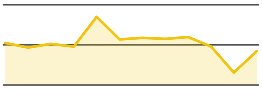

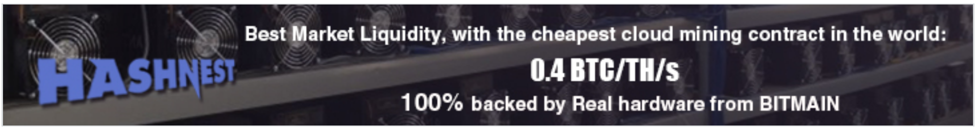

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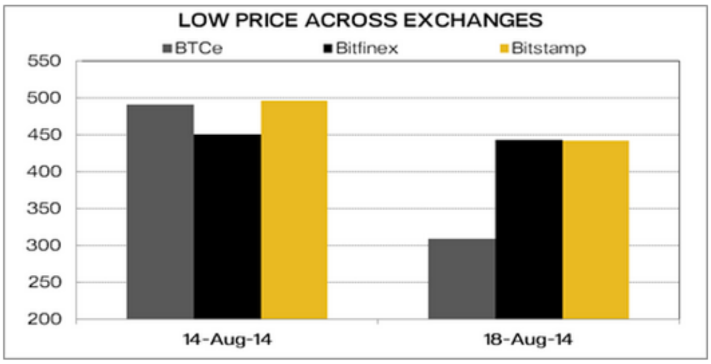
Why Margin Trading Became the Scapegoat for Bitcoin's Price Decline

Pete Rizzo (@pete_rizzo_) | Published on August 20, 2014 at 18:30 BST

The price of bitcoin has been the focus of increasing debate over the past week, as, in the wake of its roughly $100 fall, the wider digital currency community has sought to find an answer for what could have caused such a sudden and unexpected movement in the market.

Adding to concerns were the two 'flash crashes' that reverberated widely in the mainstream press, one observed on Hong Kong-based bitcoin exchange Bitfinex and the other more recently on BTC-e – both of which have been widely attributed to the effects of the exchanges' margin trading services on their respective markets.



However, members of bitcoin's margin trading ecosystem allege that, in its search for answer as to what caused the crashes, the community has unfairly labeled them a scapegoat. This segment

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of the market, including the businesses that offer the service and their consumers, have been blamed unfairly as the impetus for the price decline, they say.

Speaking to CoinDesk, established margin trading service providers such as Bitfinex and OKCoin voiced their concerns about how last week's events have been interpreted.

Offering a contrasting opinion, they argue that a stable bitcoin market requires the development of more advanced trading tools, including those just being introduced to the bitcoin market such as futures, derivatives and margin trading. Furthermore, they say that implications that margin trading has an outsized influence on the price of bitcoin are unfounded, and that they fail to characterize properly how their margin trading offerings impact their exchange services.

'A thousand things'

Bitcoin Solutions president Adam O'Brien, whose Canada-based, still-in-beta brokerage service offers traders the ability to borrow 8x leverage, was sympathetic to the concerns of the bitcoin community. He questioned, however, that any one factor could be labelled as the driving force behind the price decline, saying:

> *"I see where people are coming from with these flash crashes, but there's a thousand things that could cause a flash crash, just like there are a thousand things that could cause the price to increase rapidly."*

Zane Tackett, manager of foreign operations for OKCoin, which offers its international margin traders up to 3x leverage through peer-to-peer borrowing, acknowledged the influence of margin trading on last week's decline. Yet, he cautioned that even without this activity in the market, the price would likely have reacted in a similar manner, telling CoinDesk:

> *"Downward pressure is going to bring the market down whether there is margin trading or not. So, margin trading might have made it happen quicker, but even without it I don't doubt that we would be in the same situation as we are in today."*

OKCoin is one of three major bitcoin exchanges that offer margin trading, including BTC-e and Bitfinex. Other notable providers include BTC.sx, CampBX and BitMEX.

Educational offensive

Bitfinex has since become the exchange most commonly associated with margin trading due to the fact that prices in its order books declined precipitously last week, falling from roughly $550 down to $451 on 14th August in the first of the market's two flash crashes.

