

Why (the last 2017 bull market is partly fueled by Tethers and) this 2019 bull market is mostly fueled by Tethers? Here are some of my observations.

Let's start with the publicly available information so that we have a starting point from which we could all agree on. There is a strong correlation between the printing of Tethers and the rise of the BTC price. Someone has already done the work so I will just link to them.

Source: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3195066

Source: <https://medium.com/coinmonks/statistical-analysis-of-bitcoin-price-manipulation-by-tether-issuance-in-late-2017-b3342b8915a0>

Let's also start with some publicly known information by now. Bitfinex and Tethers are run by the same owners and they engaged in using paid troll farms to harass anyone speaking badly against Bitfinex/Tethers. For this, one of the main victims is <https://twitter.com/Bitfinexed> so if you want to get some first hand information on that, he/she would be the best person to go to.

Around late 2017, Bitfinex/Tethers received subpoenas from the New York AG. Subpoenas doesn't mean they are guilty of any crime, but it means there are requests for information to assist in some investigation by the New York AG. And here is my opinion which I think the subpoenas likely shocked Bitfinex because around that time, the tether printers no longer go into overdrive and in 2018, they stopped serving US customers. The moment tethers stop mass printing of Tethers, the market keeps falling because there are no new money coming in to support the price.

Then on April 2019, it was revealed that New York AG is investigating Bitfinex and Tether for defrauding New York investors. It was also revealed that \$850 million dollars of Bitfinex/Tether funds was confiscated. This created a panic because Bitfinex has no money to process withdrawals. They are essentially insolvent at that time.

Source: <https://ag.ny.gov/press-release/attorney-general-james-announces-court-order-against-crypto-currency-company-under>

Source: This is the chat log between Bitfinex and Crypto Capital.

66. That was untrue. Documents provided to OAG by Respondents show that during this time, Bitfinex was having severe problems processing client withdrawals. The very same day as the notice to the market set forth above, October 15, 2018, the senior Bitfinex executive (“Merlin”) wrote the following to his contact at Crypto Capital (“CCC”):

Merlin. [15.10.18 09:53]
I have been telling you since a while
Merlin. [15.10.18 09:53]
too many withdrawals waiting for a long time
Merlin. [15.10.18 09:54]
is there any way we can get money from you? Tether or any other form? Apart with cryptocapital we are running low in cash reserves
Merlin. [15.10.18 09:54]
please help
CCC. [15.10.18 09:54]
I know. We are following the banks we post as many as we can and let them process as much as possible according to them. Everytime we push them they push back with account closure without reason
Merlin. [15.10.18 09:55]
dozens of people are now waiting for a withdrawal out of cryptocapital

Source: BTC could tank below \$1000.

Merlin. [15.10.18 10:01]
I need to provide customers with precise answers at this point, can't just kick the can a little more
Merlin. [15.10.18 10:02]
the international I mean
CCC. [15.10.18 10:02]
I will keep you posted here
CCC. [15.10.18 10:02]
On the process of all international payments .
Merlin. [15.10.18 10:02]
please understand all this could be extremely dangerous for everybody, the entire crypto community
Merlin. [15.10.18 10:03]
BTC could tank to below 1k if we don't act quickly **Bitcoin could tank below \$1k, because of Tether.**

67. Documents provided to OAG by Respondents also demonstrate that the loss of funds continued to threaten Bitfinex’s ability to uphold its obligations to its investors through the end of 2018. Over the course of several months in late 2018, the senior executive at Bitfinex wrote the following to his contact at Crypto Capital:

Merlin. [17.10.18 22:28]
Oz I need urgently some funds
Merlin. [17.10.18 22:28]
either Tethers or USD, we need at least 100M within the next week
Merlin. [17.10.18 22:29]
the situation looks bad, we have more than 500 withdrawals pending and they keep coming in

So given those information, if you're Bitfinex and insolvent, what would you do as a last attempt to survive? If you don't print tethers, you're fucked anyway. But if you print, pump and dump, maybe there's a chance.

And guess when the bull market started? April 2019 right after that New York AG report was out. Maybe a coincidence?

