# Bitcoin Likely to Remain an Uncorrelated Asset in 2020

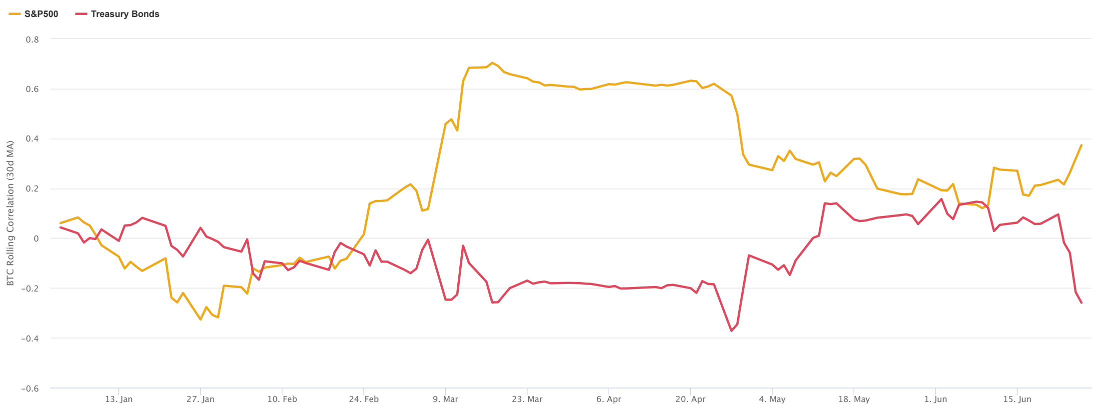
**CRYPTO MARKET ANALYSIS**

Historically, Bitcoin has maintained a noticeably low correlation with traditional assets such as stocks and bonds. For example from 2017 to now, Bitcoin's average correlation with the S&P500 has been 0.04 and -0.017 with treasury bonds. This remarkably low correlation has been a driving factor behind institutional interest in Bitcoin due to its characteristics as an alternative store-of-value asset.

During the mid-March market crash, correlations between Bitcoin and traditional assets increased as the market experienced a pronounced flight-to-cash period. Due to the likely movements of multi-strategy funds and large Bitcoin holders with positions in stocks, bonds, and Bitcoin selling off all their positions for cash. The entire market, cryptoassets included, crashed in tandem. However, the return profiles of Bitcoin and other assets coming out of the downturn was noticeably differentiated.

**OUR CHART OF THE WEEK**

30-day Rolling Average of Bitcoin Correlation with S&P500 and Treasury Bonds




**KEY INSIGHTS**

To demonstrate this point, BTC has returned 86% since March 12 (the date of the crash) compared to 21.3% for the S&P, 32% for DAX, 21.4% for SMI, and 25.9% for the EURO STOXX 50. While Bitcoin's correlation with other assets peaked during the flash crash, this phenomena even affected other "safe haven" assets such as Gold which went from a -0.688 correlation (rolling 30d MA) with the S&P500 on February 21 to a correlation of -0.00193 on May 16.

For brief moments, during flash crashes correlations of all assets, including safe havens, can increase but it's important to look at the bigger picture. What is clear is that since the crash, correlations between Bitcoin and other assets have noticeably decreased and Bitcoin has produced noticeable excess returns above other asset classes. We expect this trend to continue even if markets take another brief turn for the worse.

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