As evidence of this link, Josh Rossi, vice president of business development at Bitfinex, took to Reddit on 15th August as part of an effort to better explain the volatility observed on the exchange and educate those he acknowledged may feel apprehensive about margin trading.

The 'Ask Me Anything' (AMA) session found Bitfinex seeking to highlight how it ensures a fair market on its exchange, while seeking to quell concerns about margin trading activity, which Rossi described as "baseless claims". Rossi went on to explain that Bitfinex does not believe margin calls, stop orders or any type of leverage contributed to the flash crash on its order books, saying:

> *"We had approximately 650 BTC sold as the result of margin calls, out of a total amount of sales during this time of around 9,000 BTC. That is roughly 7%. Hardly, the cause of the drop in price."*

Rather, he suggested that a small number of very large orders hit Bitfinex on the morning of the price crash, and that they were flagged as potentially manipulative. As result, the exchange says the actions of the exchange actually prevented a larger crash than the one observed.


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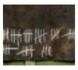
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t's a decentralized digital currency

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From an exchange or an individual

Bitfinex told CoinDesk:

> *"The drastic and sudden sale of a large number of coins, which would do the same thing to any exchange's order book, was the main influence on people's actions."*

The traditionally secretive BTC-e has not issued any statements regarding its own flash crash, and did not respond to requests for comment.

Fire in the movie theater

Bitfinex also provided detail in its AMA regarding how it uses "speed bumps" that slow down and flag large orders that could create undue "slippage" in the market, whereby the size of the buy or sell order causes the price to move (up or down) as it is being filled.

While not common for small bitcoin orders, slippage has long been a side effect for extremely large orders. As Binary Financial's Harry Yeh explained at the time of the Silk Road auction, the 30,000 BTC sale was attractive to investors because if they had sought to purchase $18m in bitcoin on an exchange, the very act of executing the order would drive the price up roughly $50 per coin as it was being filled.

Raffael Danielli, who has chronicled the recent tribulations in the bitcoin market on his Matlab Trading blog, has been critical of Bitfinex and its use of speed bumps, arguing that it should not be up to the exchange to determine the intentions of traders.

Bitfinex, in turn, said its speed bumps are an attempt to protect users, and it dismisses accusations that it may be trying to manipulate the price of bitcoin through these efforts.

The reason for this safeguard, said the exchange, is that it believes traders who are not seeking to in some way manipulate the market would not desire to execute a large order that creates slippage. Sellers, it maintains, have a vested interest in selling each of their bitcoins for the best price possible.

As such, Bitfinex said that any trader would want to avoid incurring a loss on a large sale, explaining to CoinDesk:

> *'When a trader is sending an order, and it seems to be against their own interest, or in other words, they are either making a mistake or are not trading with the incentives of an honest participant in the market, the trading engine flags the specific orders that seem to be possibly manipulative in order to result in a better execution for the trader, as well as allowing the market time to catch up and smoothing out the sudden shocks to the system."*

Bitfinex argues that the only reason for a trader to commit such an action would be with the intent of triggering a panic or forcing margin calls, thereby taking advantage of the market's reaction to their activity.

The exchange added: "This is the equivalent of yelling 'fire' in a movie theater, but worse in that you are selling oxygen masks."

Competitive interests invoked

While Bitfinex did elaborate on how its internal margin trading systems work generally, it declined to speak further in both its AMA and in its conversation with CoinDesk about how its mechanisms for flagging suspicious orders work, citing competitive interests.
Bitfinex did tell CoinDesk how its system works in a broader sense, though, illustrating how its algorithm for managing the exchange's margin trading risk functions.

To open a margin trade, Bitfinex said, traders must first put up 30% of the value of their trade as collateral, a figure that also represents the total amount that could be lost by the trader should their trade be liquidated. In turn, the individual who provides the remaining collateral gets a guaranteed interest rate for his loan.

Effectively, Rossi explains, it allows two parties to trade exposure to bitcoin's price movements, with the borrower seeking to leverage this risk to to achieve gains, and the lender seeking to eradicate this risk. A time period is then set for the position, which can extend between two and 30 days.