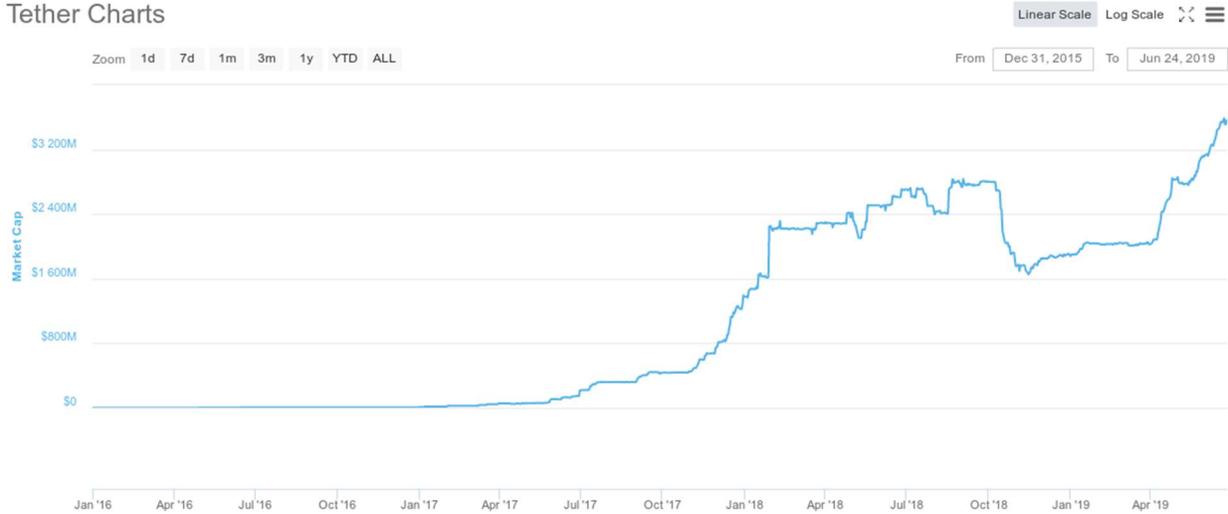
I remember an interview back in May 2019 with Vinny Lingham and he said he has a good view of the crypto market and he said that there is no new money coming in. Source:

