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# BITCOIN: WHY THE CRYPTOCURRENCY CRASHED

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05/27/2021

Wednesday, May 19, was a massive down day for [bitcoin](#) and [crypto](#), and there is a lot of speculation about what happened and if bitcoin and other crypto are in a [bear market](#). Let's look at what happened recently that may have precipitated the "crypto crash":

1. Elon Musk: The Twitter spat between Musk and the bitcoin maximalists was definitely impactful. Having someone as influential as Musk make negative comments may have caused some people to sell—likely the same people that had bought bitcoin because of him.
2. Reuters broke a story about China banning crypto. A story about governments banning Bitcoin may make people nervous—after all, if one government does it then surely others will too.
3. The OCC<sup>1</sup> indicated it is reviewing its previous edicts on crypto. This follows a change in leadership at the OCC, with incoming comptroller, Michael Hsu, reviewing decisions by his predecessor that were viewed as supportive of bitcoin.
4. The SEC<sup>2</sup> cautioned investors about the use of bitcoin futures in mutual funds.
5. BlockFi<sup>3</sup> mistakenly paid rewards in bitcoin instead of USD (i.e., giving 100 BTC instead of 100 USD). In the process of rectifying the situation, BlockFi sent letters to clients threatening legal action. This may call into question the stability of a major player in the DeFi<sup>4</sup> lending space.
6. There was a tech stock sell-off, with the Dow Jones down approximately -5.2% from the peak. Bitcoin does not exist in isolation, and general market turbulence will affect sentiment.

This may be considered a heavy negative news flow, and while all markets are susceptible to negative sentiment, bitcoin may be more reactive because it is young, decentralized and largely unregulated. When news like this comes all at once, the market could overreact—which may have been the case on May 19.

It's important to remember that the fundamentals of Bitcoin have not necessarily changed, and it may be worth noting:

1. Tesla did NOT sell. (Elon Musk confirmed this.)
2. China "banning" Bitcoin is not a new phenomenon.
3. Regulators like the OCC and SEC have previously expressed statements of caution.
4. The path to adoption isn't a straight line, and some companies may make mistakes along the way.
5. Markets go up and down.

For the investment community, the #cryptocrash is a big deal. Nevertheless, it is important to look at the big picture and separate this from the noise.

<sup>1</sup>Office of the Comptroller of the Currency

<sup>2</sup>The U.S. Securities and Exchange Commission

<sup>3</sup>BlockFi is a crypto management platform

<sup>4</sup>Decentralized finance

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**DEFINITIONS**

**Bitcoin (the currency)**: A digital currency (also called a cryptocurrency) created in 2009, which is operated by a decentralized authority as opposed to a traditional central bank or monetary authority.

**Cryptocurrency**: a digital or virtual currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend.

**Bear market**: A sustained downturn in market prices, increasing the chances of negative portfolio returns.