To ensure the lender is reimbursed, the value of the position is closed if it reaches 15%. The exchange also said it has a robust stop-loss program that has been tested in more volatile markets than the one currently holding the community's attention.

"We have improved them and added any lessons we learned along the way. We were lucky in that we were able to grow organically, and learn over time," Rossi told CoinDesk.

Bitfinex offers three types of wallets on its exchange – an 'exchange' wallet for traditional buying and selling, a 'deposit' wallet that can be used to store funds offered to margin traders and a 'trading' wallet where margin trades can be executed.

OKCoin declined to comment on how its systems work to prevent market manipulation, also citing competitive interests, though it said it too has certain mechanisms in place to prevent flash crashes that could affect the wider bitcoin market.

Still, Tackett did suggest it has tools that reduce its exchange's risk for a flash crash. It cited iceberg orders, which only show a portion of the buy and sell traders on its order book.

"To avoid market manipulation, we choose not to disclose more than 5% of our order book," Tackett added.

Stabilizing the bitcoin market

Still, all these aspects of the debate fail to take into account the overall benefits of margin trading, respondents say.

Far from disrupting or manipulating the market, representatives of exchanges that offer margin trading argue that these services will help increase liquidity in the bitcoin market, thereby allowing buyers and sellers to more freely act without considering how this will impact price.

Rossi suggested that many in the bitcoin industry view all margin trades as open credit, neglecting to factor in the collateral that helps protects the margin trading service, adding:

> *"There are no 'imaginary' coins being traded, every dollar and every coin is real."*

He went on to describe his service as one that keeps bitcoins from "gathering dust", instead allowing them to be sold on the market. This in turn increases market participation and liquidity.

To put a face on the service, Rossi sought to illustrate how a variety of members of the bitcoin ecosystem could benefit from the trading options provided by his firm's service:

> *"A merchant is more likely to accept bitcoins if he knows that he can exchange them in the future, payment processors need liquid exchanges in order to facilitate merchants sales. Investors need to be able to enter and exit positions rapidly and efficiently, and miners need to be able to forecast whether it is worth using the electricity."*

Bitcoin's market evolves

In talks with CoinDesk, Bitcoin Foundation director Jon Matonis also struck an optimistic tone that advanced financial services are a sign the bitcoin market is maturing, saying:

> *"Margin trading in bitcoin that we're seeing today is a precursor to more sophisticated markets for standardized bitcoin derivatives."*

In the current market, pressure is put on companies like Coinbase and BitPay who must immediately sell the bitcoin they receive to manage their risk. With an active futures market, Matonis said they can sell contracts, thereby agreeing to sell their asset at a certain value at a later date, and allowing them to have more revenue security.

Matonis cited the equities market and the gold and silver mining market as more niche markets that are able to accommodate margin trading and futures. He said, however, that the presence of margin trading and relative absence of futures contracts is a sign of the market's immaturity.

The key difference between the two instruments, Matonis explained, is that with futures contracts, it is not the exchange or the broker who is lending you the money.

He added: "I think [margin trading] is a stop-gap measure."

Real risk remains

Matonis noted that exchanges still need to worry about counterparty risk – the chance that one party involved in the margin trade won't live up to its side of the deal – and that this may be the bigger potential downside to margin trading.

"If you manage your counterparty risk and manage the members of an exchange and do all your due diligence, then in theory there's nothing wrong with margin trading," he said. "It's just that it's very tempting for those operators to be overextended."

Rossi agreed that this risk exists, calling it a real problem that needs to be addressed.

He sought, however, to stress that Bitfinex, through its risk management procedures, is taking this threat seriously, stating:

> *"The key difference is that each user on our platform has already deposited the money that will be traded. In other words, the pool of coins and dollars that is being traded is already present, and there is no counterparty who can fail to deliver. Margin between entities can cause problems, but Bitfinex is a closed loop."*

"All the funds are present before the trade occurs and we act as arbiters who simply divide the funds up between the users," he explained.

