

Bitcoin crash could derail other cryptocurrencies

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A sharp fall in the value of Bitcoin may cause other cryptocurrencies to

crash, but is unlikely to have a significant impact on traditional assets, according to new research published in the journal *Economics Letters*.

Researchers from Anglia Ruskin University, Dublin City University and Trinity College Dublin examined the performance of three established cryptocurrencies - Bitcoin, Litecoin and Ripple - and analysed their relationship with a variety of other [financial assets](#) such as gold, bonds and stocks.

The study found that Bitcoin [prices](#) affect Ripple, with a spillover of 28.37%, and Litecoin (42.3%), while the highest spillover from a cryptocurrency to a "traditional" asset was Bitcoin to Forex (FX), at 15.25%. In reverse, the highest price spillover from traditional assets to a cryptocurrency - Forex (FX) to Bitcoin - is only 4.18%.

The study also found that the volatility of cryptocurrencies is significantly higher than that of other assets, and that Ripple and Litecoin have limited influence on Bitcoin, proving that Bitcoin is the clear leader in the cryptocurrency market. The research also suggests that Ripple and Litecoin have seen their values increased thanks to the rapid growth of Bitcoin.

Co-author Dr Larisa Yarovaya, Lecturer in Accounting and Finance at Anglia Ruskin University, said: "We identified that cryptocurrencies are relatively isolated from other financial assets, but are interlinked with each other.

"This means a decrease in the price of Bitcoin is unlikely to decrease the price of gold, or negatively affect the stock market of US, but the strong links between Bitcoin and other cryptocurrencies mean that those markets will fall.

"Our results support the position that [cryptocurrencies](#) are a new

investment asset class and have a role in an investor portfolio, being highly connected to each other but disconnected from mainstream assets. However, they also contain their own idiosyncratic risks that are difficult to hedge against."

Provided by Anglia Ruskin University

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