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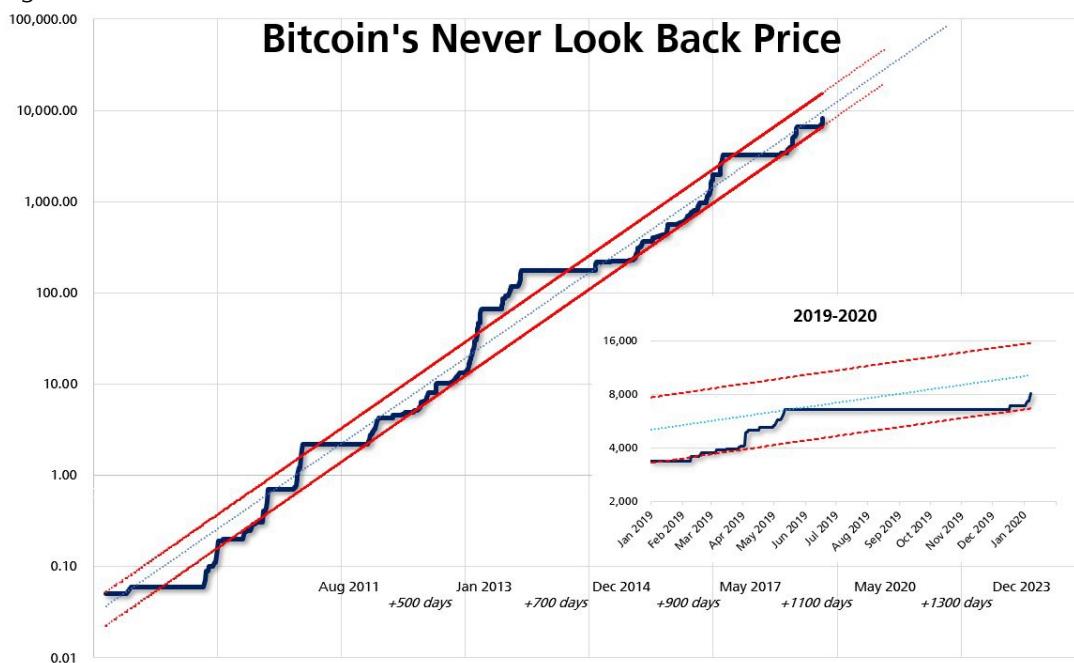
Why Bitcoin's Price Is Never Looking Back

Bitcoin has a relatively unnoticed and — for most — unknown characteristic. I call it the “Never Look Back Price.” The NLB price is the last time bitcoin was at a particular price level. Once it reached that price, it only proceeded up, it never retraced to that value again.

The mathematics are simple:

1. Start at the earliest date (in this case July 19, 2010).
2. Then find the lowest price from that date forward, until today. For July 19, that value is \$0.05, which occurred on July 25, 2010. So, for July 19 we record 0.05.
3. Then advance to the next day, July 20, and repeat.

By the time we get to November 4, 2010, the lowest price forward of that date is \$0.20. By February 2011, it is 0.71. By April 2011, it is \$2.20, a value which occurred on November 19, 2011. This means that after November 19, 2011 Bitcoin's price was never again below \$2.20. It never looked back.



I have plotted these lowest, NLB prices on a lognormal scale over time. The result was amazing.

The horizontal scale is “square root time”, which is just regular time plotted on a different scale (very similar to lognormal scale). The first day $d_1 = \sqrt{1}$, the second day $d_2 = \sqrt{2}$ etc. Day 70 on the chart is actually day 4,900 on the calendar, which is 4,900 days after July 19, 2010 = December 18, 2023.

The reason for “square root time” is explained in a paper I wrote, “Bitcoin Spreads Like a Virus.” It essentially equates traditional time-value of money concepts to bitcoin's adoption rate, and therefore price. But in simple terms it transforms the price into straight lines on the graph for convenience. It doesn't have any effect on the actual price.