Questioning the community's reaction

Even so, there was widespread agreement among margin trading service providers that many community members have a negative impression of the practice, in part due to the 2008-2009 financial crisis. As a result, Matonis said that some members of the bitcoin community unfairly equate any type of margin trading or leverage with a system that is out of control.

For example, one prevailing argument against margin trading is that the bitcoin market is too small, and that integrating such services is perhaps premature. O'Brien disagreed, noting that with the recent increase in the bitcoin network's hashing power, new bitcoins are being introduced to the ecosystem every day.

Still, Rossi attacked the claim more aggressively, suggesting that it was a sign of the lack of overall investment awareness among some bitcoin users.

> *"Anytime someone says 'this is different', I tend to view it as an excuse. When people say that bitcoin is too illiquid, and it is 'different' from other assets, I think they don't have experience in what they are saying."*

Bitfinex and OKCoin also indicated they are doing their part to ensure investors understand the risks of margin trading, though they maintain that traders who use the service must understand the associated risks.

Tackett said:

> *"I believe having users sign an agreement that details the risk associated with margin trading before being able to trade is a step in the right direction, which is something OKCoin requires."*

Still, he concluded by suggesting that, at the end of the day, those who engage in margin trading need to be aware of the risk they face, and also the affect their behavior could have on other traders:

> *"An exchange can provide as much information as possible, but the responsibility of reading the agreement and being aware of the risks falls on the users."*

Scapegoat visualization via Shutterstock

Bitfinex Margin Trading OKCoin

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Featured Comment

Mike H · 7 months ago

Short selling is extremely dangerous given the current state of Bitcoin, especially on margin. It's heavily regulated on traditional exchanges for good reasons: it gives people a strong financial incentive to directly attack the underlying asset. In this case the underlying asset is Bitcoin which is very easily attacked, most obviously by interfering with the operation of the peer to peer network as we saw in the wake of Mt Gox. Much worse attacks are also possible and will be until some pretty heavy engineering work is done on the Bitcoin Core code.

I really, really wish people would not rush into offering short selling. This is far too likely to end in tears for everyone.

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JoustSlaying • 7 months ago
""O'Brien disagreed, noting that with the recent increase in the bitcoin network's hashing power, new bitcoins are being introduced to the ecosystem with increasing frequency."""

Oh great, O'Brien doesn't know shit then.
17 • Share ›

guest → JoustSlaying • 7 months ago
"new bitcoins are being introduced to the
ecosystem with increasing frequency" Does the 10 minute mark mean anything to you O'Brien?
My family has new Verb when one talks stupid.. "O'Brien"/s
3 • Share ›

BiPolarBear → guest • 7 months ago
I wonder what the people who understand what he said, and know it is in fact is right, would then think about you?
1 • Share ›

enmaku → BiPolarBear • 7 months ago
Hi there, I'm Dave Perry from Coding In My Sleep. I had the 2nd ASIC in the world and the first from BFL. I've been mining since the GPU days and regularly write up the technical internals in plain English for beginners. There is a kernel of truth to what you're saying but I think you misunderstand the system a bit.

Every 2016 blocks, the algorithms running this network look back at its hashrate and make a simple mathematical determination. If the hashrate is high, resulting in slightly quicker blocks then the mining difficulty is increased. If the hashrate is low, resulting in slightly slower blocks, it is decreased.

While it is true that this results in blocks taking less than 10 minutes it will be true uniformly, across any period of hashrate growth. Looking at the past year's blocktime charts, we've been finding a block about every 8 minutes very steadily. It's also true that we've had 13+ minute average blocktimes (Nov 2013).

While it is true that the addition of a truly enormous amount of

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4 • Share ›

alexjonesshouldshouthismouth → JoustSlaying • 7 months ago
What he meant, maybe, is that as the miners profit margin approach zero they are forced to sell more of the coins in comparison to, let's say, 3 months ago. Just to stay afloat.
1 • Share ›

BiPolarBear → alexjonesshouldshouthismouth • 7 months ago
they have to sell ALL of their coins, and then accept a loss if they want to mine if the cost of mining drops below the price of BTC.
Either they stop mining or stop selling, and hope the price will recover to a price so they can profit from the sale.
If that value is reached they will try to dump their holdings.
Bad things happen when it cost more to mine a coin than the coin is 'worth' in USD.
I believe that figure is around $680 USD with cheap electricity and efficient rigs.
If the BTC 'price' is below that, you stop or mine and hold. But you cant sell them.
1 • Share ›

alexjonesshouldshouthismouth → BiPolarBear • 7 months ago
What you describe is an example of a cybernetic system: as mining became unprofitable difficulty became lower and then mining became profitable again (so for the bitcoin network this is not a problem at all).

