PROJECT 1

Bitcoin Weekend Trade Boom or Bust?

Shaun

Mathias

Padraic

**HYPOTHESIS.**

Is the Crypto “Sunday Effect” statistically real enough to profitable to trade Bitcoin in a short position over the weekends?

*[A short position refers to a trading technique in which an investor sells a security with plans to buy it later. Shorting is a strategy used when an investor anticipates the price of a security will fall in the short term]*

There are three generally accepted reasons for so called “The Sunday Effect”

1. Weekend Yields Less Trading Opportunities

*[Affecting Liquidity by reduced market participants]*

1. Crypto Trading on Margin***.***

*[Margin trading refers to the practice of using borrowed funds from a broker to trade a financial asset, which forms the collateral for the loan from the broker]*

## Market Control

## *[Liquidity & Traded Volumes]*

Our Project is looking to investigate over various timeframes if it is profitable to create an automated trade that takes out a short Bitcoin trade position on a Friday afternoon and closes it out on a Monday morning during Australian Standard Western Time.

Our planned variables are

1. Time to execute the trade on from 06.00am Friday to 12.00am Friday with 60-minute intervals
2. Time to close out the trade from 12.00am Monday to 12.00am Tuesday with 60-minute intervals
3. Analysis time for each iteration is from Trade on to Trade Off (28 possibilities every weekend)

Our Planned Timeframes are

1. Total Project Start Date : January 2011
2. Total Project End Date : Today
3. Test Data Start Data : March 1st 2020
4. Test Data Finnish Site: Today

Trade Size

USD $10,000

Additional Analysis

1. Futures Open Interest

This is to investigate if overleverage on futures contracts and margin call are responsible.

1. Volumes (Futures & Spot)

This is to investigate if lack of liquidity is responsible.

1. Volatility

This is to investigate if volatility is correlated.

1. Different Time Intervals (trough to trough, trough to peak, peak to peak etc)
2. Pick Scenarios to showcase to the class
3. Run regressions for correlations
4. Run Summary Stats
5. Compare and Graph Profitability’s using MatplotLib

Media on Hypothesis

<https://www.cnbc.com/2021/06/10/heres-why-cryptocurrency-crashes-on-the-weekends.html>

<https://fortune.com/2021/06/03/why-does-crypto-crash-on-the-weekends-bitcoin-cryptocurrency-markets/>

<https://www.reddit.com/r/CryptoCurrency/comments/m9v8yv/weekend_price_drop/>

<https://finance.yahoo.com/news/sunday-effect-sends-crypto-crashing-210053210.html>

Potential API’s

<https://www.coingecko.com/en/api>

<https://coinmarketcap.com/api/>

<https://www.coindesk.com/coindesk-api>