<https://www.youtube.com/watch?v=MgQxBK1H8iY&t=27m20s>

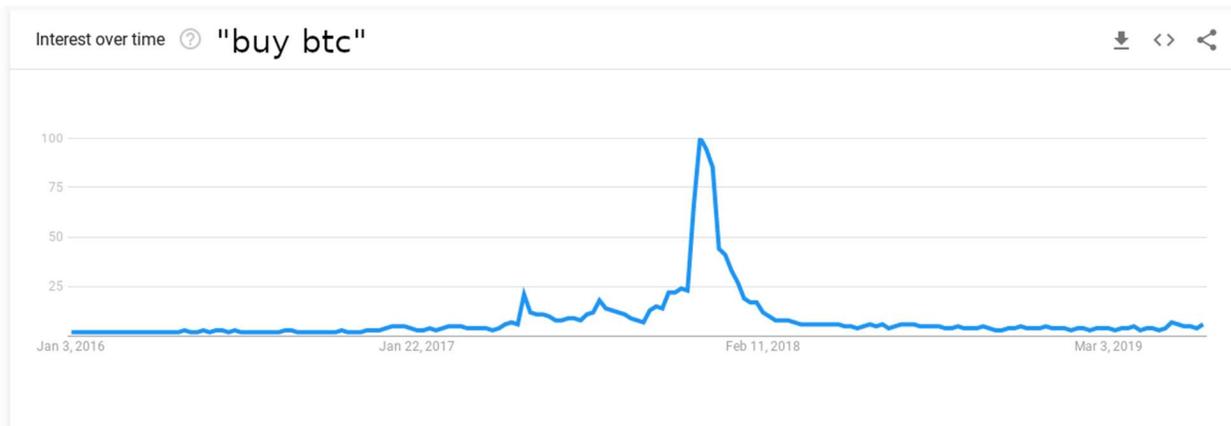
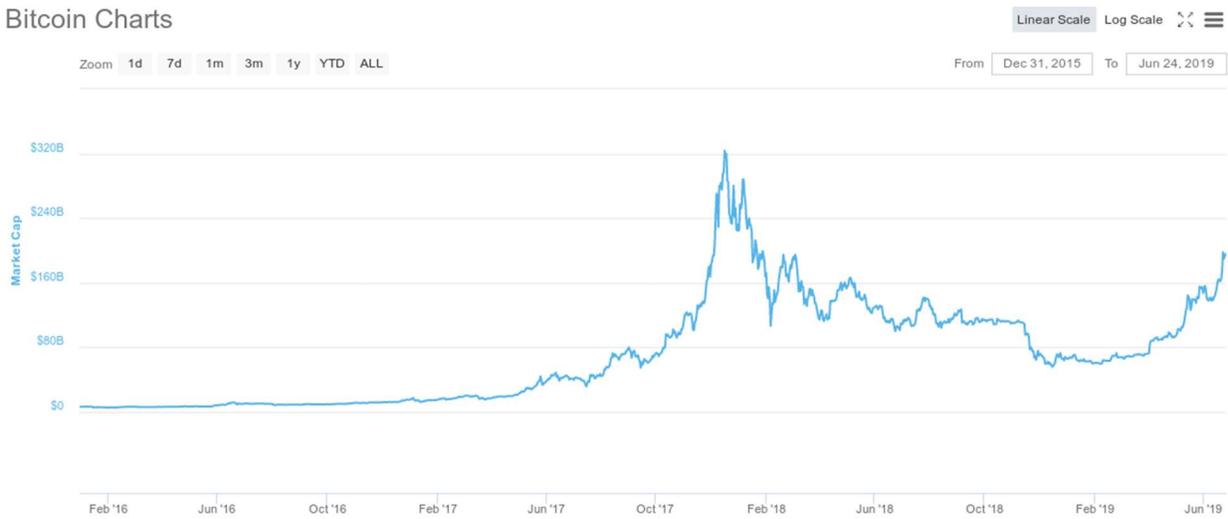
Me myself, I am involved in multiple crypto projects including an exchange, and neither have I seen an uptick in the crypto market in terms of new money and interests. So if there's no new money coming in, what is driving the rise in BTC price?

Let's look at the following charts.

Tether Charts



Bitcoin Charts



What the chart shows is that whenever Tethers stops printing, the BTC price drops. When it is printing massively, the BTC price goes up. The correlation is very strong here.

And the last chart shows the difference between the 2017 bull market and this year's bull market. Back in 2017, many people are interested and searched about Bitcoin so the price growth is driven by actual demand. This year's bull run seems almost entirely based on Tethers.

If we look back at all previous Bitcoin bull markets, there is always an increase in Google searches during the bubble but this time, it seems oddly different.

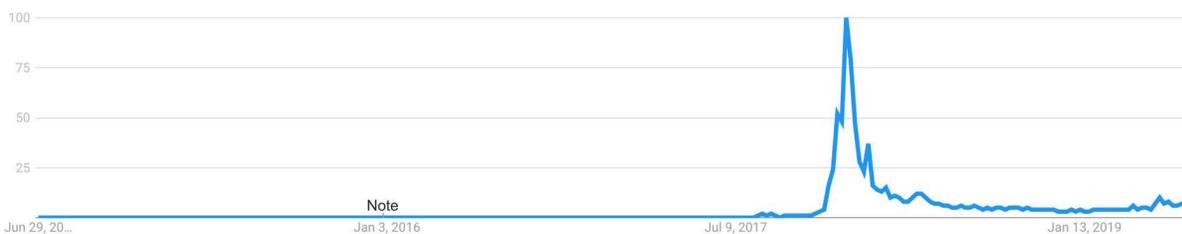
Let's address some common questions raised.

Could it not also be reverse causality and that the interest in Bitcoin is causing them to create more tether to meet demand of traders? Then we need to explain why there was no such gradual interests in the last few months, and the sudden explosive interests on the day right after New York AG public announcement of their investigation with Tethers. Usually interests come gradually, not all at once suddenly in a short period of few days (and no interest few months prior).

