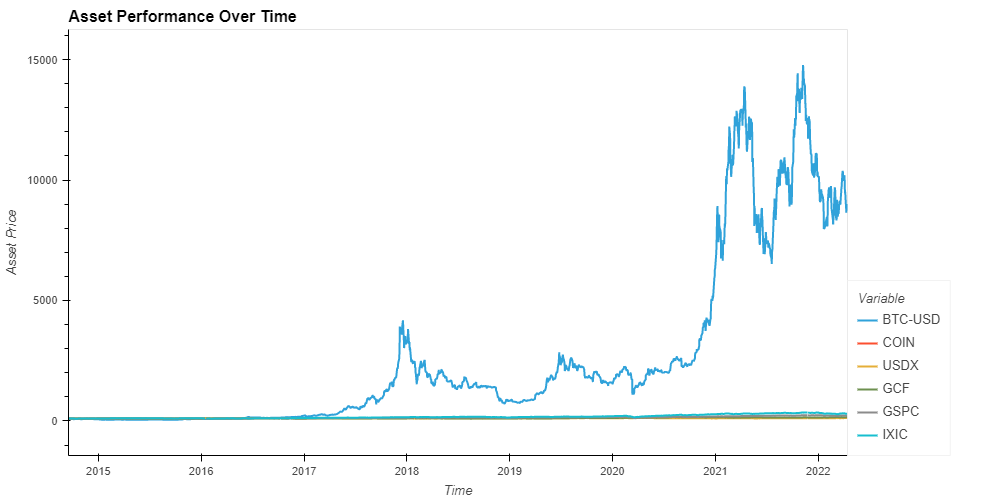
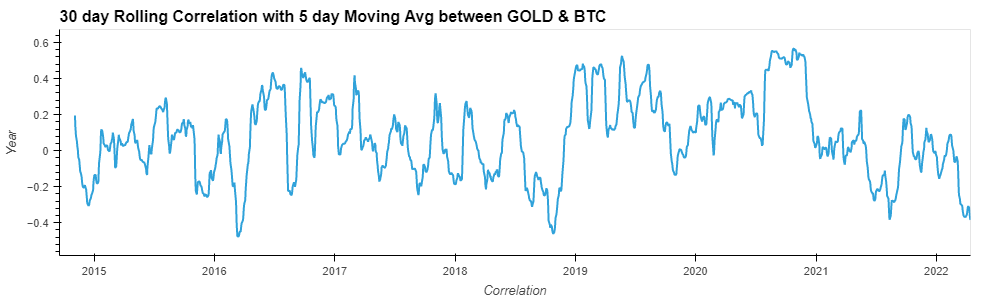
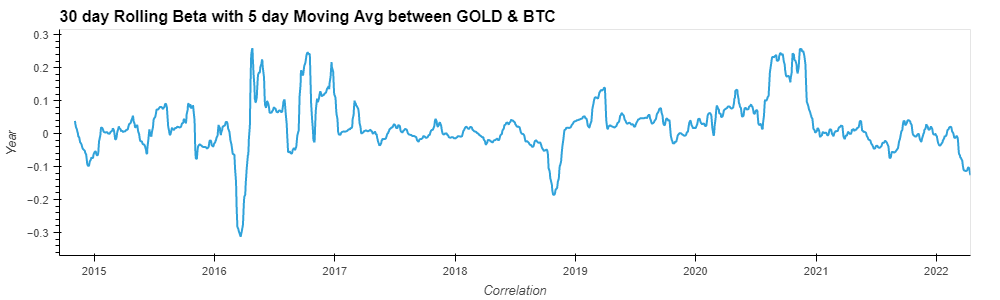
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**SCARCITY**

- GOLD shares the similar characteristic with BTC that both have scarcity in supply

- GOLD has limited resources whilst BTC has a fixed number of 21 million coins.

