

Bitcoin – An Update

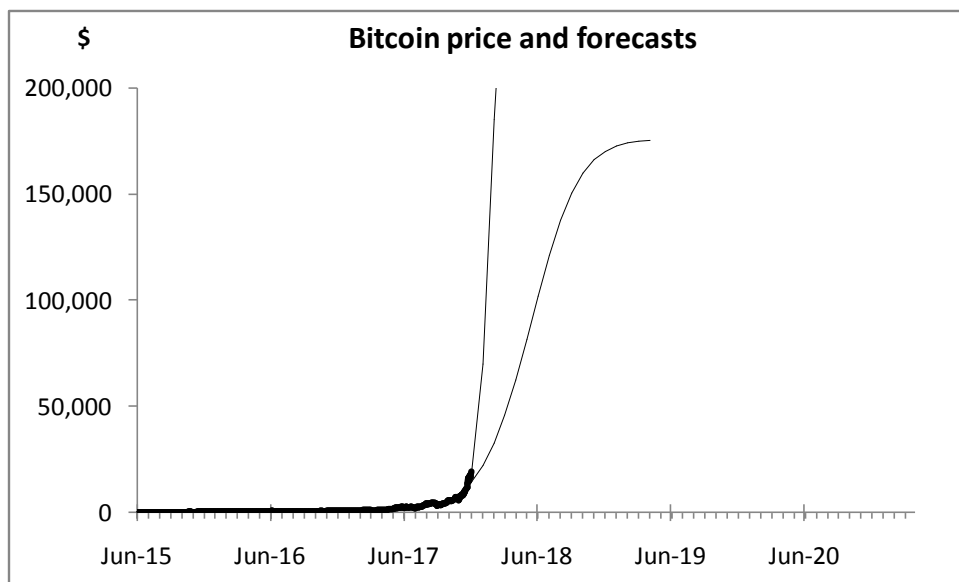
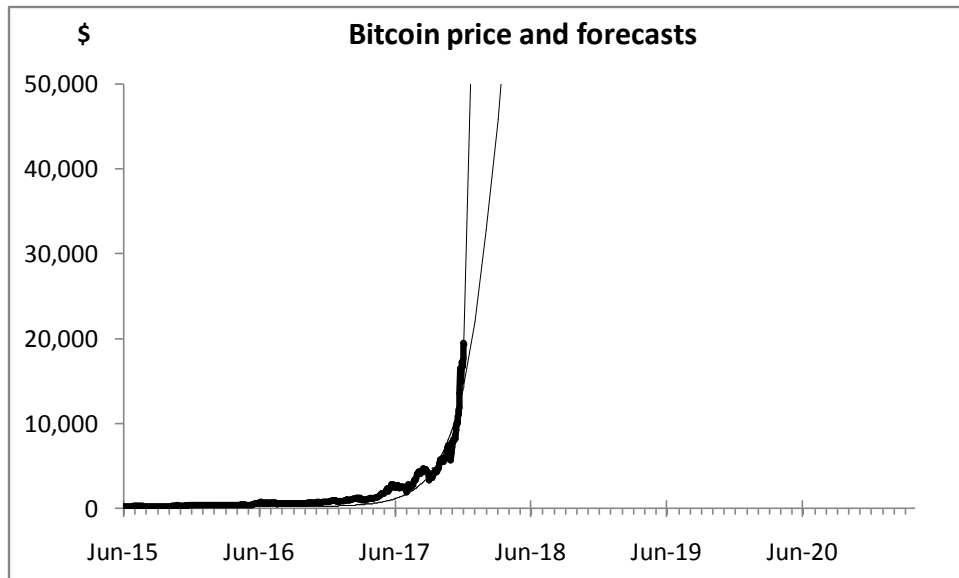
Theodore Modis — December 18, 2017

In view of the phenomenal performance of Bitcoin's price during the last month, I feel compelled to update my November 4 forecasts. During the last month the Bitcoin price reached a level that I had forecasted for six months later! Granted, I had indicated an error band close to the 90% confidence level, but watching reality come out at the 10% probability makes me uncomfortable.

Repeating my S-curve analysis with data up to the December 17, I find price forecasts with much more aggressive growth. The drawing below shows two forecasts (thin lines) depending on two different historical windows, as was done before. But now we see that the data cover only the very early part of the S-curves. This implies great uncertainties on the forecasted price, much bigger than the spread between the two thin lines.

My conclusion is that either we are still very early in this natural growth process, or that this is not at all a *natural* growth process suitable to be analyzed by S-curves. After all, the Bitcoin has no *physical* existence and it may not be appropriate to treat it as a species.

One way or another, S-curve forecasts for the Bitcoin's price at this time—as positive as they may be—carry large uncertainties and could be unfounded.



The two drawings show the same content with two different vertical scales. The thick black line represents daily data points. The thin lines are calculated from S-curve fits to Bitcoin's market capitalization with different historical windows, as was done before. The real uncertainty on the forecasted price is greater than the spread between the two thin lines.