

Abstract

Since the 1970s, economists have started studying the concept of inflation hedging as a way to protect investments. With the recent high inflation rates, investors might be interested if newly created assets such as cryptocurrencies can be effective against inflation. This thesis paper aims to find out whether the largest crypto asset Bitcoin can be used as an inflation hedge. To answer this question, Fisher coefficient estimation and hedging demand for the US, Euro Area, and the Czech Republic for the period between November 2014 and October 2022 will be analyzed. In addition, the vector autoregressive model (VAR) will be used for the US market in the same time frame. The results showed overall positive Bitcoin returns but all three methods indicated no or negative correlation between inflation rates in three regions and Bitcoin returns. The thesis paper concludes that Bitcoin cannot be used as an inflation hedge as not all requirements are met.

Keywords

Cryptocurrency, Bitcoin, gold, inflation, inflation hedge, Fisher coefficient, VAR model

Title

Can Bitcoin serve as an inflation hedge asset in the US, Euro Area, and Czech markets?