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Cryptocurrencies and traditional financial markets during COVID

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Financial markets are characterized by an enormous network of connections and factors that can influence the structure and dynamics of the system. One of the youngest part of the modern financial markets are cryptocurrencies. Since the Bitcoin invention in 2009, the cryptocurrency market has experienced striking development over the last few years - from being entirely peripheral to the capitalization above 2 trillion USD in April 2021. The Covid-19 pandemic affected essentially all activities in the world and in particular the financial ones. It caused a crash on the financial markets in March 2020 and did not spare the cryptocurrency market valuation either. However, during the market panic the cryptocurrencies behaved more stable than some traditional assets like oil. This can be viewed as a positive verification of the crypto market. It also seems that the events connected with Covid-19 triggered the emergence of cross-correlations between the major cryptocurrencies and the traditional markets. What is the most interesting these cross-correlations occurred not only during the sharp market fall, but also during a recovery phase in the second half of 2020. This may be the sign that cryptocurrencies become a connected part of the global world's financial market. The recent spike in crypto market capitalization suggests that cryptocurrencies are fulfilling their intended role as a hedge against printing money and the depreciation of fiat currencies.

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