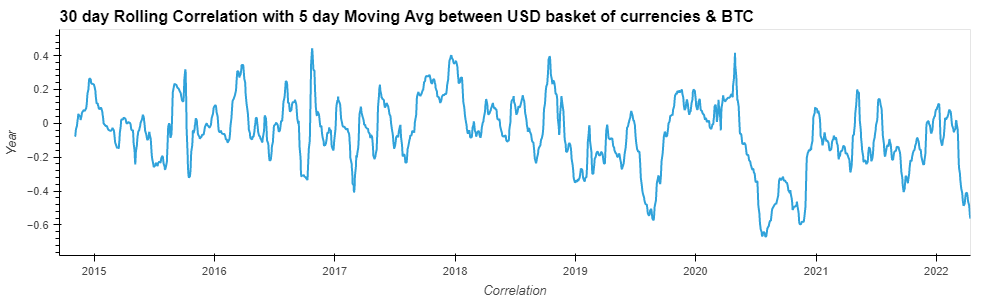


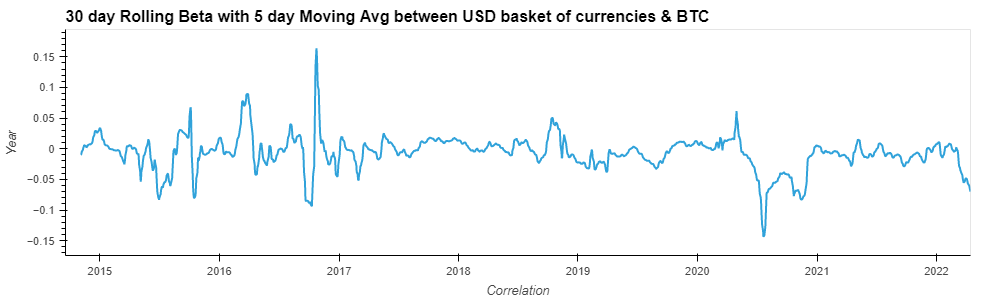


**Decentralized vs. Centralized**

- DXY is a basket of fiat currencies. Issued by centralized institutions.  
Its value can be manipulated through money printing or policy mishaps.

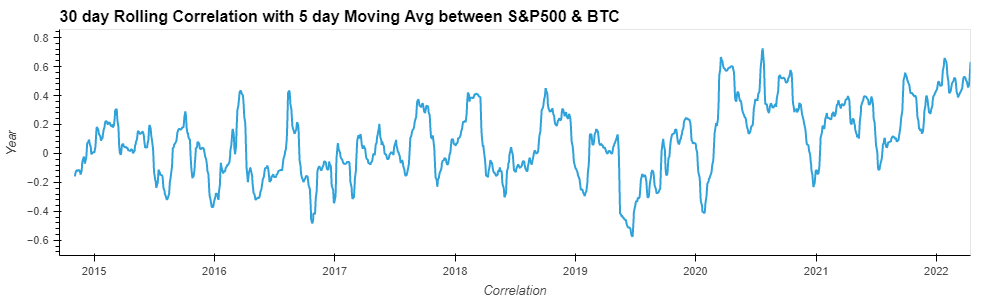
- BTC is not valued by any centralized institutions.  
Its value derived from whatever the market think its worth.

