

11:54 11 May 2020

Bitcoin investors prepare for imminent halving

Later today, a major event will take place in the cryptocurrency space as Bitcoin prepares to engage in a 'halving', which has the potential to majorly affect the price of the digital currency.

A halving (or 'halvening'), takes place every four years and results in the number of new Bitcoins issued every 10 minutes by the Bitcoin blockchain being cut in half.

In the current cycle, this means the number of new Bitcoins issued every 10 minutes will fall to 6.25 from 12.5, having previously halved to 12.5 from 25 in 2016.

A halving is significant as it reduces the amount of Bitcoin generated when a transactional 'block' on the Bitcoin blockchain is completed, meaning the supply of new Bitcoins is lower and it becomes harder for crypto miners to generate the same amount of crypto as they must resolve more transactions on the blockchain.

Bitcoin is also not the only cryptocurrency to engage in halving, with fellow digital currency Litecoin due to participate in its own 'halvening' in August 2023.

Effect on Bitcoin prices

As a halving decreases the amount of new Bitcoin entering the supply, providing demand remains steady this usually results in the price increasing, with previous halvings preceding some of the biggest runs in Bitcoin's history.

For example, since the last halving in July 2016, the price of Bitcoin has increased by roughly 1,180% to its current level of around US\$8,838, although with some very dramatic swings in the intervening period.

In a report last week, analysts at Bitcoin storage and transaction specialist Luno said this next halving could see a potential Bitcoin price increase of around 270% until the next halving in 2024, taking it up towards US\$33,000.

However, others such as former Goldman Sachs hedge fund manager Raoul Paul have claimed the digital currency could go even further, potentially rising to US\$1m over the next four years.

Meanwhile, Danny Scott, chief executive of cryptocurrency exchange CoinCorner, has predicted that within three to nine months Bitcoin will be pushing its previous all-time high of US\$19,511, reached during a buying frenzy in 2017.

Investors should be cautious in the short-term

While the impending halving may have many Bitcoin investors preparing for a bullish bonanza, Leonard Neo, head of research at Bitcoin index fund provider Stack, has said he expects a "short-term pullback" in Bitcoin prices immediately after the halving as traders "begin taking profits and the market converges back towards the [moving averages]".

However, in the longer-term Neo is upbeat, saying they expected Bitcoin to "register significant price appreciation towards the end of 2020 and early 2021".

Share Information

Code:

Listing:

Sector:

Website:

action@proactiveinvestors.com

Another reason for long-term positivity is growing institutional investor interest in Bitcoin and other crypto investments.

OANDA's Edward Moya said last Friday that this trend will provide "major support going forward" as institutions began spending money again once concern over the coronavirus pandemic abated.

"After the dust settles, Bitcoin could see a strong bullish trend emerge as long financial markets do not see a second wave of [coronavirus] spread across Europe and America trigger a flight-to-safety move", he added.

In late-morning trading on Monday, Bitcoin was 0.2% higher at US\$8,838.

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.