THE HS DENT FORECAST

February 2021

Peak in Process and Internet 2.0: Bitcoin Bubble and Coming Crash Mimic Early Dot-com Rise and Fall

The two most important megatrends to understand as they are coming together right now are:

1. The most powerful long-term stock cycle is the 90-year Super Bubble Cycle (double the 45-year Technology Cycle). It is in the process of peaking NOW and coincides with the most-powerful 40-year Generational bottom cycle, which hits in late 2022.
2. The second tech bubble is peaking almost exactly 20 years after the first one did on the 20-year cycle that doubles into the more powerful 40-year cycle. The new dot-com e-commerce revolution came at the end of the first tech bubble, which crashed even more dramatically, and the Bitcoin/ blockchain new technologies are emerging similarly.

By Harry Dent

As I argued in a recent debate with my friend Michael Terpin on January 27, 2021 (online in Australia January 28), I see Bitcoin as the harbinger of the larger blockchain technology trend that makes the Internet more secure, transparent, private, and efficient for dealing with things of financial value—and that's a big deal…. But this trend first must go through a dramatic bubble burst and shakeout just as the dot-com stocks did, in line with this second broader tech bubble crash between 2020 and 2022. That will be the main topic just ahead. But first, let's recap critical market trends as we head into this all-important, once-in-a-lifetime 90-year grand bubble top.

The point is that big trend shifts are likely just ahead!

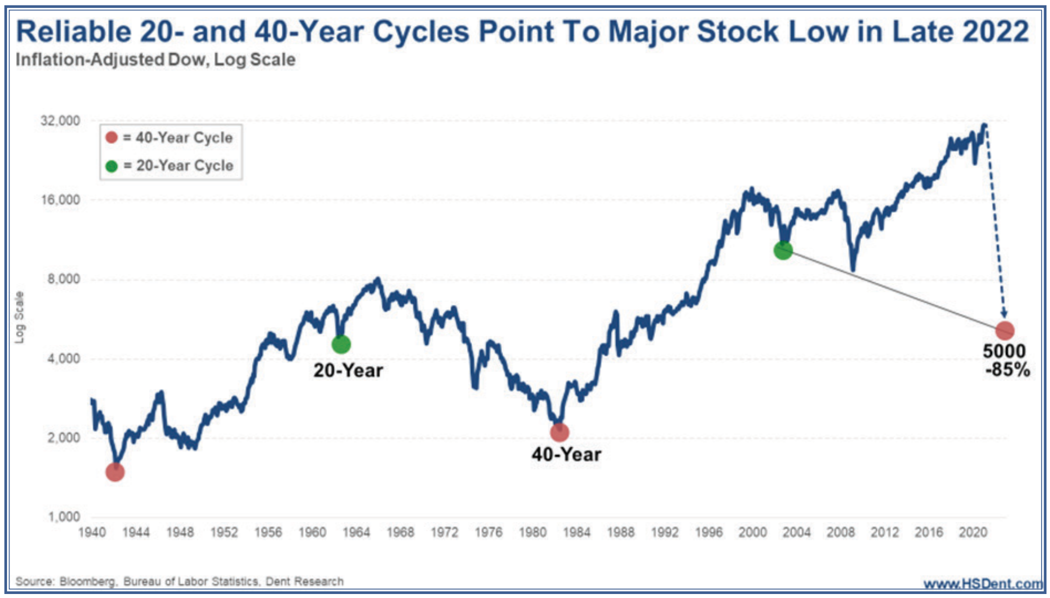
Two Clear Signs of a Likely Imminent Peak… by Mid-February?

In the January issue, I laid out two near-term scenarios. The first was a peak between late December and mid-January; the second was a peak by mid-February, to which I've now added a peak in mid-March, in line with the February 19, 2020, onset of last year's COVID crash and the original dot-com bubble peak on March 9, 2000, after which the broader Nasdaq peaked a day later, on March 10.

It's possible that the S&P 500 peaked January 26, as its steady upward channel was briefly broken. If such a peak and crash don't set in by late March, then the next likely time for it to happen is between May and June. But I see too many signs that point to a sooner peak and crash, including the recent, outrageous doubling of the Airbnb and DoorDash IPOs in the first day. Then there was the outrageous short squeeze inflicted on a major hedge fund by the Reddit/Robinhood small traders. Such things only happen in "markets on crack," as I covered in my rant on January 29.

The end of the present 90-year cycle is already behind schedule, due to massive, worldwide efforts by the central banks to keep the bubble going. But, of course, they are only creating a more-massive monster bubble, which will crush them like the cockroaches that they are! That powerful convergence of the 20-year and 40-year cycles is due by December 2022, which suggests that this crash will start sooner rather than later, given its magnitude.

Note how consistent both the 20-year and 40-year cycle bottoms are and how the 40-year bottoms are always deeper. Back even further, the 1932 bottom did not show up on these 20- and 40-year cycles. A 20-year crash correction occurred before the 1929 top into 1922, followed by a long-term bottom on the 40-year cycle in 1942 at the end of the Great Depression. Thus, this cycle has even more powerful factors behind it and a more dramatic bottom is likely. Almost no one else sees this deep or sharp of a crash coming. Few of my best short-term cycle guys do. Stan Harley has turned bullish now into late 2022. Although Andy Pancholi sees topping patterns here, he does not think that such a sharp or deep crash is likely—at least in 2021.

