

Discussions of ``What drives Cryptocurrency Prices?'' Chiang, Hung, Wang, and Yen

Discussed by Huei-Wen Teng

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30th TFA

Summary

- Campbell-Shiller variance decomposition: decompose the variation of transaction-to-market ratios into return predictability and transaction growth predictability.

$$b_{r,1} - b_{q,1} + b_{\theta,1} = 1;$$

Drivers = factors?

- Derivers remain information about the trade.
- Endogeneity? Simultaneous equations?
- Macroeconomic factors: Covid, QE (interest rate, hot money), etc.
- Technical analysis: MACD, MA, etc.

Variable	Name
r_t	Return
Δq_t	Transaction Growth
θ_t	Transaction-to-Market Ratio
$Google_t$	Google Searches

VAR model (13) only depending on θ

- Why not on other responses as used in Table 3?

$$\begin{aligned}r_{t+1} &= a_{r,1} + b_{r,1}\theta_t + \varepsilon_t^{r,1} \\q_{t+1} &= a_{q,1} + b_{q,1}\theta_t + \varepsilon_t^{q,1} \\\theta_{t+1} &= a_{\theta,1} + b_{\theta,1}\theta_t + \varepsilon_t^{\theta,1},\end{aligned}\tag{13}$$

Google trend only marginally significant

- Cryptocurrency: BTC, ETH, Luna, more
- NFT: CryptoPunks,
- Metaverse: Meta, Pokemon Go, etc...

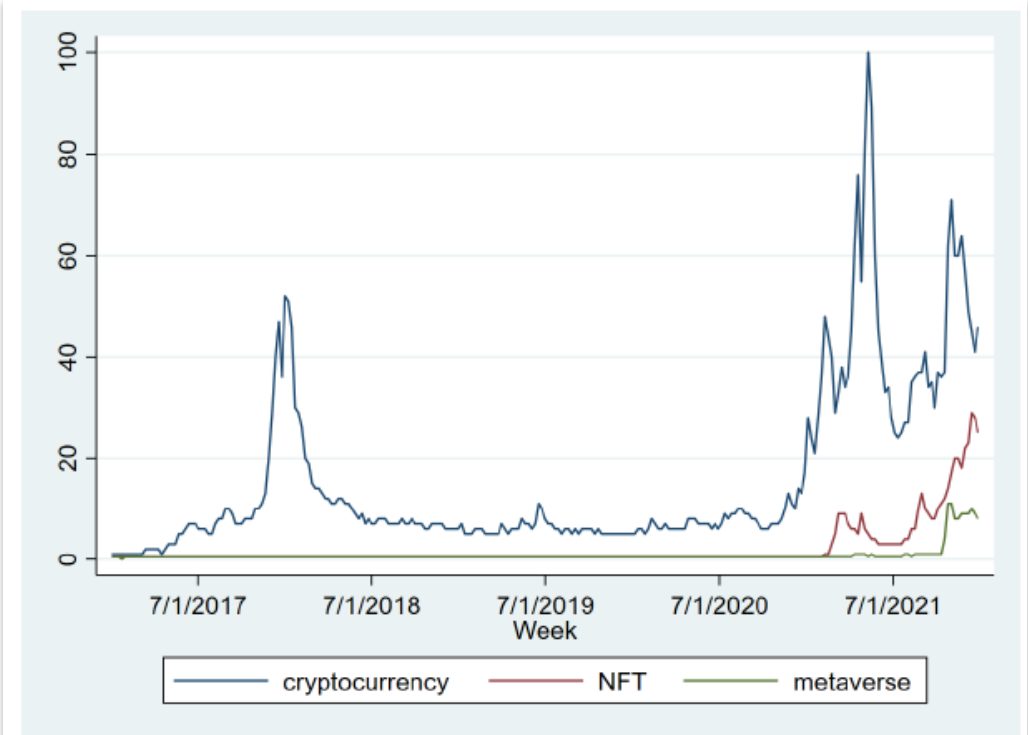


Figure 1: Google Trends of cryptocurrency, NFT, and metaverse

This figure illustrates the weekly time-series of worldwide Google trend indices of “cryptocurrency”, “NFT”, and “metaverse”. The time period spans from 01/01/2017 to 12/31/2021.