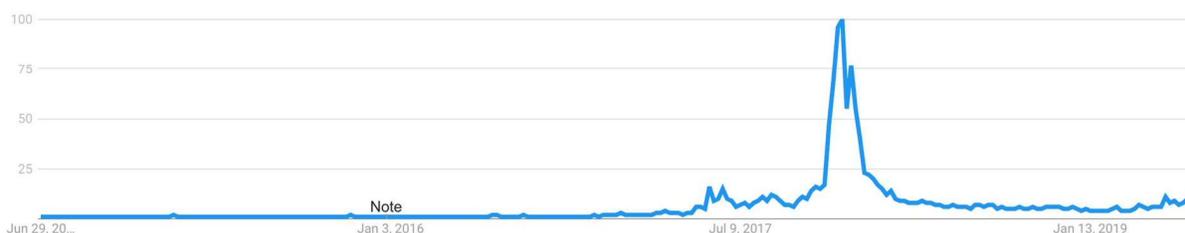
And we need to explain why traders need to go through fake tethers from an insolvent exchange instead of through legitimate regulated audited exchanges... suspiciously at the day right after the New York AG investigation on tethers. I mean, if you are a trader and you knew the exchange is under investigation and insolvent and may shut down anytime, would you really give your money to them?

Not to mention how Tethers keep on changing their story from Tethers being 1:1 backed by USD to backed by reserves to Tethers printing based on rough projected demand. If someone keeps changing their story and lying about it, I would be suspicious of them.

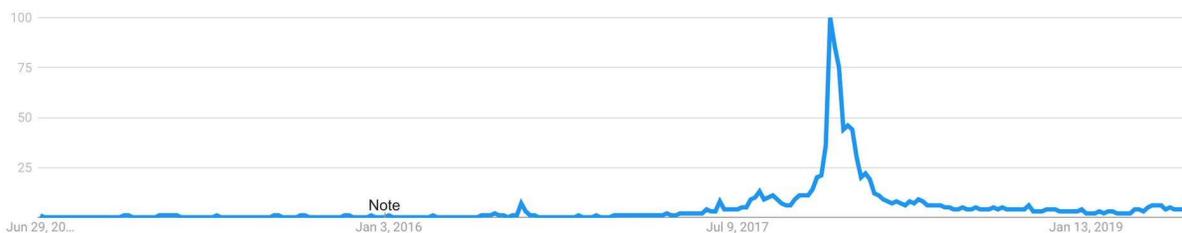
There is also a lack of interests for Google searches for the main exchanges as shown in the following charts so where are the new money coming from for the BTC parabolic price increase?



coinbase



BITFINEX



Another common question was, couldn't this be institutional money? People had been talking about institutional money since 2013. They are not going to buy your bags. Look at Facebook, if they want to come in, they will have their own coin. Plus if they want to come in, they would come in through regulated exchanges such as Coinbase and definitely not through fake Tethers from an insolvent exchange at the exact week when New York AG announces their investigation and seizure of \$850 million dollars. Bitfinex/Tethers had just lost their banking relationship, where are these institutional going to deposit the \$2 billion dollars into during the last 2 months? The timing of the parabolic BTC price increase reminds me of the Mt Gox Willy Bot back in 2013, which also happens after the exchange had serious solvency problems and had to resort to fraud to cover their problems.

My personal thoughts is that if we look at the individual signs by itself, it doesn't mean much. But when you put them all together, it is pretty obvious what is going on. And my biggest worry is like what the Bitfinex guy said in the chat, the BTC price may drop below \$1000 because that may be the true price without Tethers artificially supporting the price.

Some information supporting that BTC price is heavily manipulated. Source:

<https://hackernoon.com/meet-spoofy-how-a-single-entity-dominates-the-price-of-bitcoin-39c711d28eb4>

And here's a recording of Whalepool Group talking about manipulating the BTC price up. Source:

<https://www.youtube.com/watch?v=Uyb4R1xXVZc>

As someone who is deeply passionate about cryptocurrencies because of its potential to change the world for the better, all these manipulation is worrisome for me because there is no real price discovery if there is no free market. But I think most people wouldn't want to know the truth if the truth is going to hurt them, knowing that what they have may actually be just worth less than 10% of what their portfolio says they have.

There are so many suicides associated with crypto losses and that's why I am very worried about all these pumps and dumps. It affects real people and real lives even if we do not ever get to read their stories.