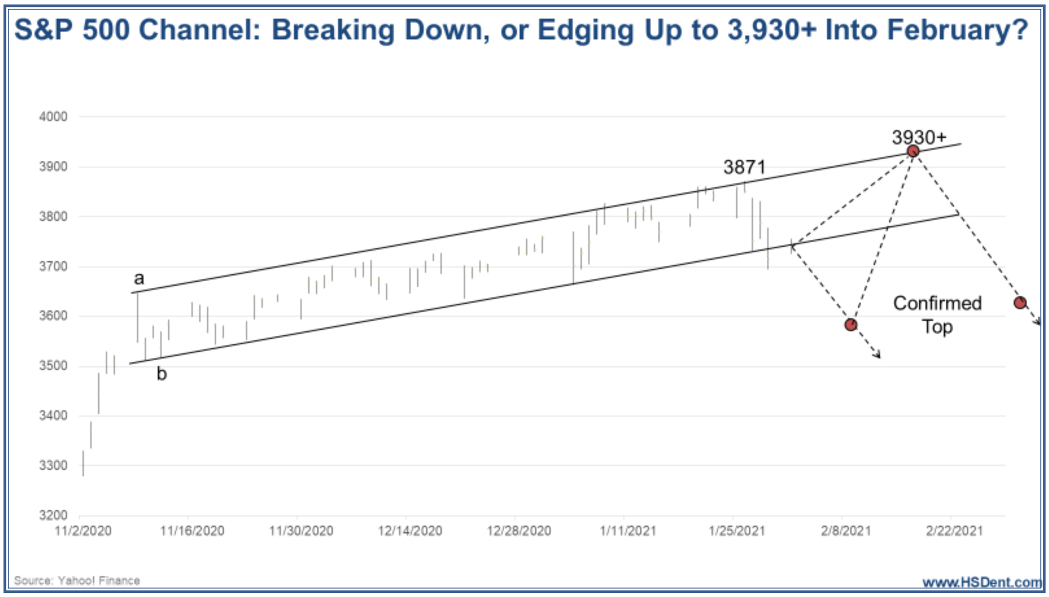


It's difficult to see that such a once-in-a-lifetime crash is coming unless you prioritize powerful, long-term cycles like the 90-year and 40-year cycles. The only major forecaster that sees this same convergence and scenario is Robert Prechter, president and founder of Elliot Wave International. He recently discussed this in an interview with the Foundation for the Study of Cycles. His newsletter, *The Elliott Wave Theorist*, is also one of the few, like Andy Pancholi's, that I always follow.

The topping of the most-powerful 90-year Super Bubble Cycle combined with the bottoming of the most-powerful 40-year Generational Cycle suggests a deep crash is coming in the next 2 years or so that will be even sharper than the late 1929–1932 crash on the last 90-year cycle.

In the January issue, I focused more on this imminent top and showed the potential final channel of the Russell 2000 taking the lead in the late stages. The addition of new fiscal stimulus more favored everyday companies, whereas the massive QE added through May 2000 had created a more favorable environment for the leading tech stocks. But then that channel threw a curve ball. It broke the bottom trend line and then turned around and moved right back into the channel as if nothing had happened. It did not break down more than one channel width (about 100 points), which would have been a clearer violation. Thus, I don't now consider it the best current indicator.

On January 7, I issued an update that focused on the same channel for the S&P 500. It has progressed more consistently. On January 29, stocks broke the bottom of this channel, hitting as low as 3,694, and then bounced to 3,755 at the open on February 1. A break below 3,694 would be the first signal that we've likely already seen a top to the greatest bubble in history. A break of another channel width further (or about 150 points) at around 3,580 or lower would provide a much stronger confirmation, as per my update on January 28. Another variation on this channel would be a break down to around 3,600 this week and then a rally one more time to a new high.



If stocks break back upward either way, then my next likely turn point will be around mid- to late February around 3,930 and perhaps as high as 4,000 with a throw-over rally. After that potential rally, if stocks first break back below the bottom channel line around 3,780 and then fall to 3,630 or lower, it would better confirm the top. That would be the best time to sell stocks or short for traders. I'll keep you updated on this critical channel in the weeks ahead.

The most important chart that I have focused on in the last several months shows the S&P 500 megaphone channel. It has been in a throw-over rally in its final or E-wave; 3,820 was my original target, but my new target will be above that, in the 3,900–4,000 range, if stocks don't keep breaking downward. Much higher than that and it stops looking like a throw-over and instead looks more like a breakout into a higher pattern. This pattern is another one that argues for a top sooner rather than later, especially now that it looks to be breaking back below that top trend line. Look for updates on this channel in the weeks ahead as well.

The Bitcoin Bubble Is the Finale of the Second Tech Bubble and the 90-Year Superbubble

I focus on the Bitcoin and blockchain revolution in this issue for two reasons: it is now the impetus behind the most extreme bubble up in the latest stages of the tech bubble, and it is coming right at the top of the greatest bubble cycle since the 1929 top—one that has not been exceeded in extremes and in the devastation of a broad stock crash either before or since.

Another important insight I have noticed is that all types of major tech and S-curve trends have emerged in recent decades, in biotech most notably, but also in other things, like space travel, and 3D printing. Perhaps the most esoteric is nanotechnology. The nano-revolution ultimately is about making something out of nothing at the invisible, molecular level. But what areas have bubbled up the most in the early stages as each technology emerged? The Internet or dot-com stocks bubbled most between 1997 and 2000, and Bitcoin/blockchain has bubbled the most since 2017 and continues now.