Every individual miner / mining facility can of course run for a small amount of time without enough income to cover the expenses, and that is exactly what they are doing now (mining is not profitable now except maybe for the biggest mining facilities, that have their own power plant by now).

The 'break-even' btc/fiat price is not fixed. It moves constantly as difficulty change (and, behold, it is moving up every day). Now it may be interesting to compute this value differential and compare it to the btc/fiat price differential. When the former is higher than the latter, miners are not only operating at a loss now, but also on the near future. But, again, this is not a problem for the bitcoin network: hashing power will self-regulate.

1 ^ | ˅ • Share ›

BiPolarBear ➦ alexjonesshouldshouthismouth • 7 months ago

the way you describe things I don't think you have a strong grasp of the mechanics of Bitcoins, or economics.
hashing power does not 'self regulate' it is determined by the market. If the price falls below cost, that will regulate hashing power, because less people can afford to mine at a loss. Price and cost regulate hashing power, and difficulty is pre programmed and fixed.
look up bitcoinwisdon and look up hashing power and difficulty, you will see what I am talking about, it might give you better understanding.

2 ^ | ˅ • Share ›

BiPolarBear ➦ alexjonesshouldshouthismouth • 7 months ago

the bitcoin mining difficulty does not get lower, it is engineered to progressively get higher, you can see the difficulty graphed in many places, it is a 'stair-step' pattern, like a flight of stairs. Look at bitcoin charts and look at the difficulty, you will see what I mean.
I does not go up and down or around and around, it goes up at a specific and predetermined rate.
Breakeven is not fixed, it gets higher with increased difficulty, and higher with reduced price.
Difficulty, is 'cost', it cost more to mine a coin at the high difficulty, and it only gets higher.
If cost is higher than price, it is a loss.

1 ^ | ˅ • Share ›

JoustSlaying ➦ BiPolarBear • 7 months ago

Riiiiiight and the lighter blue the sky gets the higher it pulls the sun.

3 ^ | ˅ • Share ›

alexjonesshouldshouthismouth ➦ BiPolarBear • 7 months ago

I will repress the desire to ignore your replies and will try again to enlighten you.

Difficulty adapt to the total hashing power of the network. If, tomorrow, the hashing power decrease then difficulty will decrease too. It has happened in the past already. You suggest me to look at difficulty graphs, but maybe you should take a better look yourself.

And, expanding on the self-regulating argument, you have to realize that the ensemble of miners are indeed a self-regulating system. And the btc/fiat exchange rate is only an external factor for that system, a factor that it can not regulate. Mining will adapt to price, not the other way around.

^ | ˅ • Share ›

enmaku ➦ alexjonesshouldshouthismouth • 7 months ago

If you want to see this self-regulation in action, you can always look up a hashrate chart for testnet. With no real economic incentive to mine testnet, it's only mined when a developer needs some coins for testing, so it's quite sporadically mined.

You can easily see difficulty self-adjusting in both directions there quite often.

1 ^ | ˅ • Share ›

FreeJack ➦ alexjonesshouldshouthismouth • 7 months ago

This is probably the case. The lower the value of Bitcoin denominated in dollars, the more of it a miner is forced to make available on the exchanges in order to pay costs in fiat. So it does introduce more coins into the "ecosystem" inasmuch as the "ecosystem" is the exchanges.

• Share ›

BiPolarBear ➦ FreeJack • 7 months ago

I would expect if the price of bitcoins goes below what it cost to mine, and the miner continues to mine, he will hold those coins in the hope that the price rises again.
Then sell to break even or even profit.
Last thing you want to do is sell at below cost, then you have no btc and no money ! That is bad.

