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BIG BREAKTHROUGHS, BIG PROFITS_

The "Gold of Tech" Could Become Your Best Portfolio Insurance

INVESTOR'S REPORT

In uncertain markets like these, you need to stay as focused – and unemotional – as possible. One way to do that is to always have some **"portfolio insurance"** on hand.

For instance, many investors dedicate a portion of their portfolio to gold or some other precious metal where it can act as a hedge against trouble in other markets.

Now, some of these folks go overboard, and you probably know a "gold bug" or two. But at bottom, this is a sound strategy, because precious metals generally aren't affected by the ups and downs of the stock market.

Now, what you have in your hands isn't a "gold report." My main interest is in technology. And there is a way to make one particular piece of technology act like gold in your portfolio – by providing a measure of "insurance."

Now, at first blush the idea that you can use some form of technology as portfolio insurance might sound odd.

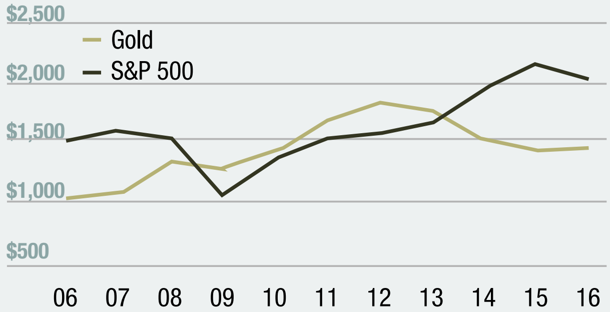
But consider…

Right now big banks, credit card companies and other financial players are avidly exploring ways to use this **"gold of tech"** (and the science behind it) to disrupt the $500 billion payments industry.

What's more, this technology is being adopted throughout the economy, in industries as diverse as real estate… art… law… stock trading…

The Casual Relationship Between Gold and Stocks

For many traders, gold is a safe haven during risky markets. When traders go into defensive mode, gold acts as insurance to hedge against volatility. That's because these two markets have a negative correlation with each other – meaning that when stocks go down, the yellow metal spikes higher, and vice versa.



Sources: Macrotrends, *Strategic Tech Investor* Staff Research

As that upheaval in payments and in other sectors gathers steam, this "safety" play I'm about to show you could soar triple digits or more in the coming years.

So let's investigate this "gold of tech."

Up From the Underground

The "gold" I'm talking about is **Bitcoin**. The encrypted digital currency has been the talk of "underground" tech and privacy circles since 2009, when a writer with the pen name **Satoshi Nakamoto** released an "open source" paper describing it.

Satoshi's idea was to create a decentralized currency outside of the control of government and the manipulation of the big banks.

I've followed Bitcoin developments since Day 1, both here at ***Money Map Press*** and around the Web. I discuss it with hundreds of cryptocurrency investors and entrepreneurs on my social-media accounts.

And because of my deep background in monetary economics and cybersecurity, I like to think I have a better grasp on it than most.

Today I'm going to use that know-how to show you why Bitcoin's rise has only just begun – and why it's destined to become a true "unstoppable trend."

I'll also point to several ways you can invest in Bitcoin, whether as a long-term hedge… or as a way to capture some of the huge gains I've seen batted about.

Now, the "chatter" around Bitcoin has not always been positive. Far from it. Plenty of folks say this innovative investment has already run its course.

Even the writers at ***The Wall Street Journal*** (who should know better) recently ran a January 2017 story with the foreboding headline **"Is Bitcoin About to Break Up?"**

I've lost count of how many Bitcoin "obituaries" I've read, but it's in the hundreds. And all of them – including this latest one – miss a key point: Bitcoin is a global force so massive in its reach that no one person or event can stop it.

Bitcoin isn't going anywhere because it's become an unstoppable trend that I believe will disrupt the global payments system. When you add in the value of credit cards, electronic payments and remittances, that's a $500 billion sector.

And that leaves Bitcoin – and its underlying blockchain technology – plenty of room to cause some convulsions that would greatly benefit those who are invested in it.

Triple-Digit Gains From Bitcoin

Here's why reports of Bitcoin's death have been greatly exaggerated.

In the past two years the number of merchants accepting Bitcoin more than doubled. **Jack Dorsey**, CEO of mobile-pay firm **Square Inc. (NYSE: SQ)**, estimates that 160,000 merchants now accept Bitcoin – an increase of 113% since the fourth quarter of 2014.

There are other strong signs that Bitcoin is rushing into the mainstream.

In November, Bitcoin "wallet" developer and marketer **Coinbase** launched the first U.S. Bitcoin debit card.

The Bitcoin Hard Fork of 2017

Bitcoin Cash is a newly created digital currency that launched on Aug. 1 following the **Bitcoin** "hard fork."

Within the cryptocurrency world, there's been a two-year civil war over how to expand transaction capacity and speed. The debate led some Bitcoin developers to take matters into their own hands and create Bitcoin Cash.