Only the biggest trends bubble that much in the early stages!

Starting in the late 1990s, the Internet began to emerge as the next big thing. The newest trend, emerging in a very similar manner, is the Bitcoin-led blockchain bubble. That's because the Internet of Value, like the Internet of communications and search—Google, email, etc., is so pervasive. It affects everything, including major new sectors like biotech and space.

Bitcoin easily appears to be the silliest bubble since the first modern bubble, in tulips into 1643. At least tulips were worth a few dollars, vs. the $1 million in today's dollars or so that they peaked at. Bitcoin is an invisible coin that produces no earnings or income, but it recently bubbled to nearly $42,000 largely within only a few months! So, it's not as extreme as tulips, but people are more wary of bubbles now than back then when it was the first one.

Here's what I see to be the importance of Bitcoin at this very early 1%–10% stage on the S-curve (equating to 1% of financial assets globally to digital wallets, achieving 10% of the number of bank accounts in the U.S.). **It is simply the first blockchain-based currency ever to be created,** and it is the most visible of such currencies available for adoption and speculation. Even now, Bitcoin represents about 70% of the whole blockchain group of coins and tokens (initial coin offerings, or ICOs), which had a total value of about $1.1 trillion at the recent highs, similar to the dot-coms (in adjusted values) in early 2000.

The last concrete value for 199 dot-com stocks, assessed by Mary Meeker in October 1999, was $450 billion and equated to more like $800 billion at the top in March 2000 dollars. The dollar value would be even higher today, adjusted for inflation. Note that the collective loss for those stocks was $6.2 billion. Lucky, no earnings existed to show how ridiculous the price/earnings (P/E) ratios would have been. The P/E ratio grew to well over 400 for AOL in that crazy first bubble of the dot-coms.

Now, about 8,000 cryptocurrency coins or tokens exist, mostly at lower collective valuations, as it was easier and less expensive to issue coins than highly regulated initial public offerings (IPOs) for stocks—another innovation of this new industry that isn't likely to last much longer, as these ICOs are like IPOs (initial public offerings) in reality. But I am happy to see that new ventures can raise money more easily in this early stage, as it maximizes potential innovation and because the losers will be eliminated quickly ahead. Coinbase is the first major crypto company to go public, presently through a direct listing rather than through an IPO.

Bitcoin is the most visible cryptocurrency, as it is being positioned as having the potential to become "digital gold." If it is adopted enough, if its total value becomes large enough, and if it achieves such levels that it is traded in mass and becomes much more stable in value, then Bitcoin could become the standard for a new, digital-based monetary system that is global and not hackable nor manipulable by governments, like gold was at its best in history.

The best definition of blockchain that I have heard came from my friend, the financial expert Mark Yusco. He calls it "the digitization of all money and financial assets."

Worldwide monies include $37 trillion in M1 level currency (cash and bank accounts), $91 trillion in M2 (including near-cash savings, money markets, etc.), $84 trillion in annual GDP, and about $252 trillion in debt. **But there are a whopping $520 trillion in financial assets….** NOW, does blockchain/Internet 2.0 sound like the next big thing?

Let's look at Bitcoin through the lens of its perception as the next digital gold standard. That is something people can understand from the past, and it is another reason Bitcoin has emerged so dominantly in this early stage. Otherwise, Bitcoin has no obvious use, as it can't create products or services or earnings like the blockchain platform Ethereum can. Will it really become that new gold-like standard to back and to keep all currencies more honest? I'll show how Bitcoin could be worth $500,000+ per coin in the future, at $10 trillion+ total, and then surpass the value of all gold (at around $8–$9 trillion today), far beyond the more-appropriate value of only investment and monetary gold, at around $3 trillion.

Bitcoin doesn't have industrial functions, like being used in jewelry, it has only monetary uses. Hence, it could become large enough and, at 10% to 50%+ ownership, could be much, much more stable in value…. Through conversations with Alex Lightman, a futurist and a new friend I have here in Puerto Rico who is heavily into crypto and creating new coins and who is focused on transactions much more broadly and at the most micro levels, I've come to see it's possible that might just obviate the need for such a digital gold-like standard. I could see that going either way, but….

From my most simple, long-term, fundamental perspective, transactions are the Holy Grail here, not merely ease and radically lower cost of money transfers (which are a great start). My vision of a better future includes a system of money entirely created from the bottom up out of the natural transactions of consumers, businesses, and governments—not from the top down by central banks.

Such a currency would need to be global and not easy for governments to manipulate as they do now by their "natural" (unfair and irresponsible) means of ultimately and always resorting to overstimulating economies through easy and unsustainable debt and by pushing down national currencies to make exports more competitive. Both of these cheats work against the massive power of free market capitalism, just as monopolistic and other policies function for cheating in business. Both of these actions are entirely responsible for this greatest bubble of all time, which will destroy ever-larger amounts of wealth, including $200+ trillion in financial assets, over just a few years. Ultimately, it will be proven to be the monetary Ponzi scheme it actually is.

That's why a from-the-bottom-up free market system, i.e., the original vision of "the invisible hand," à la Adam Smith, has to have simple rules and regulations to work and to keep everyone honest. Government currencies need this as well. And can you imagine how ridiculous it would be if every state in the U.S. had a different currency? It would be like Europe before the euro. A truly global economy ultimately has to have one global currency and monetary system… period!

