

DAVENPORT
— Laroche —

INVESTOR ALERT



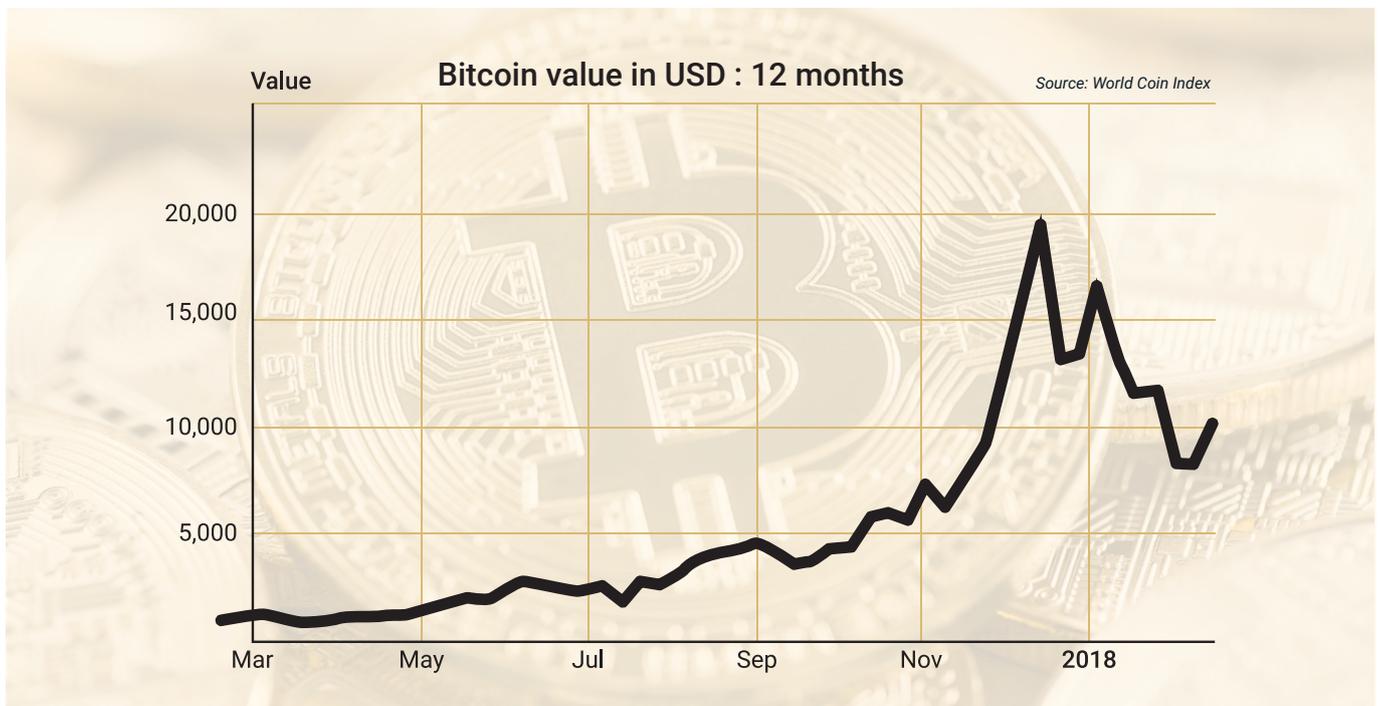
Issue 35

After a busy start to global shipping and transport in 2018, be sure to stay up to date with the latest developments in this month's Investor Alert.

IN FOCUS:

WILL THE BITCOIN BUBBLE BURST?

CRYPTOCURRENCIES HAVE BECOME INCREASINGLY POPULAR INVESTMENTS - THE MOST FAMOUS AND FIRST CRYPTOCURRENCY, BITCOIN, HAS SEEN A PARTICULARLY REMARKABLE RISE, DOMINATING HEADLINES AND FINDING ITS WAY INTO PORTFOLIOS AROUND THE WORLD.



But how sound an investment is Bitcoin? Many have doubted its long-term viability and security. In this In Focus , we take a closer look.

