

Title

Bitcoin—A hype or digital gold? Global evidence

Journal

Australian Economic Papers: Volume 59, Issue 3

Document Type

Articles

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Full text link

UniKL IR:

Publisher: <https://onlinelibrary.wiley.com/doi/epdf/10.1111/1467-8454.12178>

Citation

Uddin, Md.Akther & Hakim, Bm & Masih, Mansur. (2020). Bitcoin—A hype or digital gold? Global evidence. Australian Economic Papers. 59. 1-17. <https://doi.org/10.1111/1467-8454.12178>

Abstract

This study explores whether Bitcoin constitutes as a hedging instrument whilst seeking portfolio diversification opportunities among sustainable, conventional and Islamic asset classes since Bitcoin emerges as a distinct alternative investment and asset class across the world. We apply multivariate generalised autoregressive conditional heteroscedastic-dynamic conditional correlation and continuous wavelet transforms based on the recent data set ranging from August 18, 2011, to September 10, 2018. First, our findings show that Bitcoin returns are mean-reverting which implies that its value tends to come down to mean value in the long run and not completely crushed to zero irrespective of price changes suggesting Bitcoin as a sustainable asset class. Second, the time-invariant model shows that Bitcoin offers portfolio diversification opportunities with almost all equity indices, in particular, Dow Jones Islamic followed by FTSE 4 Good index. Finally, the time-variant analysis reconfirms that Bitcoin offers portfolio diversification benefits both in the short and long run. These findings carry meaningful policy considerations for fund managers and cross-country investors.