That means Bitcoin has two different forms now, and if you already owned Bitcoin before the fork, you automatically got an equal number of Bitcoin Cash coins.

This is no way is "stock split" scenario.

I recommend buying or selling only on the core Bitcoin currency at least during the first weeks and months of Bitcoin Cash's existence.

On top of unpredictability, trading Bitcoin Cash will be more difficult than buying the core Bitcoin throughout 2017. You see, many of the best cryptocurrency exchanges are still developing their platforms to buy and sell... or ignoring Bitcoin Cash entirely until the new offshoot proves there is demand for it.

That said, Bitcoin Cash appears to have enough support, particularly in Asia, that it will survive as its own cryptocurrency. But it won't overtake the core Bitcoin as the dominant cryptocurrency in any foreseeable timetable.

In the end, existence of Bitcoin Cash won't stop the rise of the core Bitcoin value. After all, the core Ethereum currency thrived in Spring 2017 – mirroring Bitcoin's record rise at a lower price – despite its own hard fork that created the Ethereum Classic Ethereum is the second most traded cryptocurrency, and by a wide margin.

Called the **Shift Card**, it lets folks spend Bitcoin anyplace that accepts credit cards from **Visa Inc. (NYSE: V)**. According to Coinbase, the Shift Card has been approved for use in 25 states so far and is valid for both online and offline purchases.

This is a huge development for Bitcoin because, as more and more people adopt the card and others like it, that expanding user base will entice merchants into accepting Bitcoin. And an expanding pool of Bitcoin-friendly merchants will attract more and more Bitcoin users.

The result will be a "virtuous circle" of adoption that will help make 2016 the breakout year for Bitcoin.

And as Bitcoin becomes increasingly integrated into the world's financial system and balloons into its own "ecosystem," its value will necessarily rise.

When **Gil Luria,** an analyst at **Wedbush Securities**, forecast in 2016 that Bitcoin would reach $600 in the near term, I called it a conservative estimate.

After bottoming out just below $200 in January 2015, the Bitcoin price zigzagged between $200 and $300 for most of the year. But, in mid-September, it started a run toward $450. Until spring 2017, it's mostly traded between $350 and $460.

Bitcoin surged to a new peak near $2,900 in mid-2017 and spent most of the subsequent weeks above $2,500. And while even I didn't see it more than doubling its late-2013 high of $1,242 quite this quickly -- I did predict at least triple-digit gains back in 2016.

The coming year looks even brighter when you look beneath the surface of Bitcoin and see the truly disruptive nature of this new digital currency.

Blockchain Will Free Up Billions in Wealth

The power of Bitcoin is in its backend/grid system, known as the **blockchain**, which is an Internet-based public ledger of every Bitcoin transaction. People who run the Bitcoin software maintain an up-to-date copy of the blockchain on their computers.

The blockchain is like the "grids" that allow you to make credit card purchases, transfer money between banks or buy stocks through online brokerages. Except its main purpose right now is for folks to buy and sell Bitcoins.

The blockchain's main advantage over all those other grids is its status as a **peer-to-peer system**, or one computer to another. That means there is no central bank or government involved.

I predict that late 2017 and 2018 will see an explosion of new uses for the technology underlying Bitcoin – the blockchain.

That's because this decentralized aspect of the blockchain – there's no third party in between – is now being applied to a whole range of industries and services.

In other words, Bitcoin is just one way to use the blockchain.

Take real estate, for example.

Ragnar Lifthrasir, president of **International Bitcoin Real Estate Association (IBREA)**, says the blockchain could save that industry a huge part of the $20 billion it spends each year on property title insurance and title fraud.

Blockchain Basics

Basically, the blockchain is a cryptographic technique that allows anonymous strangers – folks with no reason to trust each other – to create a record, or "distributed ledger," of a transaction.

The power of the blockchain is that all participants can agree that the ledger is complete, accurate and up to date.

The technology used in the blockchain makes it virtually impossible to spend the same Bitcoin more than once... or create fake Bitcoins... or counterfeit any part of a transaction.

Best of all, the blockchain removes the need for any "trusted" third party, such as a bank or clearinghouse, to stand between buyers and sellers and certify the validity of any transactions.

Lifthrasir recently told ***Blockchain Agenda***, "Using **Photoshop** and a $15 stamp, a criminal can create a fake document that transfers ownership of your house to himself. Compare that to what it would take for that criminal to break the cryptography behind Bitcoin."

An **Israeli** private firm called **Colu** is out to use the blockchain to "digitize" ownership of everything from cars to works of art. Buyers could add a blockchain-based "token" that would provide indelible, fraud-proof evidence of ownership and title.

Another area ripe for blockchain disruption is remittances – money that people living abroad send to folks back home. The fees for doing that are typically quite high – 4% to 8%. Bitcoin/blockchain can do remittances nearly instantly and at almost no cost.

