Special features on behavioral issues in cryptocurrencies

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Why behavioral issues are important in the cryptocurrency market? The question comprises of two aspects. First, discovering the behavioral features is crucial to understand the dynamics and underlying mechanisms of the price formation, e.g., the interdependence between the real economy and the cryptocurrency market. Second, the emergency of the new data source on the cryptocurrency market provides us with a rare opportunity to rediscover or exploit the financial theories from the behavioral perspective, e.g., the momentum and the role of investor attention. This special issue has collected some of the most representative articles on both aspects.

The article “Business conditions, uncertainty shocks and Bitcoin returns” authored by Jiang et al. (2020) examines the impact of the U.S. business conditions (proxied by the Aruoba–Diebold–Scotti index) and the uncertainty shocks (proxied by the US equity market uncertainty index and global geopolitical risk index) on Bitcoin returns. The empirical results mainly reveal that: (1) there exists significant causality from the U.S. business condition and uncertainty shocks to Bitcoin returns, and (2) the effects of the U.S. business condition and uncertainty shocks on Bitcoin returns depend on the frequency and vary across different market states of Bitcoin.

The article “Exploring the short-term momentum effect in the cryptocurrency market” authored by Nguyen et al. (2020) explores the short-term momentum effect in the cryptocurrency market. Employing the portfolio construction method, the empirical results mainly reveal that: (1) the cryptocurrency market portfolio significantly outperforms major stock markets globally in terms of risk-adjusted return; (2) short-term momentum could explain variations in the returns of cryptocurrency portfolios; and (3) the portfolios constructed according to the short-term momentum effect do not outperform the cryptocurrency market portfolio.

The article “Investor attention and the pricing of cryptocurrency market” authored by Zhang and Wang (2020) employs the Google Trends as the proxy for investor attention and examines the causal relationship between investor attention and cryptocurrencies’ return and volatility. The empirical results mainly reveal that: (1) both the linear and nonlinear Granger causality tests show the bi-directional

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causal relationship between investor attention and cryptocurrencies' return and volatility; (2) the quantile regression indicates that the high investor attention is associated with the positive return; and (3) the pooled regression analysis shows that investor attention has significant predictability for the cryptocurrencies' return and volatility.

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