

BITCOIN

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Bitcoin has been rallying hard, jumping over 300% in 2020, breezing past its record high to reach \$42,000 in January and pushing above \$44,000 on Monday. | Photo Credit: [Reuters](#)

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Bitcoin surged anew on Monday when [Elon Musk electrified its prospects by pledging Tesla Inc would soon take payment for its electric vehicles in the currency and revealed it had already bought \\$1.5 billion worth of it.](#)

So what's all the fuss about?

WHAT IS BITCOIN?

Bitcoin is the original and most popular cryptocurrency, or digital coin, and started circulating in 2009.

It was created by the mysterious "Satoshi Nakamoto," designed to be free of central financial authorities like governments, banks and central banks. It is "peer-to-peer," meaning it can be transferred directly between online users without any intermediaries.

Also Read | [Bitcoin powers to new high as Tesla takes it mainstream](#)

Bitcoin is based on blockchain technology which acts like a public ledger of transactions and is secured by advanced cryptography that offers users a degree of anonymity.

As there is no central authority governing supply, bitcoin's value depends on people's confidence in it, and to date it has mainly been used for speculation by financial traders rather than for real-world commerce and payments.

WHY HAS IT SURGED IN VALUE?

Bitcoin has been rallying hard, jumping over 300% in 2020, breezing past its record high to reach \$42,000 in January and pushing above \$44,000 on Monday.

This has been driven in part by big institutional investors who see it as a hedge against inflation in a pandemic era of huge financial stimulus, and are attracted by increasing regulation of the opaque crypto market.

Also Read | [Elon Musk says bitcoin "on the verge" of being more widely accepted](#)

There have also been signs that bitcoin may start to gain acceptance as a more mainstream means of payment.

[PayPal Holdings Inc said in October that it would allow customers to buy, sell and hold bitcoin and other virtual coins using its online wallets.](#) The company will also be able to use cryptocurrencies to shop at the 26 million merchants on its network starting this year.

Musk turbo-charged the market with his announcement on Monday, driving a 10% surge in bitcoin.

HOW VOLATILE IS IT?

Historically, extremely. This has made it great for speculators, but less reliable as a form of payment.

In 2013, for example, it started at around \$13 and spiked to over \$1,000 by December. In 2017, it went from about \$1,000 to around \$20,000. In early 2020, it had sunk below \$4,000 at one point before its dizzying rise to nearly \$45,000 on Monday.

Also Read | [Bitcoin crosses \\$40,000 mark, doubling in less than a month](#)

HOW DO YOU STORE, TRADE AND SPEND IT?

Bitcoin is held in virtual wallets with unique keys. Transactions are made by sending bitcoin from one wallet to a unique key associated with another wallet in a cryptographic process that is verified by computers across the bitcoin network. Bitcoin wallets can be stored offline or online at cryptocurrency exchanges, venues where bitcoin can be bought and sold for traditional currencies or other virtual coins.

HOW ARE BITCOINS CREATED?

New bitcoins are generated in a process called "mining," which involves individuals or groups using large amounts of computing power to solve complex mathematical equations to build the blockchain and earn rewards in the form of new coins.

Also Read | [AI-based system can spot unauthorised cryptocurrency mining](#)

Bitcoin was designed to be created at a fixed rate, which means miners must compete against each other to win coins. The number of bitcoins created annually automatically decreases over time and issuance will end with a total of 21 million bitcoins in circulation.

The more time passes, the harder computers have to work to mine new bitcoins. There are currently more than 18 million bitcoins in circulation.

WHAT DOES THE FUTURE HOLD?

The cryptocurrency, originally designed to subvert the establishment, has travelled a long way from its counterculture roots, with financial institutions like hedge funds and big corporations driving the market.

Some industry experts view Musk and Tesla as quickening its inclusion into the financial mainstream.

Also Read | [India proposes law to ban cryptocurrencies, create official digital currency](#)

"This is certainly a game-changer," said Eric Turner, vice president of market intelligence at cryptocurrency research and data firm Messari.

"I think we will see an acceleration of companies looking to allocate to Bitcoin now that Tesla has made the first move. One of the largest companies in the world now owns Bitcoin and by

extension, every investor that owns Tesla (or even just an S&P 500 fund) has exposure to it as well."

But if bitcoin's history has taught us anything, it is to expect the unexpected.

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