Correlations in Cryptocurrencies: A Comparative Safe-Haven Analysis

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Cryptocurrency is a digital financial asset that has gained exorbitant traction in recent years. Since the global financial crisis period, traditional safe-haven investments have lost their effectiveness. Thus, many have begun to consider cryptocurrency as an adequate safe-haven regardless of the controversy surrounding the belief. Through econometric analysis, the study examines correlations between two cryptocurrencies (Bitcoin and Eth), safe-haven assets (gold, USD) and stock market indices (S&P and select sectors). The study utilized daily data from 01 January 2021 to 31 December 2022 at market open and close. This study analyzed the statistical properties of Bitcoin and Eth and determined that there were negative correlations with the dollar and gold for specific periods while there was a positive correlation to the S&P broad market index as well as specific safe haven sectors. Thus for specific periods Bitcoin and Eth were found to maintain statistical hallmarks of safe-haven assets while mostly maintaining the safe-haven capabilities in 2022, yet these qualities can be nulled due to the positive correlation to the S&P.

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