlikely to act as viable substitutes to the money or currency system we have in place today, cryptocurrencies with associated utility applications (such as Ethereum’s ETH), as well as fiat cryptocurrencies attached to a sovereign nation, are likely to grow in significance, given their ability to provide meaningful enhancements to current payment systems, as well as their wider applications (e.g. smart contracts),’ continued Mr. Quinlan.

‘Although a sharp decline in the price of BTC in 2018 is likely to take the value of other non-utility cryptocurrencies with it, we see the correlation with utility cryptocurrencies being much less pronounced. While we anticipate valuations to decline in the short-term in response to the widespread unwinding of the digital currency space, the price of utility cryptocurrencies is likely to recover and dominate the market in the long-term. We forecast total market capitalisation of private cryptocurrencies to be USD 407 billion by 2020. We also see fiat cryptocurrencies gaining momentum as governments accelerate their research and piloting efforts, with potential to be a USD 150 billion market by 2020,’ said Mr Quinlan.

The report concludes by arguing that while BTC can largely be viewed as fool’s gold at present, digital currencies will continue to unearth major enhancements to the global payments system in years to come.

About Quinlan & Associates

Quinlan & Associates is an independent strategy consulting firm specialising in the financial services industry. The Company is the first firm to offer end-to-end strategy consulting services. From strategy formulation to execution, to ongoing reporting and communications, Quinlan & Associates translates cutting-edge advice into commercially executable solutions. With a team of top-tier financial services and strategy consulting professionals, and a global network of alliance partners, Quinlan & Associates provides its clients with the most up-to-date industry insights from around the world, positioning the Company as a leader in this field.

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