

DOW JONES, A NEWS CORP COMPANY

DJIA ▲ 24553.65 0.20%

S&P 500 ▲ 2668.66 0.17%

Nasdaq ▲ 6890.67 0.41%

U.S. 10 Yr ▲ 7/32 Yield 2.381%

Crude Oil ▲ 57.43 0.51%

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <http://www.djreprints.com>.

<https://www.wsj.com/articles/the-force-behind-bitcoins-meteoric-rise-millions-of-asian-investors-1513074750>

MARKETS

The Force Behind Bitcoin's Meteoric Rise: Millions of Asian Investors

Retail investors, mostly in Asia, are pushing the price of bitcoin to new heights

By Steven Russolillo in Hong Kong and Eun-Young Jeong in Seoul

Updated Dec. 12, 2017 9:46 p.m. ET

Behind bitcoin's stunning rise lies a new force in global financial markets: millions of individual Asian investors.

Despite the attention focused on the launch of bitcoin futures in the U.S. last weekend, the center of gravity for trading the virtual currency, measured by volumes, has been in the East—starting in China, before shifting earlier this year to Japan and recently to South Korea as the latest hot spot.

Unlike past financial frenzies—such as the dot-com bubble of the late 1990s, when U.S. retail investors only piled in at the later stages of the rally—individual investors have been first to the party, fueling bitcoin's 1,600% rise this year.

RELATED COVERAGE

- Why Bitcoin? Why Now? (Dec. 9)
- 'You Do Not Understand Bitcoin': Readers Bite Back (Nov. 15)
- Why Bitcoin Buyers Should Heed Lessons of China's Bubbles (Oct. 19)
- South Korea Joins Cryptocurrency Crackdown (Sept. 29)
- Behind Bitcoin's Wild Ride: the Japan Factor (May 26)

“Bitcoin is one of the few markets we've ever had in history where you've seen these astronomical gains around the world and the retail investors in Asia are the ones driving it,” said Chris Weston, chief market strategist at IG Group, one of the world's largest online trading platforms.

“It feels like this whole thing is being driven by the average Joe who isn't nearly as financially literate as a professional fund manager.”

Various forces have stoked Asia's bitcoin fever. While individual wealth has been growing in recent years, particularly in China and South Korea, lucrative investment opportunities can be hard to find, with property markets expensive and stock markets fully valued.

Anecdotal evidence suggests that Asians are more comfortable with the concept of virtual currencies such as bitcoin, particularly younger people who have grown up in a world of e-commerce and mobile payments.

China last year made up the bulk of trading volume before regulators clamped down. But by the end of November, Japan, South Korea and Vietnam accounted for nearly 80% of bitcoin trading activity globally, according to research firm CryptoCompare, while U.S. trading was about one-fifth of the volume. In the past few weeks, the U.S. share of the overall total has increased.

While the numbers can fluctuate significantly daily, South Korea at one point last week accounted for as much as a quarter of bitcoin trading activity, exceeding that of the U.S., according to Coinhills, a data firm that tracks digital currencies. South Korea has a population of about 51 million, compared with 323 million in the U.S.

“Asia in general has a lot of interest in trading cryptocurrencies...[They] are the cool new thing that young people are excited about” said Vitalik Buterin, the creator of another type of cryptocurrency called ethereum, in a recent interview in Seoul.

Lee Sang-chul, 32 years old, is one of the millions of South Koreans who have become enamored with bitcoin. Mr. Lee, who runs a car-detailing shop in the southern port city of Busan, invested 100 million South Korean won (about \$92,000) into the virtual currency in October, a decision he describes as life-changing thanks to the gains he has made.

“Before bitcoin, I'd be at my shop from morning to evening. Now, I close shop when I have an appointment or leave early,” said Mr. Lee. He has hired two people at his shop since he started investing in bitcoin and bought his wife an expensive Chanel handbag for their wedding anniversary.

“My goal is to accumulate as many bitcoin as I can,” Mr. Lee said, adding that he expects the virtual currency to replace standard currencies in the future.

In Hong Kong, cryptocurrency fans gathered on a recent Friday evening at what was advertised as a “Bitcoin Bubble Bash.” The Bitcoin Association of Hong Kong organized the meetup, with BitMEX, a trading platform, helping pay for pizza, wraps, beer and wine to celebrate “the most successful year of bitcoin history yet (again!),” according to the event invitation. Nearly 200 people registered, with attendees including teachers, equity traders and insurance brokers.

“I've doubled my money. It's only going up. I'm getting rich so quick,” said one person who attended the event.

It is people like these across Asia who have propelled bitcoin's prices this year. Analysts reckon traditional Wall Street professionals won't become the market's main driving force for some time.



Bitcoin has soared 1,600% this year. PHOTO: DAN KITWOOD/GETTY IMAGES

“It's the first ever bankerless bubble,” Joshua Brown, chief executive of New York investment-advisory firm Ritholtz Wealth Management, wrote on his blog this month. “There's never been a phenomenon like this where the general public beats the ‘big money’...We have a full-blown mania on our hands and Wall Street is still at the drawing board.”

Bitcoin's popularity in South Korea has led to the cryptocurrency often trading at a higher price there than elsewhere. When bitcoin surged past \$17,000 last week for the first time, according to CoinDesk, a research site that distributes the most widely quoted price across the cryptospace, it hit almost \$25,000 on Bithumb, South Korea's biggest cryptocurrency exchange. Two other South Korean exchanges, Coinone and Korbit, also displayed prices well above \$20,000. Those spreads have since narrowed.

“Every market had its own local rules and that creates all different types of discrepancies,” said Cedric Jeanson, founder and chief executive of BitSpread, a bitcoin-focused hedge fund.

The bitcoin frenzy in Asia has triggered a backlash from regulators and politicians. China has already this year banned cryptocurrency exchanges and initial coin offerings, a form of fundraising that uses cryptocurrencies.

Late Monday, Hong Kong's market regulator warned that some unregulated cryptocurrency exchanges could be illegally offering futures and other cryptocurrency-related investment products.

Earlier this month, Pan Gongsheng, deputy governor of China's central bank, warned investors about bitcoin at an event in Shanghai. "There's only one thing we can do—watch it from the bank of a river," he said. "One day you'll see bitcoin's dead body float away in front of you."

South Korean Prime Minister Lee Nak-yeon has also sounded the alarm. "If we let things continue, I feel that it will lead to some serious distorted or pathological phenomenon," he said in a speech last month.

The chairman of South Korea's Financial Services Commission, Choi Jong-ku, on Monday told reporters the government wouldn't officially authorize any cryptocurrency exchanges or introduce bitcoin futures trading.

"Too many people have jumped in to invest without knowing the basics," said Josephin Jung, a former teacher turned bitcoin trader in her mid-40s, who regularly gives private lectures on bitcoin in Seoul. "And too many are getting cheated in the process."

—*Kwanwoo Jun contributed to this article.*

Write to Steven Russolillo at steven.russolillo@wsj.com and Eun-Young Jeong at Eun-Young.Jeong@wsj.com

Copyright © 2017 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <http://www.djreprints.com>.