Near the end of the major 250-year Revolutionary Cycle (which this time will hit in the 2008–2023+ time frame), major institutions that have become too powerful are brought to their knees. During the Protestant Reformation in the early 1500s, it was the influence of the Catholic Church that was crushed. During the American Revolution of the late 1700s, it was monarchies. I say that this cycle will bring the death of central banks…. And I can't wait! All of these were top-down institutions, the shakedowns of which led to more bottom-up progress.

Hence, we don't need central banks to constantly stimulate and micromanage the economy. The invisible hand does a better job of that, and blockchain and Internet technologies just make the whole system more accountable, more democratic, and more free market–based—as the Internet did. Central banks are needed only to inject temporary cash infusions during crises, like in late 2008/early 2009 and likely ahead in 2021–2023. And those injections are there to give some liquidity to ease the shakeout and deleveraging—NOT to prevent it, to the detriment of the system.

Restructuring debts and bringing down financial asset bubbles is an essential part of free market capitalism, or as economist and investor George Gilder says, businesses must simply be subject to failure! Success and failure are the cornerstones to free market capitalism working efficiently. Zombie companies (now at 19% and rising) and unproductive debts only weigh down the economy with lower productivity and money velocity. This is something that the academics who have never had sex or run a business don't seem to understand.

The broadest vision and view of blockchain, not necessarily Bitcoin, is simply that it is a system that allows all transactions and financial transfers to be done radically cheaper and faster, with total transparency and privacy. Such a system would be extremely difficult to hack, or at best would not be hacked at all. Bitcoin has never been hacked, although peoples' wallets have been, occasionally.

In contrast, credit cards today in their maturity on the Internet of information and communications are highly hackable. I've had to get new cards about every 6–9 months. They are expensive for merchants, with 2%–3% fees, and often for users, with annual charges and interest. Fees could be reduced to a tiny fraction of a percent and be far, far less hackable with a blockchain currency. And who wants to change currencies at high expense every time they cross or deal across national borders? Also, blockchain software can be applied at all levels of processes for producing and marketing goods and services to make them more efficient… and so on and so on.

I see companies like Ethereum as the real thing. Ethereum is a digital platform for developing blockchain applications. Also, many of the ICOs of coins or tokens have specific applications that could be profitable. Hence, at this point I see Bitcoin as the first blockchain currency and as a potential overarching standard for the whole blockchain monetary system of the future. But make no mistake about it: **we are nowhere near meeting this vision and having a new monetary system yet.** It's still in the infant stage. Many of the rest of the companies have more potential for actual blockchain applications in the real world.

When I speak at crypto conferences, people see my crash ahead as the trigger to convert to Bitcoin as the safe haven and ultimate store of value and means of transactions—and the crash will accelerate the move to Bitcoin just as the COVID-19 pandemic pushed the move toward more online consumption and transactions. I still think, as was clearly the case during the worst of the 2008 collapse, that **the U.S. dollar will be that safe haven—but even that will be true only during this present crash.** As we move into the future, the combination of the increasing global dominance of Asia and the maturing of emerging blockchain technologies in the next boom will cause the U.S. dollar to fade in value and monetary dominance.

With that overview, let me show you how the emergence and progression of Bitcoin and blockchain technology are similar to that of the dot-coms, which are just maturing today. Think of Amazon as being like the mega dot-com and Blockchain as being like the mega coin/currency for now.

Make Monetary Systems Like Electricity, Which Is Created and Flows Naturally Out of Transactions

Think about money this way. Instead of money being pushed into the economy and managed and manipulated by governments to stimulate or to make a country more competitive in exports (both cheating), it should be more like electricity into your house. There is a massive source capacity, and it can expand to meet the requirements of most applications and instantly flow as needed to anywhere in the house. And not only is electricity ubiquitous in fueling all appliances, its price is a mere fraction compared with the functions that it empowers—hence, it's not a major cost burden that inhibits expanded activity. Here in Puerto Rico, I estimate that the typical family has a $150 electric bill and a $3,000 monthly budget, so electricity represents just 5% of total household spending.

As a basic energy source measured in units (kilowatts) and provided at a cost, electricity is a good standard for comparison of cost and value across all economic functions. How much energy does it take to wash a load of clothes vs. listen to my stereo for an hour? Which activity gives me the most bang for my buck? That's a matter of personal preference and priority. If you are really in a financial bind, you can decide which things to cut back on. Take a shorter shower? Yes…. Stop flushing the toilet? No!

Because it is infinitely divisible, inexpensive, and ubiquitous, Bitcoin can back huge monetary systems (M2) and economies (GDP) at a fraction of their value and also can turn over faster to magnify in good times, as lending expands money supply through higher money creation and velocity. If there is a global standard, then it cannot be manipulated easily by individual governments or nations and cannot be exploited without consequences. Hence, this enforces discipline, as did the gold standard in the past. Countries and central banks would merely have to back their currencies with a small fraction of Bitcoin (or whatever) and make them convertible into the chosen cryptocurrency as gold once was. Then, monies could expand and flow to whatever needs the consumer, business, or government has and to whatever countries are growing the fastest. The key is that Bitcoin or a similar crypto would not be manipulable, so governments could not use it to cheat and create overstimulation and expansion—which they always end up doing, as it's the nature of government officials to want to get reelected and look good in the short term.