Originally created in 2009, Bitcoin remained relatively obscure until 2017. Values began to climb, speculation drove prices higher as more flocked to invest, and near the end of 2017 Bitcoin peaked at almost \$20,000. Such prices were not sustained. In early 2018, Bitcoin values have **plummeted** to around half their peak level. For many experts, this was no surprise.

▼ **99%**
Values
Plunged



Stock market analysts had been wary of the bubble-like features of Bitcoin; they aren't new. In the 1630s, Holland was gripped by 'Tulipmania', when prices for tulips rose 20-fold over the course of four months. Tulip bulbs became so valuable they were worth more than some luxury homes, before **values plunged 99%**, leaving investors across Holland bankrupt.



'Tulipmania', like other financial bubbles, was purely irrational. **Price rises were not driven by actual value**, but by speculation and expectation of higher prices. This is what similarly drove the Dot Com bubble in the 1990s and the US housing bubble in the early 2000s.

And the common thread tying all bubbles together – sooner or later, they burst. And the bigger a bubble, the greater the damage when it finally **collapses**.

Some have claimed that Bitcoin's rise is driven by its benefits, enabling use around the world, lower transaction costs and less corruption. But Bitcoin does not bring these advantages - **payments can take up to 10 days, transaction costs are far higher than conventional currencies, and hacking often wipes out** the entire value of Bitcoin wallets. Bitcoin's value is led by speculation, and there is little protecting it from a collapse in value.



As a small group of individuals hold a large majority of all Bitcoins, price fluctuations are sudden and unpredictable, making Bitcoin a **highly unreliable investment**. As noted in the Atlantic, the price of Bitcoin 'rises and falls like a plastic bag in a hurricane'.



Goldman Sachs has also raised such concerns. A report sent to investors warns about increases in cryptocurrency values, stating that there is **'no doubt that the rise in Bitcoin's price has pushed it into bubble territory'**.

The report claims that while cryptocurrency prices may rise from current levels in the short run, they will be unable to retain value in the long run.

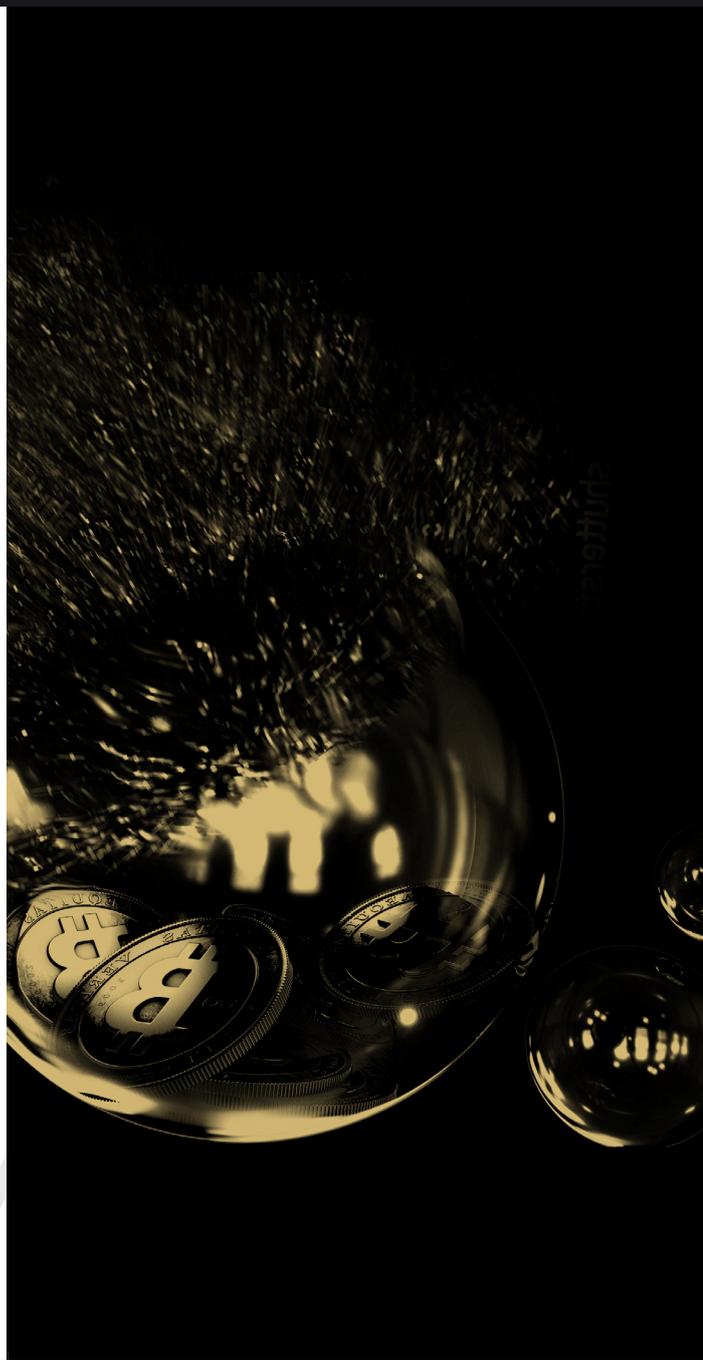
Other experts have echoed this warning. Warren Buffett, the world's most successful investor, recently said about Bitcoin



