

Influencers and the markets. Who will have the last say

By [Fred Razak](#)

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A divisive Tweet from Elon Musk threw Bitcoin into disarray on 13 May, leaving traders wondering about the future of the cryptocurrency. Historically speaking, market reactions prompted by individuals go back a long way. We could look back at the time of JP Morgan himself in the 1920s, making various statements that led to the 1929 crash of the Dow Jones, leading, in-turn, into the Great Depression and ultimately the beginning of the Second World War with hyperinflation in Germany.



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Throughout our time, major players have made statements about the markets because they were trading on much larger intervals than they were supposed to be trading upon. And in terms of the markets right now, many experts have suggested that the markets are trading at intervals that are not sustainable – being supported by central banks that are artificially sustaining them and the public at large not quite understanding where the real value of the markets is.

Influencers

So, who are some of the major market influencers today? Probably the likes of Warren Buffet and his partner Charlie Munger; George Soros; JP Morgan CEO Jamie Dimon; Jeff Bezos; Bill Gates – who has been very outspoken about the pandemic – and recently, Elon Musk. These types of corporate leaders see the overall picture of the markets today and currently carry the biggest influence with their voices and opinions.



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Key people and trendsetters affect the markets by leading in terms of understanding where the markets are going. These individuals have unique insight into where the markets are headed because they see the numbers. Take the software industry for example. The leadership of these companies knows how their businesses are performing in any given quarter, before any figures are made public. They have their fingers on the pulse of what is going on in the markets in real time.

Trendsetters have a role and responsibility not to provide misinformation to the public for their own good. Unfortunately, this isn't always the case. JP Morgan's investment division, for example, is not supposed to be trading information with its trading division. This is called the 'Chinese Wall'. Investors have an edge over traders because the information they have has not been disseminated into the markets, and they should not be discussing investment conditions with traders, because that, in effect, is insider trading. By that token, CEOs and influencers have a responsibility to see that things are not swayed in a certain way. But information often filters through them and this can have an effect, despite regulations.

Having said he would take Bitcoin as tender at Tesla, Elon Musk retracted that; and it had a short-term effect on the value of the cryptocurrency. But, in between that, other companies – including Paypal, one of Elon Musk's previous companies, and Visa and Mastercard – jumped on board saying they would accept Bitcoin. This shot the value back up.

Volatility

Cryptocurrencies' volatility is the product of a lack of regulation and central government control, and at this stage, it is not stable. Imagine the price of your house fluctuated by \$30,000 in a matter of a day because of uncertainty or as the result of a comment by an influencer. You probably wouldn't sleep much if your base currency was to fluctuate so much on any given day, just based on a Tweet. As a currency, volatility like that is also not sustainable. That is the problem with using Bitcoin as tender currently. With a stable currency investment, you can't have a deflation or inflation that is more than 2% a year. But cryptocurrencies are still quite fickle, devaluing them in terms of real-world use.

No matter what the influencers say, though, cryptocurrencies' volatility does make it an interesting and often exciting space to trade in. And while quick fluctuations bring increased risk, they can also potentially yield higher returns. There is more to trading than just what the influencers are saying. The regulatory environment, global conditions and many other socio-economic factors also weigh in. But as we have historically seen with JP Morgan, Musk and others of their ilk, face value and opinion can have serious impact. It is always interesting to find out who will say what next and exactly how much power their words will have.

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