Cryptocurrencies as an Asset Class? An Empirical Assessment

Overview

In [**Cryptocurrencies as an Asset Class?** *An Empirical Assessment*](#) from the Fall 2020 issue of *The Journal of Alternative Investments*, author Daniele Bianchi of **Queen Mary University of London** explores how cryptocurrencies (for example, Bitcoin) relate to traditional asset classes such as stocks and bonds. Bianchi posits that cryptocurrencies are global investments because they are not tied to any country. He therefore matches the performance and volume of cryptocurrency against that of global stock, bond, and other indexes. He also explores the driving factors behind cryptocurrency market activity.

Bianchi finds no significant correlation between the performance of cryptocurrencies and that of traditional assets, except for a slight correlation with commodities, especially precious metals. He also finds no correlation between the volatility of cryptocurrencies and traditional assets. Finally, he finds that cryptocurrency trading volumes are not affected by macroeconomic events; their main driver is past performance—meaning investors trade cryptocurrency based on gut feelings rather than analysis. Like gold, cryptocurrencies can act as a hedge against stock market losses—but they do not have gold's perceived intrinsic value, since their value is based only on the platforms and projects with which they are associated.

Practical Applications

- **Financial professionals should learn how cryptocurrencies behave in the market and how they compare to traditional asset classes.** Cryptocurrencies have seen explosive growth and have become a significant component of financial markets.

Daniele Bianchi

d.bianchi@qmul.ac.uk

Daniele Bianchi is an associate professor in the School of Economics and Finance at Queen Mary University of London. Previously, he was an assistant professor at the Warwick Business School, University of Warwick. He has been a visiting scholar at the McCombs School of Business at the University of Texas, at the University "Ca' Foscari" of Venice in Italy, and at the Nova School of Business and Economics in Lisbon. He is also an advisor for Aaro Capital Ltd. and research director for SelfieWealth Robo-Advisor.

Dr. Bianchi's research interests span Bayesian methods, empirical asset pricing, financial econometrics, and machine learning. He has published in the *Review of Financial Studies, Journal of Econometrics, Journal of Business and Economic Statistics,* and *Journal of Financial Econometrics.* He holds a PhD in finance from Bocconi University.