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TOPIC: MACROECONOMICS DETERMINANTS OF BITCOIN VOLATILITY IN THE CRYPTOCURRENCY MARKET IN UNITED STATES OF AMERICA

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PREPARED BY	**MUHAMMAD HAKIMIE IZAT BIN ROSLE (2019868092)**
PREPARE FOR	**MADAM YUSLIZAWATI MOHD YUSOFF**
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ABSTRACT

Bitcoin is a virtual currency designed to act as money and a form of payment outside the control of any person, group, or entity, thus removing the need for third-party involvement in financial transactions. When large fluctuations in macroeconomics occur, digital currencies can attract inflows of safe-haven funds due to their independence from sovereign credit, anonymous transactions and network-wide transactions. Many scholars worldwide have begun exploring blockchain technology's hedging properties with the current macroeconomic uncertainty. Several studies find that bitcoin demonstrates a weak correlation with traditional financial assets and thus believe that bitcoin can be used to diversify risk. Due to its many similarities to gold, bitcoin may become a safe-haven asset under certain extreme market conditions. However, recent news shows a significant relationship between Bitcoin and the macroeconomy. Using the static panel data analysis with a regression model, this study whether Bitcoin's monthly price is affected by the United States of America's macroeconomy. The selected macroeconomics studied are gross domestic product, Consumer price index, Effective Federal Funds Rate, unemployment, and The Standard and Poor's 500 with monthly data from October 10, 2014, until January 5, 2022. The results depict mixed findings where all macroeconomics will be significant toward the Bitcoin price.

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CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION OF THE CHAPTER

In this study, the researcher investigated macroeconomics of the United States of America as the determinants of bitcoin's volatility in the cryptocurrency market. In this chapter, the researcher will discuss the background of the study, problem statement, research questions, research objectives, the study's significance, the study's scope, limitations, and the summary of this part of the chapter.

1.2 BACKGROUND OF STUDY

Besides gold, equity, and forex, cryptocurrency, also known as Crypto, is also a well-known alternative investment by people. *The cryptocurrency market* is described as a platform secured by cryptography systems to exchange digital or virtual currencies. Cryptography secures the Crypto to make it nearly impossible to counterfeit or double-spend. The system also enables secure online payments without the use of third-party intermediaries. (Jake Frankenfield, January 11, 2022) Cryptocurrencies can be bought and sold via exchanges and stored in 'wallets. In the market, there are 17,000 varieties, such as Bitcoin (CRYPTO: BTC), Ethereum (CRYPTO: ETH), Tether (CRYPTO: USDT), Binance Coin (CRYPTO: BNB) and many more. The uniqueness of cryptocurrencies is that they are generally not issued by any central authority, thus making them immune to government interference or manipulations. The platform for trading cryptocurrencies is the cryptocurrency exchange market.

The history of Crypto started with an invention in 2008 by an anonymous person or group of people using Satoshi Nakamoto as his nickname. The currency began to be used in 2009 when its implementation was released as open-source software. "Crypto" signifies the various encryption algorithms and cryptographic techniques that protect these entries, for example, elliptical curve encryption, hashing functions and public-private key pairs.