• Share ›

StockBet • 7 months ago

There is way too much focus on Bitcoin as a security, investment or speculation instead of currency.

13 • Share ›

Teppe ➦ StockBet • 7 months ago

"Too much" according to whom? It seems bitcoin is emerging as a new asset class. This speculation is called free market capitalism. If you think there is too much speculation, you should sell or short bitcoin. If you are right that there is "too much" speculation, then those speculators will lose out on their money and be punished. You seem worried there is "too much" speculation, so what do you suggest? Would you like governments to censor the speculation in order to reduce volatility and keep us safe? I believe the amount of speculation should be decided by the Free Market, but I am old fashioned.

7 • Share ›

bitcoinforvinyl ➦ Teppe • 7 months ago

I think what is being suggested is the current bitcoin investor doesn't actually understand the digital asset he/she is trading- and in fact, probably hasn't actually traded it for anything tangible. There is no denying the free-market, but we can still make fun of the speculators.

2 • Share ›

darl ➦ Teppe • 7 months ago

of course there is 'too much' speculation on bitcoin, that is ALL IT HAS, 'bitcoin is going to do this', it is "going to the moon" it is going to be everything for everyone, that is all speculation.
Flip a coin, and speculate on the outcome, it is the same thing.
bitcoin is highly driven by people who think being 'in' bitcoin is a way for them to become millionaires without having to do any work.
But for every dollar you make, someone else has to pay, wealth is not created by bitcoins, just redistributed.

1 • Share ›

Pheasant_Plucker ➦ darl • 7 months ago

Except this isn't just fantasy. There are many bitcoiners who already made it to millionaire level.
Isn't everything speculation? US$ are speculation in that we hope it only devalues by 2% per year. Argentine peso is speculation because people hope it only loses 20% per year. Real estate is speculation because we hope it goes up in the long term.
It is more accurate to consider assets as risk functions.

• Share ›

btcfuture • 7 months ago

there arent enough traders in the market to possibly get stability yet. if 1 small time fx trading instn were to trade btc with its usual budget used in normal fx markets they could easily push the market around as they want. you can see it now: buy/sell orders of 0.5mil move the market by 1~10%. thats a sign of low vol. which im sure some big investment firms are taking advantage of trying to get lower prices.
once a few more million ppl and traders are exchanging daily the price will stabilize

3 • Share ›

BiPolarBear ➦ btcfuture • 7 months ago

the number of traders does not really relate to the stability of the underlying stock.

In fact it is often the case, that because of a large number of traders stocks are more volatile.
You see it all the time, a huge industry suffers large stock price swings because of a false rumour that some of the 'large number' of traders get scared by, and move the market.
So the number of traders are not going to change the stability.
BTC 'price' is 'opinion driven', there are no underlying 'fundamentals', its price is what people are willing to pay for it..
You cannot calculate assets, and 'good will' and other fundamentals to determine if a stock or share is over or under priced, in the BTC field, as you could do with say Apple, or Microsoft, or Exxon.
For example, Exxon you can look at assets, abilities, markets (for product), liabilities, expenses and so on, you can calculate what you think the 'worth' of the company is, you can then divide that worth into the number of shares and see if the price of a share is higher or lower then the 'value' of the company.
You simply cannot do that with BTC, there is nothing to calculate, all you have to do is find someone to pay the amount you ask for a BTC when you sell it..

see more

• Share ›

Erik ➜ BiPolarBear • 7 months ago
We can perhaps as of yet not determ the true value of bitcoin, because there are no such tools or calculation method created yet. Does not mean there is no such way to do so.

Also even do does calculation methods can give you some grasp of the situation, it does not always mean they work and have the desired outcome or effect.
Please note that very often does tools are created by party's that greatly benefit if others use there tools and calculation methods.

Here is a humble attempt to create such a calculation method :
Stock are trading at 25 to 15 times earnings

so, if the stock is below 15 times earning it means you need to buy, right ?
(!Fiction example not actually market values)
Now do it for bitcoin: Per month there is x milion's of dollars of commerce (in both goods and service), it should mean that the true value of bitcoin is 15 times the total commerce of that month

Lets say there would be 100 milion commerce per month times x15 that would mean bitcoin is worth 1,5bilion.
okay what if it's not per month but per year ?