There are two important things to mention about this graph.

First, the trend held. It held for ten years. More on that later.

Second, the term “model” is a misnomer. This is not a model. It is a record of bitcoin's actual history: the lowest price on record for an increasing lookback period. We could also call it the “Lowest Price Forward.” The lowest price forward of today's date is today's price. So this method is not really meant for forecasting or valuation per se.

Also, the lowest price on a going forward basis cannot be known in advance. Therefore, while the record shows the current value at \$8,064, that value could be lower if bitcoin's price drops.

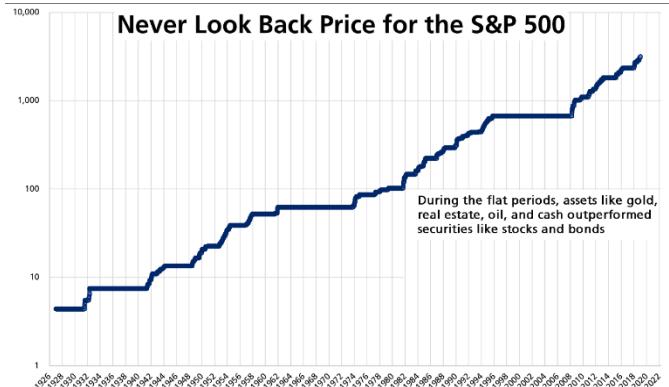
Error bars, shown in red, give an indication of the typical variation that this price history exhibits over time. Still, the historical pattern is very consistent.

The lower error bar gives an indication of bitcoin's floor price: the price at which an investor would have almost certainly never lost money provided they had a sufficiently long time horizon. Historically, the longest time horizon one needed at this floor value was a mere 61 days.

You will notice the time scale on bitcoin's Never Look Back price is +100 +300 +500 +700 days. Why is this? For you math nerds, $1 + 3 + 5 + 7 \dots + 2(n - 1) = n \times n = n^2$.

N-squared is the value principle behind Metcalfe's law https://en.wikipedia.org/wiki/Metcalfe%27s_law.

It is possible to build such "never look back price" graphs for most anything. For example, here is the S&P 500:



What is the graph telling us?

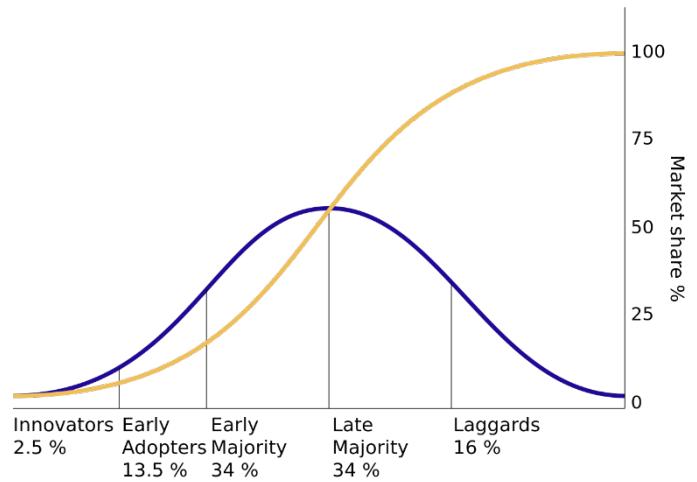
Let's assume there are two types of people that own bitcoin. The first group consists of traders, speculators, people with a curiosity, and yes, price manipulators. This group's behavior is short-term focused. They

cause bitcoin's price to fluctuate wildly, even on an annual basis.

The second group consists of buy-and-hold investors, accumulators, and people that intend to transact in bitcoin for purchases over the long term. This group's behavior is not just long-term focused, it is infinite-term focused. These people are the bitcoin adopters. This group provides a floor value for bitcoin's price. It is this second group, more than any other, that is keenly aware of what the graph in this article means.