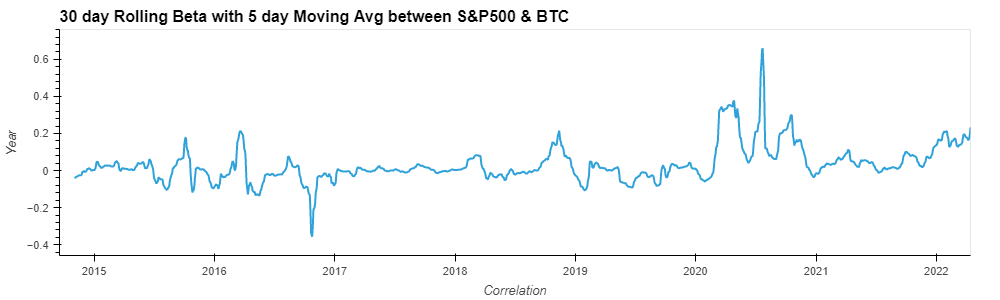


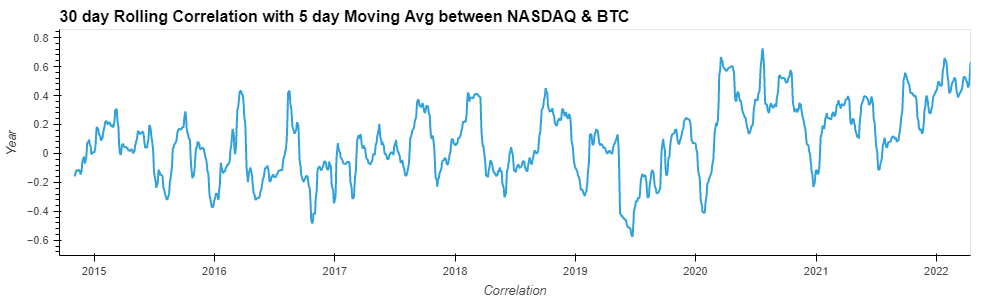


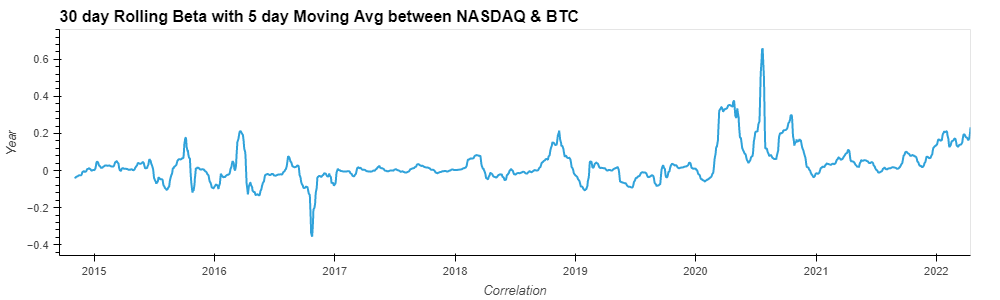
**High Volatile Assets:**

- Equity and BTY have high volatility compared to other assets

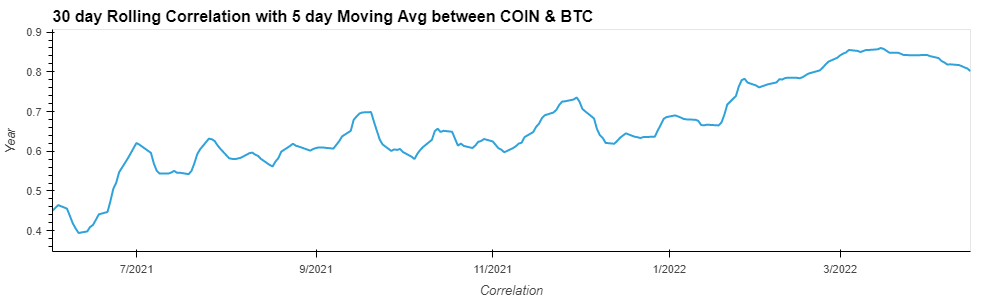


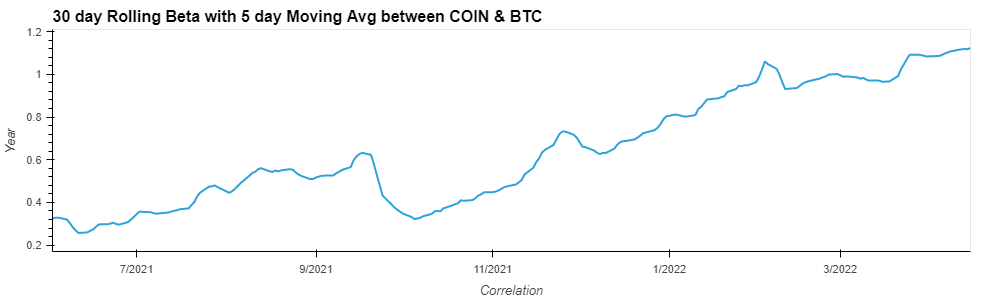






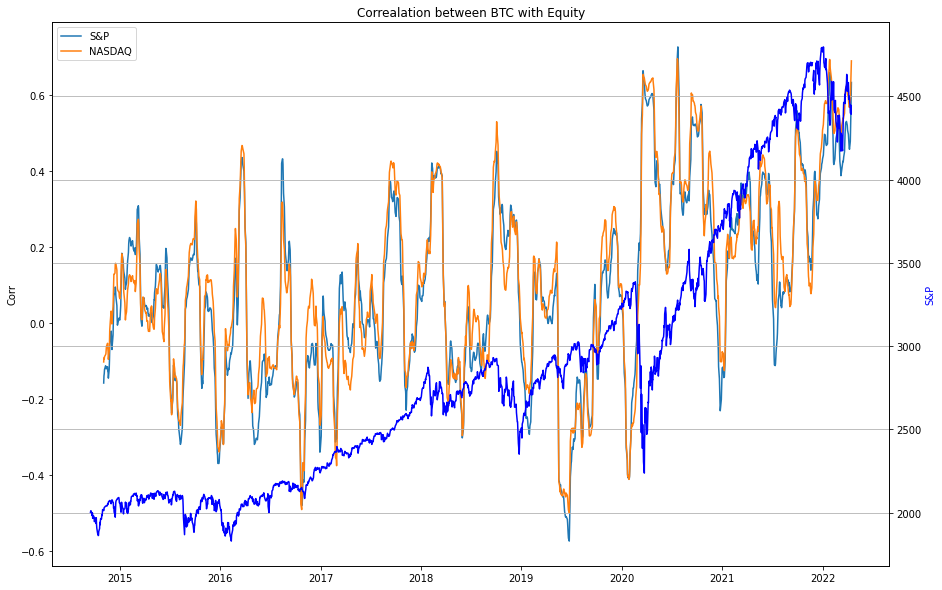
**BTC vs. its Peers**:





**BTC as a hedging instrument?**

**-** When hedging needed the most BTC & Equity correlation turns positive.



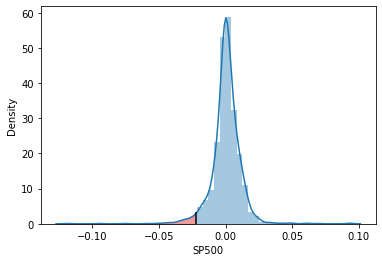
**Annualized Statistics**:

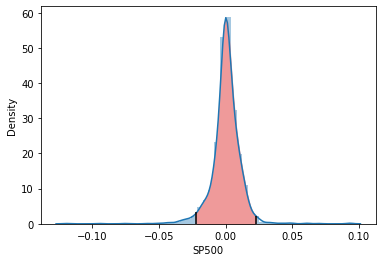
|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Assets | return | standard deviation | sharpe | beta |
| BTC | 0.85 | 0.7336 | 1.17 | 1 |
| COIN | -0.58 | 0.6431 | -0.91 | 0.52 |
| USD-DXY | 0.025 | 0.0675 | 0.37 | -0.003 |
| GOLD | 0.07 | 0.1499 | 0.48 | 0.0144 |
| S&P 500 | 0.11 | 0.1806 | 0.66 | 0.0396 |
| NASDAQ | 0.16 | 0.2082 | 0.78 | 0.0499 |

**BTC as a diversifier to an all-equity portfolio**?

- We explore relationship between BTC with SP500 and NASDAQ in two market environments.

- Sell-off market environment vs. Normal market environment



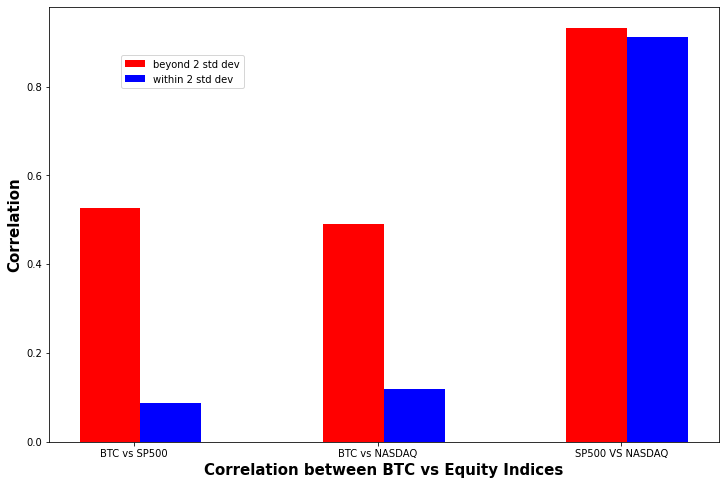


- We observe the correlation between BTC with SP500 and NASDAQ

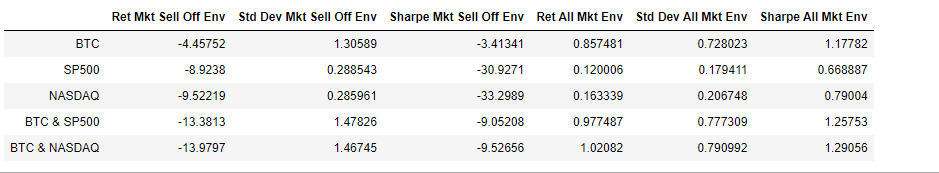
- There is a distinct difference in the correlations in the two market environments.

- The correlation in the sell-off environment is ~5x higher than correlation during

the normal market environment.



BTC appears to be not an ideal diversifier to equity because of the increase of correlation during market sell off. Despite the increase in BTC’s correlation with equity, its sharpe during market self off is significantly higher than both SP500 and NASDAQ. When combined BTC with equity, the sharpe of a combined portfolio also improved.



Conclusion:

- Correlation plays a role in determining the diversifier but it’s not the only factor. Return, risk are also determining factors if an asset is a good diversifier.