1,2bilion commerce per month times x15 = 18bilion worth.

• Share ›

Pheasant_Plucker • 7 months ago
Expecting BTC price stability is like expecting a row boat to behave like a super tanker in the ocean. It is totally unrealistic to expect that BTC price is a smooth curve when it has such incredibly low liquidity. Swings of say +/- 20% are to be expected as normal in a market where a few $1m can move the needle. This might be caused by almost anything e.g. margin calls, whales, news articles, miner upgrades.
Margin trading and options are all important for liquidity. If they cause a crash in the price to $100 then then demand will gradually increase to compensate. Accept it and focus on how to make money out of the volatility.

3 • Share ›

BiPolarBear ➜ Pheasant_Plucker • 7 months ago
I think of it more like the size of the body of water, not the boat, but you mean the same thing.
Throwing a rock into a puddle makes a huge wave (compared to the puddle), the same rock into the ocean would not even be noticed.
It does not take much to change the level of water in a puddle, or to evaporate it completely.

• Share ›

jdat747 • 7 months ago
lol, these people just don't know what to do with a free market

2 • Share ›

bitcoinforvinyl · 7 months ago
The power of bitcoin is clearly in transacting. Wannabe hedge-fund managers will smarten up soon enough.
3 ^ | v • Share ›

guest ➦ bitcoinforvinyl · 7 months ago
More then that but one of the strongest point is the transaction its self.
Alibaba merchants love BTC from outside. Dis many purchases and I would not do it any other way again. Yes I do use escrow for larger purchase.
^ | v • Share ›

Joe · 7 months ago
hmm, a currency that swings -+20% per month? That's some wicked currency. Just saying..
1 ^ | v • Share ›

Mike H · 7 months ago
Featured by CoinDesk
Short selling is extremely dangerous given the current state of Bitcoin, especially on margin. It's heavily regulated on traditional exchanges for good reasons: it gives people a strong financial incentive to directly attack the underlying asset. In this case the underlying asset is Bitcoin which is very easily attacked, most obviously by interfering with the operation of the peer to peer network as we saw in the wake of Mt Gox. Much worse attacks are also possible and will be until some pretty heavy engineering work is done on the Bitcoin Core code.

I really, really wish people would not rush into offering short selling. This is far too likely to end in tears for everyone.
1 ^ | v • Share ›

Eric Johnson · 7 months ago
It's just a money making scheme by these exchanges with faulty business practices. They should be shunned by the community.
1 ^ | v • Share ›

alexjonesshouldshouthismouth ➦ Eric Johnson · 7 months ago
You mean the irrational tribe? Lets all sit around the fire together chanting kumbaya. The first that say something that we do not understand end up in the fire.
1 ^ | v • Share ›

Wooxer Pt · 7 months ago
When asics came out the price crashed too, not only because of more coins entering the market for a while (difficulty would retarget too slow to keep up) but also because miners profit margins were good enough that they could sell instead of HODLING and turn a profit, also because they were paying for some of the miners in Bitcoin which would be converted to fiat, diluting the Bitcoin money pool in circulation at the exchanges.

Trading and flash crashes tend to go hand in hand but they're not so good at explaining why prices keep going down and not bouncing back, the above is a good explanation for that part of the phenomena.
1 ^ | v • Share ›

Robert · 7 months ago
It would seem strange to me that, given that it is commonly accepted that a "whale" or two can greatly swing a small market such as Bitcoin, that those same whales further empowered with the leverage of margin trading wouldn't possibly affect the market as the defenders of margin trading are claiming seems preposterous at the least.
1 ^ | v • Share ›