Over time, the group that has adopted bitcoin has grown. This growth can be seen in the fundamental metrics associated with bitcoin: active addresses, hash rates, transaction counts, nodes, and miners. It is this network of permanent, foundational users that gives bitcoin its value (See: "Metcalfe's Law as a Model for Bitcoin's Value").

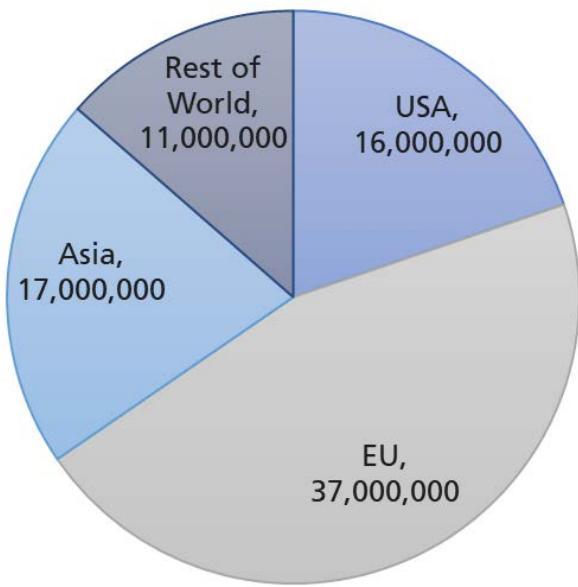
This network of users is growing according to an s-curve:



By most accounts, the adoption of bitcoin is at or below 10% of possible users (see: 2018 ING Survey on Mobile Banking and Largest Bitcoin Ownership Survey Reveals 6.2% Of Americans Own Bitcoin.) By comparison, internet adoption worldwide is between 50% and 60% of possible users, and it has been around for about 40 years.

From such surveys we can conservatively estimate that the total number of bitcoin users worldwide is about 80 million. What's more, that number is expected to grow to at least 180 million in the foreseeable future.

Estimated Number of Bitcoin Users Worldwide



As long as adoption continues, bitcoin's value — represented by its NLB price — will go up. If adoption is hindered, through say, competition (Libra) or government intervention, then the price will stagnate or drop.

The NLB price represents a floor value for bitcoin. The actual price could be higher, but significantly higher prices will fall back down to the floor value. The NLB price is a sustainable price over the long term.

Is this NLB price a trend that will continue? Like I mentioned before, we don't know what the next lowest price is until we hit that price. There will undoubtedly be skeptics who criticize this methodology, and health professional skepticism is beneficial because it keeps expectations realistic. On the other hand, would you bet money that the price will fall substantially, say, to \$4,000, knowing what you know now about the ten-year history of the Never Look Back price? I think that might take some guts, to say the least.

Most technologies that have a public market price attached to them are not rolled out on day one. In the case of fiat currency, the rollout is immediate: everyone gets the currency on the same date, there is no maturation process. In the case of adopted technologies, like Netscape or Facebook, the price is hidden until the initial public offering (IPO) date, often years after their invention. Case in point: Starbucks was founded in 1971. It IPO'd in 1992, its value hidden from public view for over 20 years.

Further, widespread adoption does not require superiority on the part of the thing being adopted. If I asked you "What is the most successful restaurant of all time?" you would say McDonald's. Bear in mind that restaurants have notoriously high rates of failure. Now I ask you:

- Does McDonald's produce the best tasting food?
- The healthiest food?
- Even the cheapest food?

No. Yet the McDonald's model permanently changed human behavior and expectations about food globally.

Bitcoin has many imperfections. So what? Bitcoin was first, and it is the currency that is being adopted, unlike any other that has come before it. First movers become final winners (See: Why Bitcoin Dominates). You can think of bitcoin as a gradual-rollout, new technology that is pre-IPO, but its price is available for all to see.

Bitcoin's Never Look Back price is a picture of bitcoin adoption.

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