

# Bitcoin's 'Glitch in the Matrix' Has MicroStrategy Stuck in a While Loop



In computer programming, there's a concept known as the "while loop", a piece of code that repeatedly executes a task until a certain condition is met. It seems that MicroStrategy (MSTR) is stuck in this loop.

Many "fundamental" investors are attempting to short the stock, as it trades at multiples far beyond its core net asset or book value. Yet, despite this, the stock shows no signs of relief. Why?

The answer lies in MicroStrategy's leveraged play on Bitcoin. CEO Michael Saylor has discovered a "glitch" that allows him to borrow money at essentially zero cost and pay nothing to lenders, using

the proceeds to acquire more Bitcoin. It's a remarkable deal that keeps driving the cycle forward.

Saylor is issuing debt via convertible bonds with a 0% coupon, offering a 55% premium. Even at these terms, demand exceeds supply, creating what seems like an endless arbitrage opportunity. So, why should anyone stop?

The Bitcoin story is well known. As Bitcoin matures into a mainstream asset class and gains institutional adoption from firms like BlackRock (BLK), its value continues to climb. With only 21 million tokens in existence, its price appears to have no ceiling, attracting traders eager to own a piece of it.

Bitcoin has become the favoured asset for those betting against fiat currency debasement. However, it is important to recognise that Bitcoin is a high-risk, high-reward asset, driven by liquidity on steroids. We saw this in August when the Dollar/Yen trade unwound. In times of economic stress or geopolitical conflict, gold—while less "shiny" than Bitcoin—remains the traditional store of value.

Bitcoin's halving cycle, which occurs every four years, also contributes to its price rallies, especially around post-election periods. With President-elect Trump's Bitcoin-friendly policies—suggesting, for example, a strategic Bitcoin reserve—it's easy to see why some projections range from £250,000 to even \$1 million per Bitcoin.

MicroStrategy effectively holds Bitcoin, and as Bitcoin's price rises, so does the company's valuation. But the stock's multiple isn't merely a function of Bitcoin's price; it's amplified by the company's ability to borrow cheaply and use that debt to buy even more Bitcoin, creating a self-reinforcing cycle of upward momentum.

For institutions unable to trade Bitcoin futures—such as the Swiss National Bank—MicroStrategy offers an alternative way to gain exposure to Bitcoin's rise. With endless demand and limited supply, this explains much of the stock's persistence.

Fundamental investors running premium-to-NAV (Net Asset Value) models, citing the 3x+ multiple, are getting burned as they short MSTR. The liquidity is simply insufficient to fight the tide of rising demand.

While the saying "what goes up must come down" holds true, timing is critical. As Bitcoin's price increases, MicroStrategy's stock will likely rise far more than its intrinsic value. To make matters worse for shorts, with Bitcoin now included in the Nasdaq 100 Index (QQQ), the relationship between Bitcoin's performance and broader market indices becomes even stronger. Passive funds tracking these indices would push the stock higher, adding fuel to the fire.

MicroStrategy is trapped in a "while" loop, and only a decline in Bitcoin's price or regulatory intervention could bring it to an end. However, with major institutional investors firmly "hodling" their positions and a Bitcoin-friendly political environment, it's unlikely that regulation will intervene. As long as Bitcoin continues to rise, so too will MicroStrategy's stock.

Further reading: [MicroStrategy's Bitcoin Investment Strategy: A Comprehensive Overview](#)

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