

BTC price volatility: Fundamentals versus information

Author: Adedeji Daniel Gbadebo ^a, Ahmed Oluwatobi Adekunle ^b, Wole Adedokun ^d, Adebayo-Oke Abdulrauf Lukman ^e & Joseph Akande ^c(2021)

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Affiliation:

- a. Department of Economics and Statistics, University of Benin, Benin City, Nigeria
- b. Department of Accounting and Finance, Kwara State University, Ilorin, Nigeria
- c. Department of Accounting Science, Walter Sisulu University, Mthatha, South Africa
- d. Department of Accounting and Finance, Institute of Graduate Studies and Research, Cyprus International University, Nicosia, Turkey
- e. Department of Economics and Statistics, University of Benin, Benin City, Nigeria

Abstract

This paper offers a plausible response to “what explains the sporadic volatility in the price of Bitcoin?” We hypothesized that market “fundamentals” and “information demands” are key drivers of Bitcoin’s unpredictable price fluctuation. We adopt the transfer-function [Autoregressive Distributed Lag, ARDL] model and its Bounds testing approach to verify how the volatility of the price of Bitcoin responds to its transaction volume, cryptocurrency market capitalisation, world market equity index and Google search. We found the existence of long-run cointegration relation and observed that all the variables except the equity index positively explain the volatility of Bitcoin price. The result established evidence that market fundamentals drive erratic swing in Bitcoin price than information.

Keywords:

[Bitcoin price volatility](#) [Bitcoin market fundamentals](#) [information demand](#) [ARDL](#)

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