

**Nikola S. O., PhD in Economics, Associate Professor**

**Husiev A. O., Student**

*Odessa I. I. Mechnikov National University*

*Odessa, Ukraine*

## **IMPACT OF THE GLOBAL ECONOMIC CRISIS ON THE CRYPTOCURRENCY MARKET**

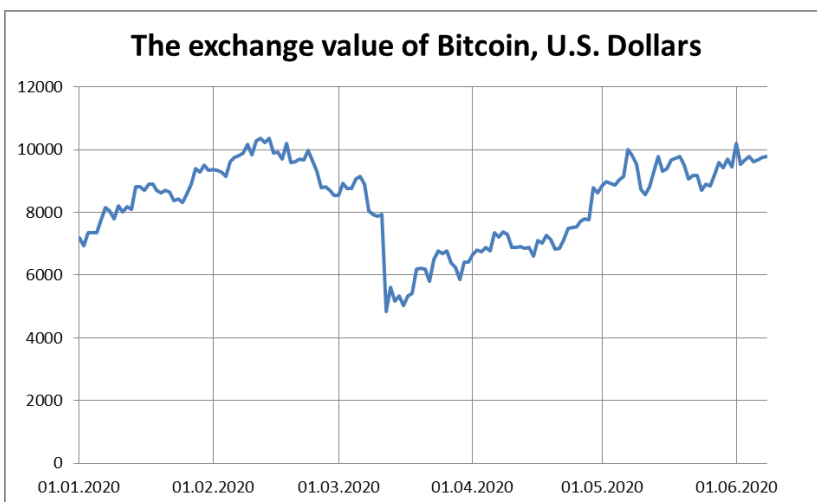
The topic under study is relevant, as the cryptocurrency market in recent years has been characterized by a high level of demand at the level of the global economy. It should be noted that the most common cryptocurrency Bitcoin was developed in 2009, and the cryptocurrency market arose only in the early 2010 s. (after the global financial and economic crisis of 2008-2009), which shows that there is no historical retrospective of the impact of the global economic crisis on the cryptocurrency market. At the same time, since the first quarter of 2020, the world economy as a whole is in recession (a reduction in the global volume of real GDP), which has caused the global economic crisis. Research of the dynamics of the exchange rate value of Bitcoin as the main cryptocurrency in 2020, as well as the dependence of demand in the cryptocurrency market from the stage of the economic cycle and other macroeconomic factors is the purpose of these theses.

The relationship between the problem of the global economic crisis and the cryptocurrency market should be considered based on the economic essence of cryptocurrencies. So, the main properties of cryptocurrencies are:

- High volatility (the exchange value of the cryptocurrency depends on the level of demand due to various economic factors, which leads to a decrease in the stability of cryptocurrencies);
- Low material security for cryptocurrency (the main share of the value of cryptocurrency is a speculative factor, which indicates the nature of the “financial bubble” of cryptocurrencies);
- Limited issuance of cryptocurrencies (creates impossible monetary regulation of exchange value in the cryptocurrency market,

which has an additional impact on the level of volatility) [1, p. 75; 2, p. 118].

The impact of the global economic crisis in 2020 on the cryptocurrency market is reflected on the chart of the exchange value of the cryptocurrency Bitcoin (similar dynamics have also altcoins – other cryptocurrencies such as: Ethereum, XRP, Litecoin, Monero, Namecoin etc.) (fig. 1):



**Figure 1. The exchange value of Bitcoin (2020)**

*Source: built by the authors on the basis of data [3]*

Analyzing the dynamics of the Bitcoin exchange value in 2020 in terms of the impact of the global economic crisis on the cryptocurrency market, this graph, based on the state of the global economy and its impact on the cryptocurrency market, should be divided into the following periods (table 1):

Thus, the cryptocurrency market in times of economic crisis is ambivalent:

1) A sharp decline in demand for cryptocurrencies at the initial stage of the recession (investors reinvest in more liquid as well as less volatile assets) – leads to a sharp decline in the exchange rate of cryptocurrencies;

Table 1

**Relationship between the state of the world economy  
and the cryptocurrency market (2020)**

№	Period	The general state of the world economy	Influence on the cryptocurrency market
1	2	3	4
1	January – February 2020	Economic growth of most of the world's leading national economies and the world economy as a whole, no signs of a global crisis	High demand for cryptocurrencies, growth of Bitcoin and altcoins market rate
2	March 2020	Mass introduction of quarantine measures, which led to a reduction in production and, as a result, a global economic recession	A sharp decline in demand for cryptocurrencies, which with a constant supply led to a sharp decline in the exchange rate of cryptocurrencies (so, the day after the announcement of the pandemic COVID-19, the rate of Bitcoin decreased by 39%)
3	March – May 2020	Economic crisis in most countries of the world, low volumes of world production; increase in the share of online payments (including cryptocurrencies)	Increased demand for cryptocurrency due to the decline in the value of the exchange rate (led to the termination of mass sales of cryptocurrencies, an increase in the number of cryptocurrency transactions and, as a result, the recovery of the cryptocurrency market)
4	May – June 2020	Gradual recovery of the world economy and a slowdown in the economic recession	Recovery of the pre-crisis level of the Bitcoin exchange rate

*Source: compiled by the authors*

2) The gradual increase in demand for cryptocurrencies in the later stages of the crisis (which occurs due to the increase in investment in cryptocurrencies due to their low price at this stage) – leads to a gradual increase in the cryptocurrency exchange rate. It should be noted that this factor also depends on the nature of the economic crisis (the recovery of the cryptocurrency market in the second quarter of 2020 had a positive impact, first of all, the increase in cryptocurrency transactions).

### **References:**

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