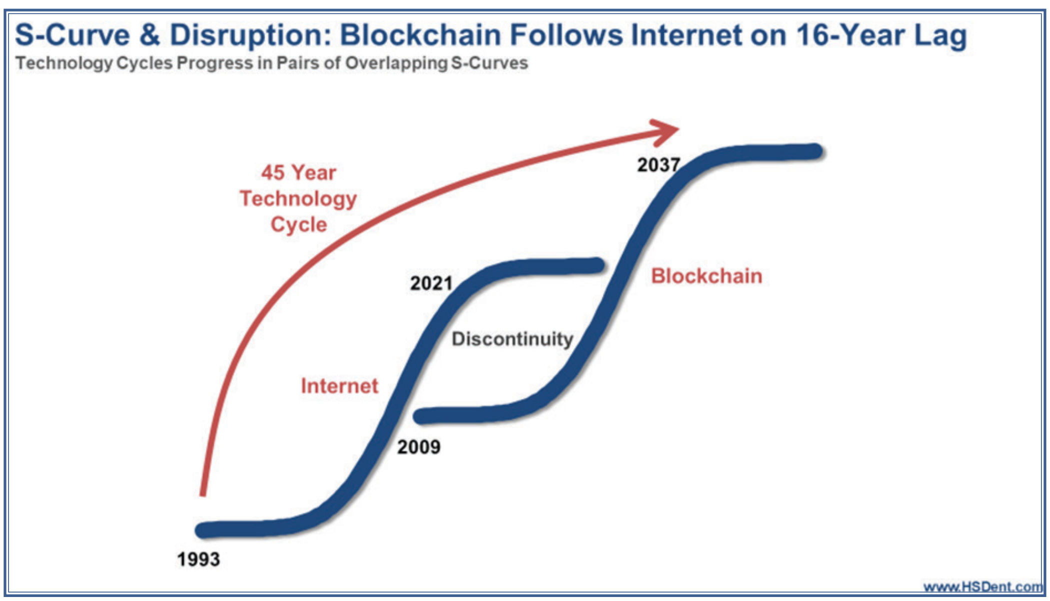
Today, the above-ground stock of gold is valued at around $9 trillion ($1,500/oz. on average) in a global economy with a GDP of about $84 trillion. So, gold represents just above 10% of GDP.

But the value of gold actually used for monetary purposes and backing is way less than that, around $3 trillion, or only 3.5%. And the lower the cost of the exchange unit or standard, like a dollar in its fraction of real monetary backing, the better. Nickels and pennies are very inefficient to produce; nickels cost 6 cents to produce and are valued at 5 cents, or 120%. A $1 bill costs 7.7 cents or 7.7% to produce. But the $20 bill costs 16.1 cents, or 0.8%. Now, you're talking efficiency! And how many times do we turn that over in a year?

The cost of Bitcoin ultimately will be much cheaper. But currencies all require some sort of backing, at least they did prior to 1971, when we went off of the gold standard. That backing would have to be factored in. Today's value ratio of global GDP to total investment gold is about 28 times. Let's say that Bitcoin reserves should be a more generous 5%, like the deposit reserves to back loans. That would require that Bitcoin reserves be worth $4.25 trillion, which would be just under half of the total value, at $500,000 per coin, projected at $9.25 trillion.

Bitcoin and Blockchain Will Emerge Like the Internet Did, on a 16- to 20-Year Lag

First, why the 16- to 20-year spread? The Internet first emerged into the public domain in early 1993 and Bitcoin emerged in early 2009, 16 years later. But these two overarching tech bubbles peak 20–21 years apart on the two major tech bubbles, depending on whether you measure the current one as peaking in early 2020 or closer to now, given the massive artificial jolt to the markets caused by the off-the-charts monetary and fiscal stimulus of 2020 to offset the temporary COVID shock.



When we talk about technologies, we need to focus on S-curve or exponential patterns of emergence, not on more straight-line Spending Waves, on a lag for peak spending as generations emerge and spend more money, driving the broader boom/bust cycle about every 40 years. And note that my most-important, 45-year Technology/Innovation Cycle, which combines with the Demographic and Geopolitical cycles in my hierarchy of cycles, will include two S-curve accelerations: a first, more-radical one and then a larger, more-incremental one that will expand it more fully into the mainstream.

For automobiles, the first S-curve was one auto per household, only in cities and during the time when railroads were fully maturing. The second S-curve was the jump to two automobiles per household, spreading into suburban and rural areas, concurrent with the development of power steering, power brakes, and automatic transmissions, which made cars easier for everyone to drive.

The present, broader broader 45-year Internet cycle includes two S-curves, marked Internet and Blockchain in the simple chart here. The timespan from the origin of the first Internet S-curve in 1993, which happened when the source code for the original World Wide Web from Timothy Berners-Lee was issued in early 1993, until the projected 90% mainstream maturity of blockchain on the second S-curve lasted 44 years, very close to a 45-year cycle. The Technology Cycle is more responsible for bubbles than the Demographic and Geopolitical cycles. Recall that every other 45-year cycle builds on the previous one to create a Super Bubble Cycle every 90 years. Given that the previous super bubble peaked 90 years ago in 1929, we can calculate that the peak of this super bubble should happen around 2019 to 2020+. It's coming a bit late due to massive resistance by the central banks.

Bitcoin and blockchain are emerging during an extreme bubble in the same time frame that the Internet is maturing in a final, broad bubble. So, an early-stage bubble grows as new technologies first emerge (think of the early Internet bubble into 2000), and a late-stage bubble finale happens as the technology matures, as we see happening now with the Internet.