Teppe ➦ Robert · 7 months ago
Whales have plenty of money to cover margin calls. Its small time gambler traders that got their positions liquidated. Now we have a nice recovery, showing market forces at work. Its called free market bro, those gamblers got punished, and they learned an expensive lesson. Next time there will be less volatility because the gamblers are getting weeded out.
1 ^ | v • Share ›

alexjonesshouldshouthismouth ➦ Robert · 7 months ago
margin trading good, mmmkay
^ | v • Share ›

guest ➦ Robert · 7 months ago
what???
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BiPolarBear ➦ guest · 7 months ago
read it again, you'll work it out.
he is saying if 'normal' margin trading does this, then a whale margin trading can do much more damage.
Share ›

zimmkarbar · 7 months ago
this is just market as it always has been.. bitfinex margin trading has been around for years now.. it's an opportunity for some people.. a butthurt for others.. although btc price is already high (for beeing so young) .. low luiqidity makes ofcourse big swings in price.. the only way to have more luiqidity(fiat wise) is to have a much higher price.. where people are fighting for 0.5% price swings in a day.. meanwhile enjoy the waves of the market.. or just buy and hold
1 · Share ›

cryptolegend · 7 months ago
Margin trading sucks.
Share ›

Kirk Hilles · 7 months ago
Dips are great opportunities to stock up on BTC. Wish I had bought more at $460, but if/when it drops again, I'd get put in a little bit more. Still, I would LOVE to have some Stock-Option-type abilities out there to buy and write options at a decent price and decent spread.
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Edo Grigione · 7 months ago
The problem is not the margin trade or short selling, that will be the natural evolution of any exchanges. The illiquid market can affect prices...
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BiPolarBear · 7 months ago
“I see where people are coming from with these flash crashes, but there’s a thousand things that could cause a flash crash, just like there are a thousand things that could cause the price to increase rapidly.”
there is your problem right there, "we don't really know, it could have been anything, I could have been a thousand things !!!!"
Really !!!!!
Doesn't that mean the problem is 'systemic' in that it is not the people using the system, but the 'system' itself that is the problem.
It is easy to make a huge wave in a small puddle, relative to the size of the puddle,
It is the difference between the toddler kiddy pool in your backyard, compared to Lake Superior.
Throw a bucket of water into Lake Superior, or remove a bucket of water from it you want even notice.
Do they same with the puddle or kiddy pool and its empty, and a huge difference.
BTC does not have to critical mass, and its overheads exceeds its 'profits',
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btcfuture · 7 months ago
there arent enough traders in the market to possibly get stability yet. if 1 small time fx trading instn were to trade btc with its usual budget used in normal fx markets they could easily push the market around as they want. you can see it now: buy/sell orders of 0.5mil move the market by 1~10%. thats a sign of low vol. which im sure some big investment firms are taking advantage of trying to get lower prices.
once a few more million ppl and traders are exchanging daily the price will stabilize.

also https://bitcointalk.org/index....
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guest · 7 months ago
It is very strange that every time Hashing power increases in sudden jumps the price of bitcoin goes opposite. It can mean many things but the chances are,
1. New rigs were purchased for Bitcoin which were then cashed by merchants
2. Above plus bitcoin dump by miners needed for cash on covering their CC expenses

getting new rigs.

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BiPolarBear → guest • 7 months ago

are you referring to 'hashing power' or hashing difficulty?
hashing does not really move in sudden jumps, however the difficulty does have a 'stair step' pattern.
It makes sense price will go down as difficulty rises, because it cost more to mine the coins that to buy them. That cost has to be paid by the sale of the coins mined.
Selling coins puts 'sell' pressure on the market, making it a buyers market, not a sellers market.

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alexjonesshouldshouthismouth • 7 months ago

Well said. Don't mind the bollocks.

Share ›

Tema • 7 months ago

and even here such a major purchase can affect the rate at the current capitalization of Bitcoin http://online.wsj.com/articles...

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Reader • 7 months ago

Might be nitpicking here, but "the $30,000 BTC sale" is a little confusing... shouldn't it just be "the 30,000 BTC sale"?

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Guest → Reader • 7 months ago

I dont think the price drop because of the 30,000 BTC sales. I would not invest in 30.000 BTC only to get 1.5/2 million profit.

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darl → Guest • 7 months ago

or $30,000 in sales.. (that was what he was saying), try to keep up pls.

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