

Bitcoin is Dropping! Bitcoin Price Crash or Normal Pullback?

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OH MY GOD bitcoin crashed over two hundred dollars in the past couple of days what do we do who could have possibly saw this coming.

OK guys in this episode we're going to be talking about what Bitcoin recently did and if you should or shouldn't be freaking out.

All right so if you've been paying attention to bitcoin price over the past few weeks you know that it was the best performing currency of two thousand and fifteen and two thousand and sixteen and we recently just had a big bull run from eight hundred dollars up over eleven hundred dollars in less than two weeks.

So it gained over thirty percent in less than two weeks and then over the past two days we dropped a little over two hundred dollars roughly about twenty or twenty five percent back down around the eight hundred, nine hundred level.

Here's what happens every time bitcoin price goes up really fast I get flooded with e-mails and tweets and calls from people asking questions like should I buy Bitcoin? Is it too late to buy Bitcoin? Where should I sell Bitcoin?

You know there's a handful of questions that it's just the same questions over and over again and then when Bitcoin

crashes, oh my God! bitcoin has crashed; should we sell? Is it going to keep going up? What's going to happen?

Let me just say this and in all seriousness if you find yourself asking those questions about any market I don't care if you're investing in real estate, gold, bitcoin, the stock market, whatever. If you find yourself asking questions, What should I do after a big event happens? It's already too late. Right. This is why trading and investing is like being a chess player you have to think two or three steps ahead of your opponent you have to anticipate what's coming next.

The mass majority of people and this is why I absolutely despise C N B C and you know these money shows on T.V. that talk about what's already happened like when Bitcoin is quiet and the price is low nobody wants to talk about Bitcoin but when prices doubled, tripled or quadrupled in price; all of a sudden that's when the mass public becomes interested in Bitcoin and that's why everybody inherently knows buy low, sell high.

But why the hell does everybody keep doing the exact opposite buying high after the big moves happen and then selling low when a panic happens. Right. That's just what happens and I want to show you a video from a guy that is a gold bug he believes it heavily in gold and he believes Well I don't know if it's a conflict of interest or not but he sells gold I just want to show you this clip.

"We were going to do an episode of for in secrets of money and probably cash in on bitcoin when we went to a conference, learned a lot about it, filmed it, a lot of interviews and then decline took a huge plunge and everybody lost interest. Other episodes of hidden secrets of money to present that."

This is the mentality of your average investor right as you're heard him say when bitcoin price crashed nobody had interest in it, so I'm not going to do videos about it. Right. I was

very very bullish long term on bitcoin when it was around the two hundred dollar mark all the way up through the three, six, seven and it seems like only recently when bitcoin above eight hundred did the mass public and C N B C and all these pundits and talking ads come out of the woodwork actually talking about Bitcoin and you know you have opinions on both sides of the coin. Right.

You have some people that are like they say crazy shit like bitcoin doesn't have any value, it's not money, it's the same old stuff that we've heard for years and years and years and then you have people that are like a big points back now, it's time to buy.

Well let me walk you through the set.

Then steps in a cycle in a market cycle and show you on the chart what happens and why these things happen and how it's so so predictable I mean I've seen this boom bust pattern happen over a half a dozen times now in bitcoin and I don't see it changing anytime soon let's so let's jump into the charts. So if we're just analyzing what's happened over the past few weeks you can see that this was major resistance in Bitcoin, right.

Right around the seven, seventy five to eight hundred level and then the last half of December of two thousand and sixteen we got a big break out right we went from eight hundred over eleven hundred very quickly and here's what happens.

Step one. Is you have a massive bull run. That's what happened here, eight hundred to eleven hundred.

Steps two. That attracts media attention and if you go back and you do a google search for news events with the keyword Bitcoin over the past month you'll see an influx in search volume in an influx in news reports about Bitcoin during this time.

Step three. This attracts investor and trader attention. Right. And that's why once you get the initial breakout, you typically get two or three follow on breakouts and then that's when I start to get the e-mails in the flood of questions of should I buy? Is it too late? What you know where I sell right and it's people that don't have a plan that are just out of the game or lazy and then they hear on T.V. some pundit or talking heads saying how great bitcoin is oh maybe we should buy and then guess what they end up buying on the parabolic blow off move where it's likely to reverse right so

Step four. After the late investors pile in, you have a parabolic move. Which everybody gets extremely euphoric, bitcoins go into five thousand then you start to see these insane predictions. Bitcoin is going five thousand, Bitcoin is going to ten thousand. I've seen bitcoin going to one million. Right. That's when people just get blinded by this stuff and they just start buying like crazy at the highs.

Step number five. Is when buyers dry up. This is what we call the greater fool theory. How high is high? When is it too late to buy? When is it too high to buy? Well you never really know for sure but I want you to think about the greater fool theory. The greater fool theory is, this is long as there is another greater fool to buy at a higher price than you, you're fine. But you don't want to be caught being the greater fool buying at the high. Right.

Step number six. Is after you have all the buyers that have dried up, after everybody's piled in, after the media has gone nuts for it, after all the late investors in the people that you know just don't pay attention on a daily basis pile and what happens, well when there's no more buyers the market can't keep going up it's like a rocket ship taking off right and you have all this fuel fueling this rocket ship and then once it runs out of fuel it happens. And then it comes crashing back down quicker than when it went up and I always like to say the market takes the stairs up and the elevator

down or in bitcoin case it likes to base jump off of the cliff and crash extremely fast rate.

It's such a speculative market there's so much emotional or what I call dumb money in a market so that's why it took two weeks to make these gains and just two days to give back a large portion of it. Right. So what happens after the flash crash or the fast crash or whatever you want to call it then.

The **seventh step** happens where bitcoins price stabilizes, rational investors understand what happened; they look at the emotional cycle, they look at the news, they get a feel for and they say oh this is just another one of bitcoins pump and dump or boom and bust patterns. And a lot of people that aren't in the investing community hear that, that phrase pump and dump or boom and bust and it's scary to them. Rightfully so because there have been so many penny stock scams and so many markets that you know like the tulip thing, right. A lot of people you know the word bubble is like such a buzz word now after the two thousand and eight financial crisis everybody's afraid of bubbles and that's why everybody missed out on the massive stock market.

Boring over the past half a dozen years right because everybody was always looking for the next bubble when's the market going to explode? when's the market going to explode? Meanwhile the market doesn't care about you just keeps on trucking higher.

Let's take a look at the charts you can see over the past couple of years this has happened three major times. OK. So this is back in the early part of two thousand and fifteen and this is where I was really interested in accumulating around the two hundred mark but look what happened here all right because if and if you increase the scaling this is a massive percentage gain and it came from about two hundred fifty bucks to five hundred so it literally doubled in the span of a couple of weeks right not sustainable again think rocket ship

crashing down what happened you got.

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