The next "new thing" begins to emerge just as the previous, maturing technology increases into a great bubble. Investors see that next bubble in the making, but they are not realistic about how long it will take to get there (nearly 20 years) or about how many of those new companies will have to fail to make way for the few winners. That's how these early-stage bubbles get overvalued the most compared with sales and earnings (and more often with losses that can't be compared as well).

Now, let's look at Bitcoin's explosive rise to near $42,000 into early December. In late 2019, I predicted an explosion to $32,000 by early to mid-2020 on this same trend line; that was premature. In the December issue of the HS Dent Forecast, I showed that this trend line, through the extreme tops in late 2013 and late 2017, projected that a target and resistance line of around $34,500 would hit just ahead. Most subscribers were probably thinking, "That could happen!" It did, immediately. Bitcoin tested that resistance, hitting $34,600, backed off, and then surprised even me by blasting through the resistance. So now, much higher targets are possible… but Bitcoin did correct to back below that trend line, a possible sign of weakness and a potential top.

If Bitcoin is heading toward higher levels in this rally, it needs to break back above this trend line and to new highs fairly soon.

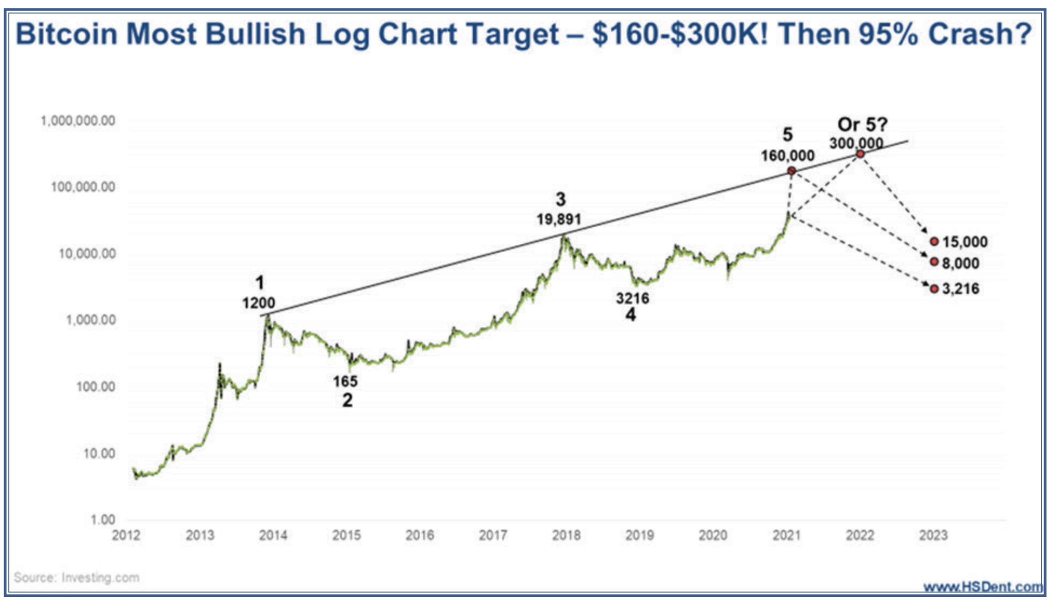
The next logical target for psychological reasons is $50,000 at minimum, but a higher target is more likely, given this ferocious bubble monster. I can work back to $64,000 by assuming an approximate 95% crash, as happened with the dot-coms and Amazon (more ahead), and by asking how high to retest the late 2018 crash low of $3,216. It would need to go to more like $82,000 to retest the 2020 low of $4,107 in early 2019.

But as most in the crypto industry have already observed, thus far, Bitcoin has peaked on a lag to the set halving events. As Michael Terpin says, it's right into December every 4 years. The last two peaks were December 2013 and December 2017. That suggests a peak around December 2021.

So now that this linear trend line has broken so quickly and assuming that Bitcoin will break back up again to new highs, what are the ultimate targets?

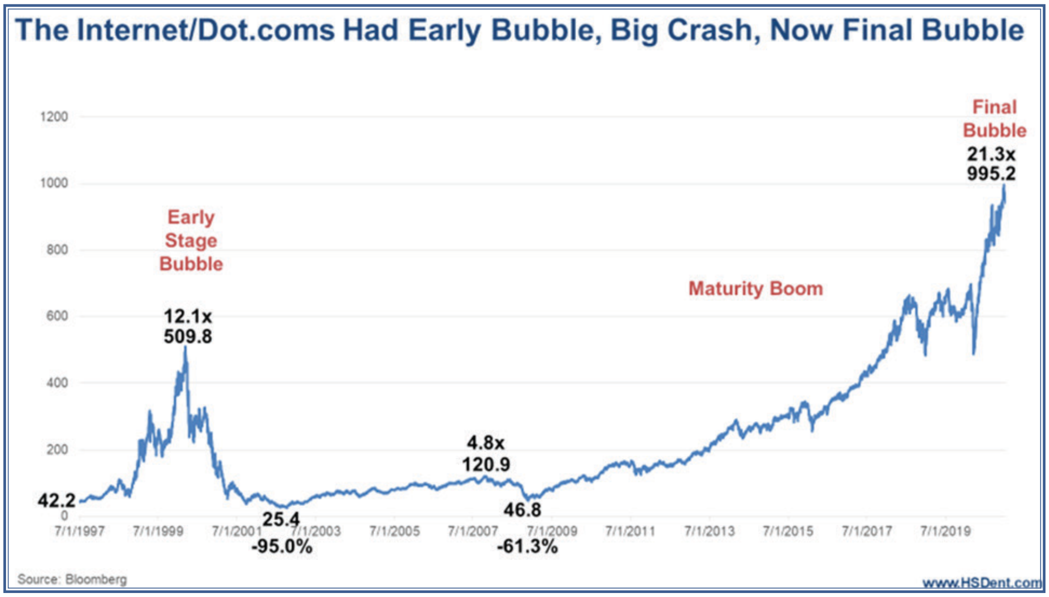
The next chart plots Bitcoin's ascent on a logarithmic rather than a linear chart. Here, the near-term target would be around $160,000, and the target, if it makes it to December 2021, would be a whopping $300,000…. Damn! And, yes, those would be very clear sell signals for a good while.