"I CAN SAY ALMOST WITH CERTAINTY THAT [IT] WILL COME TO A BAD ENDING,"

Warren Buffett

In addition, Nouriel Roubini, an economics professor at New York University who predicted the 2008 global financial crisis described Bitcoin as **"the mother of all bubbles"**.



But perhaps these cautionary words are the most telling:

"Our descendants doubtless will laugh at the human insanity of our Age, that in our times, the tulip flowers have been so revered."

Theodorus Schrevelius, a Dutch historian, 11 years after the collapse of the tulip prices.

LATEST TRADE DEALS & TRANSPORT NEWS



It has been a strong start to the year in the global shipping sector. Following a strong 2017, many hub ports, from Doha to Rotterdam have begun the new year with an **upsurge in traffic**. Promising conditions have led Standard & Poor's to predict in its Global Ratings report that the three main segments of global shipping - dry bulk, tankers and containers - will **all rise in 2018**.



Dry Bulk

Tankers

Containers



The world's largest shipping company, **Moller-Maersk** has agreed a joint venture with IBM to create a global trade platform using **blockchain technology**. The companies claim it will help manage and track tens of millions of shipping containers, digitising the supply chain process from end to end and improving the cost of transportation. Read IBM's **Blockchain Unleashed** to find out more.

The joint venture is not IBM's first move to bring cutting-edge technology to shipping - it has also teamed up with the Port of Rotterdam to develop the 'Smart Port of the Future'. Aiming to digitalise the port's operational environment through **Internet of Things (IoT) technology**, the multi-year project will create a centralized dashboard collecting and processing real-time data, enabling a new wave of safer and more efficient traffic management systems.



In January China's Cosco Shipping Ports Ltd. signed an agreement with the Port of Zeebrugge in Belgium. The concession will give Cosco, the world's leading port operator, improved access to the major gateway port of Belgium and major hub port in Northwest Europe, in a move that will support Belgian-Chinese trade.



In trade deals news, Canada said it would be prepared to sign a new Asia-Pacific trade pact after to diversify exports amid doubts,

a move signalling the Canada's positive approach to trade despite doubts over NAFTA.



In the shipping sector, South Korea's Hyundai Merchant Marine (HMM) has agreed a huge **\$176 billion** deal with GS Caltex to transport **19 million tons of crude oil** from the Middle East over the next five years.

\$176 Billion

In a promising move for Asian shipping sector, DP World has partnered with the India's National Investment and Infrastructure Fund (NIIF) to invest **\$3 billion** to improve India's **logistics sector**. The agreement will upgrade freight corridors, transport hubs, sea and river ports and infrastructure including cold storage.



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