And as impressive as those developments are, there's another great reason to put your faith in the "gold of tech." Some major market players are getting up under it.

The World's Biggest Players Are Lining up Behind the Blockchain

Goldman Sachs has co-led a nearly $50 million investment in Bitcoin payments startup **Circle Internet Financial**.

And in October 2015, **Robert Greifeld**, the **CEO** of the **Nasdaq-OMX Stock Market**, demonstrated **Linq**, a platform that uses blockchain technology to manage shares of private companies.

According to ***Forbes***, "Linq clients will be have a comprehensive, historical record of issuance and transfer of their securities, making their records easier to audit and giving them greater capabilities around issuance governance and transfer of ownership."

As more companies stay private longer, an easy, inexpensive way to manage asset trading is sorely needed.

Also getting behind the blockchain is **UBS Financial Services**. The **Swiss** firm, in partnership with **Clearmatics** in **London**, is rolled out a blockchain-based "settlement coin" that banks can use to settle transactions involving stocks and bonds. Some estimates claim banks could save $20 billion dollars by using the blockchain this way.

The blockchain can even be used to implement "smart contracts." These are contracts that "execute" themselves once their terms or conditions have been fulfilled. Again, this holds tremendous promise for cutting out go-betweens like lawyers and dramatically reducing transaction costs.

Look for many more developments along these lines soon. Each one will grow the Bitcoin and blockchain ecosystem until it reaches critical mass.

How to Invest in Bitcoin

If you choose to invest in Bitcoin, you could think of it as "the gold of tech."

That means using it as insurance – a hedge – against today's volatile market. Like gold, Bitcoin won't plunge along with stocks. And if the blockchain truly disrupts the payments sector, then the cryptocurrency's value will soar over time.

I'd advocate allocating just a small portion of a portfolio to Bitcoin – like you would gold – no more than 5%.

The price movement in the past two years has been volatile, to be sure – at point it traded for more than $1,100.

But the Bitcoin's **Wild West** days are coming to an end, and we are entering an era of price stability for the currency as it gains financial and political acceptance. Already, the **European Union** declared Bitcoin a currency and, as such, tax-free. The move paves the way for Bitcoin acceptance throughout **Europe**.

Right now, there is one online exchange I trust above all others to buy cryptocurrencies and two interesting backdoor plays to consider:

1. **Bitcoin:** For now, the best way to invest in Bitcoin is buying the cryptocurrency itself. You can always buy and sell Bitcoins through exchanges like **Coinbase**. It's an online "wallet" that connects to your bank account so you can buy and sell Bitcoin. It's easy to use. And, importantly, it's never been hacked. This is where I do all of my direct cryptocurrency trading. Notably, Coinbase will only allow trading of the core Bitcoin currency until Jan. 1, 2018. It is expected to then allow trades of the new Bitcoin Cash.

2. **Tech ETF:** If you don't want to buy Bitcoin directly, take a look at **ARK Web x.0 ETF (NYSE ARCA: ARKW)**. It's a "next-generation Internet" exchange-traded fund focused on the cloud, Big Data, the Internet of Everything, e-commerce and social media. It's also invested in **Bitcoin Investment Trust (OTC: GBTC)**, an ETF that tracks the price of the cryptocurrency – but is only open to hedge funds, ETFs and wealthy accredited investors.

   The fund's only holding larger than its stake in GBTC through Aug. 1 was **Amazon.com Inc. (Nasdaq: AMZN)**. Other holdings include **Netflix Inc. (Nasdaq: NFLX), Nvidia Corp. (Nasdaq: NVDA),** and **Facebook Inc. (Nasdaq: FB)**.

3. **Nvidia Corp. (Nasdaq: NVDA)**: The Silicon Valley tech company – one of the most profitable stocks of 2016 and early 2017 thanks to its work in A.I. and driverless auto tech – is leading the charge to develop faster and more efficient graphics cards made specifically for cryptocurrency mining. Coin "mining" is the solving of complex math riddles to win a batch of Bitcoin instead of paying for it. As the market for mining exploded in recent years, smaller miners have been unable to compete from a single computer using available technologies. These graphics cards of Nvidia, which I'm betting gets to market before other competitors, are expected to close that gap dramatically.

Here's something very important to remember about Bitcoin investing.

The **IRS** treats it as a commodity, not a currency. So you need to keep very accurate records of when you bought and what you paid so you know your cost basis when you sell it. In that sense, Bitcoin is a lot like other types of investments. The difference is that you must do all the record-keeping – without the help of a broker.

We're still in the early stages of a global shift toward Bitcoin and its underlying technology... the blockchain. That means this is a trend with many years of growth ahead.

And that makes Bitcoin good long-term insurance – with the potential for huge gains in the years to come.

That's just the kind of investment we're looking for in this – the most volatile market since 2008.

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