Here's one caution from my extensive cycle experience. Like planets and other objects with gravity, cycles do tend to affect and warp each other. The massive, most-dominant 90-year cycle will tend to curb the natural 4-year cycle Bitcoin is in and could cause it to peak early this time. Thus, I lean toward that probability in this early-stage bubble; Bitcoin/blockchain will peak along with the second tech bubble here in early 2021. The most likely topping target will be in the mid-February to March ime frame just ahead. If this even-more-exponential path becomes the real trend here, it would make the $160,000 target more likely and it would be a sell signal, if reached.



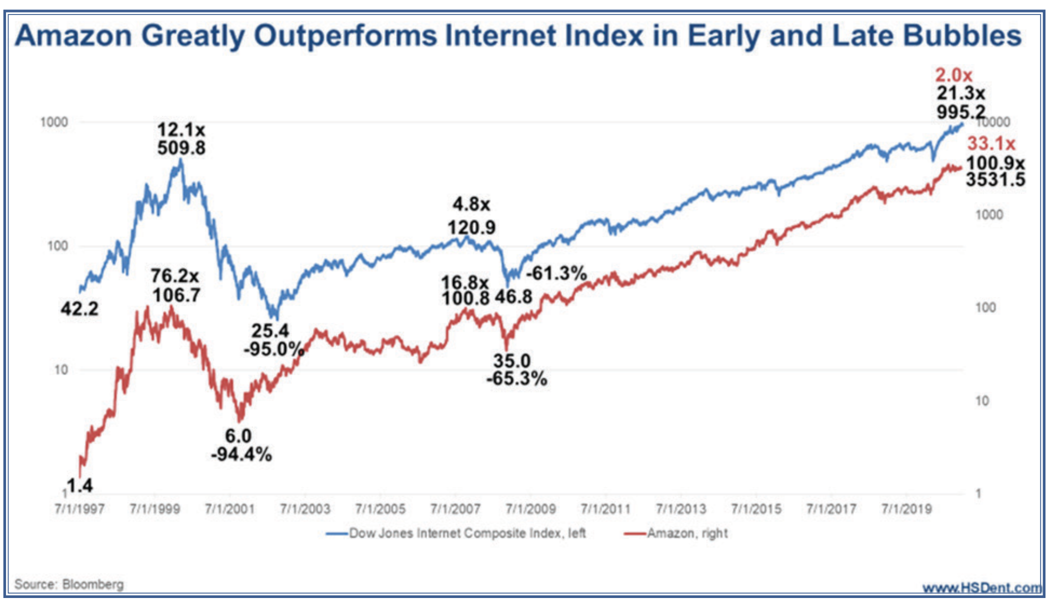
Institutional investors increasingly see Bitcoin as a safe haven and a hedge against inflation. I see it as neither at this early point. Bitcoin has correlated the most with the stock bubble but is just more extreme, like what happened with the early dot-coms. Thus, it should crash the most ahead. If Bitcoin really is going to act like the "new gold" or an inflationary hedge, then it should continue to go up even after stocks start to crash more violently again—but only in the early stages of the crash, in this case to as late as December 2021 on its own natural 4-year cycle. Then, Bitcoin and blockchain could crash by 95% or so into late 2022, and just crash faster.

I do not see this as the most likely scenario, I see Bitcoin crashing more with stocks. But note that gold kept edging upward into June 2008, about halfway through the 17-month overall crash, before suddenly crashing 33% in the second half of 2008 when the worst events hit. That was a minor deflationary crisis, not an inflationary crisis as the gold bugs expected, and the coming crash will be much more deflationary. Back then, gold was not a safe haven, although it did much better than other commodities due to its perceived monetary value. And when the Fed and central banks turned on the monetary fire hoses from late 2008 forward, gold was suddenly rescued and sent into its real bubble, as it was incorrectly assumed that massive money printing would create massive inflation.



Now we're coming to the most-important, big-picture insights. This chart shows the entire dot-com/Internet Index scenario, including the dramatic, early-stage bubble, followed by a 95% crash and then a longer maturity boom that ends in a final bubble. In reality, that's how powerful new technology trends actually emerge—not in the straight-line projections of companies and entrepreneurs.

Gains grew by 12.1 times in that early-stage bubble between July 1997 and March 2020, but a 95% crash followed. By 2004, only 48% of dot-com companies had survived the crash. Shakeouts of the weaker players after allowing many to innovate are an essential part of the free-market capitalist process!



Do you think that 8,000 smaller coins and tokens will survive the greatest 90-year super bubble crash ahead? Not a chance in hell!

After tech and internet stocks greatly underperformed into the 2007 broad new highs in stocks, a longer, much larger maturity boom began. The final bubble included a staggering 21.3 times' gain from early 2009 into recent highs—and more gains still could come. The bubble accelerated faster after the correction in 2015, as bubbles always do. Now, these stocks have more than doubled just since the March lows in less than one year. That is sure looking imminently toppy!

Now, let's look at a logarithmic chart (previous page) that will make these waves clearer and more relative. Let's add Amazon as the largest and leading dot-com retailer. The Internet Index is a little misleading, as fewer and fewer stocks remain after the first shakeout hits and those that follow: hence, it understates the experience for investors in the surviving companies.

Just in the first, early stage bubble, Amazon was up 76.2 times vs. the Internet Index, at 12.1 times. And **Amazon still crashed 94.4%,** almost as bad as the index did, despite its leading market share. Why? The leaders also bubble up the most and then have to crash even harder to come down to reality, even if they do survive to become great down the road.

These are the realities: The early stages of a new technology come on extremely strong and are volatile. Even the leading and surviving stocks can crash by well over 90% in the first big shakeout and bubble burst ahead. Don't think that you'll be okay just because you own the best companies—or Bitcoin in this case.

If Bitcoin just retests its first crash low of late 2018, which would be highly likely in any crash scenario (or goes to the $4,107 low of 2019 at best), then it could crash by 90%–92%. If it hits $64,000, the crash could be 95%. If Bitcoin hits $300,000 by the end of 2021, it could still go down to $15,000 (95%) or to $20,000 (holding just above the previous $19,867 high of late 2017).

This final life-cycle pattern chart shows that if Bitcoin, the largest surviving blockchain company, follows the path of Amazon, the largest surviving dot-com retailer, it could end up worth $500,000 or more as the blockchain revolution matures. That would give Bitcoin a total valuation of around $10 trillion, which would give it the weight to become the new "digital gold" monetary standard—if that is needed in the new world monetary order that will emerge over the next two decades and beyond. Hence, many investors will lose 100%, with no rebound to follow.

And recall that a shakeout is necessary after the crazy, most-overvalued early stage allows many "flowers to bloom," creating the best innovations. The losers shake out quickly so that the process can move on. About half of the various crypto coins and tokens will likely disappear just in the first shakeout.

My best memory from the dot-com bubble is of dot-com grocery business Webvan. Unlike my wife, I don't like to shop for everyday food items. I was really rooting for Webvan to make it and to keep delivering groceries and many other goods to my door. Even though this home delivery model for groceries and other goods eventually became an everyday reality, Webvan was one of the first of such businesses to go under, as it tried to reinvent the wheel, incurring great capital and overhead costs, instead of networking with existing retail infrastructures.

Webvan peaked on December 3, 1999, at $25.44, crashed 80% just four months later, in April 2000, and then fell to near zero ($0.06) by July 2001, the same month that Amazon bottomed at $6. Amazon rose to $3,552 recently, up almost 600 times in 19 years. Webvan was one of the larger dot-coms, not a small one…. **Do you still feel good about holding leading blockchain stocks and Bitcoin?**

What's happening with Ripple is a sign of the shakeout to come; the shakeout is already in motion. Ripple is one of the larger cryptos. It peaked at $3.84 at the December 2017 bubble top, and then crashed 93% into late 2018, to $0.26. Ripple then rose to only $0.77 in the recent bubble (the same bubble that took Bitcoin to near $42,000) and recently fell to as low as $0.22. That's down 55% from its recent high and 94% from its all-time high. Think about thousands of coins disappearing, and that's how you get to a 95% overall crash.

And unless we see those stratospheric heights of $160,000 just ahead or $300,000 by late 2021 (against the stock crash at first), the most likely bottom target for Bitcoin will fall between those previous $3,216 and $4,107 bottoms, by late 2022 and likely well before….

That's when I would buy Bitcoin and the leading surviving blockchain companies!

Summary

Obviously, the Bitcoin/blockchain bubble is the most dramatic trend in this grand convergence of the 90-year Super Bubble top and the critical, 40-year Generational stock cycle bottom just ahead, around the end of 2022, and perhaps into 2023 with the late start to this crash.

We can't predict exactly how central banks will react, but I think they are going to quickly lose credibility when stocks crash again after the largest fiscal ($3.6T) and monetary ($3.6T) stimulus in history, with another $1.9T plus coming from President Biden right away….

The key question is, What will it take for investors to understand the OBVIOUS while they are high on this bubble? It won't matter what the central banks do, past a certain point. Investors will start thinking more like you and I do today, will sell, and will not believe that the next free-lunch stimulus program will do any good anymore!

I still say that stocks look increasingly like they already peaked in late January with the break of the S&P 500 channel (and others). If stocks turn back upward instead, then they are most likely to peak between mid-February and late March and should crash by 42% plus, just in the first round ahead into April to June 2021. If you stay with this bubble, know that risk, and also know the risks of an ultimate 89%+ correction in the Nasdaq and a 95%+ correction in Bitcoin and blockchain stocks before the next global boom begins in 2023 forward.

Obviously, I will keep you updated as this tricky scenario unfolds. The next topping point will come between May and June, if it doesn't happen here shortly. At this point, I am not betting that this bubble will last that long.

Got a question or comment? Reach us at info@hsdent.com.