



Why Bitcoin Surged 15% Yesterday

Description

Bitcoin ([CRYPTO:BTC](#)) surged 15% yesterday and is up another 1.5% this morning. One of the world's most volatile assets is performing better than expected, despite the ongoing crisis in Ukraine. This sudden surge in cryptocurrencies isn't easy to explain. Here are two potential factors that could be driving digital assets higher.

Safe haven?

There's been much debate about whether Bitcoin (or any other cryptocurrency) could serve as a safe haven during crises. So far, the performance has been mixed. Bitcoin dipped when the pandemic broke out in early 2020. It [dipped again](#) earlier this year as the world faced rate hikes.

However, its performance during the Ukraine crisis has been fascinating. BTC is up 18% against the U.S. dollar since the invasion began on Wednesday. Gold, by comparison, is up just 2% over the same period. BTC's outperformance could stem from the fact that both sides in this conflict are using this digital asset.

Ordinary Russians who face blockades and sanctions from other parts of the world could be using cryptocurrencies to circumvent these rules. There's little data to support this, but the Russian ruble has lost tremendous value, and 12% of Russia's population already had crypto exposure, so this isn't beyond the realm of possibility.

Meanwhile, the Ukrainian authorities and military are raising funds via digital assets. At the time of writing, BTC and **Ethereum** donations to Ukraine have surpassed US\$13.7 million or CA\$17.4 million.

In this way, Bitcoin is living up to its potential as a safe haven for those escaping the Putin regime's aggressions. That could be part of the reason for the surge. However, there is another important factor investors need to consider: correlation.

Correlation to tech stocks

Some experts argue that Bitcoin's performance is driven by its correlation to risk assets, rather than its shaky status as a safe haven. In other words, BTC tends to rise when tech stocks rise. Since 2020, this correlation has certainly been strong. Data suggests that the digital asset and the tech-heavy S&P 500 index are correlated by a factor of 0.34. In other words, BTC moves up 0.34% for every 1% move in the S&P 500.

Over the past week, this correlation seems to be holding up. The S&P 500 is up 2.7% since Wednesday. Tech stocks like **Shopify** are up 11.3% over the same period.

That would make Bitcoin and other cryptocurrencies "risk assets." That changes the investment thesis.

Which one is it?

An asset cannot be a risk asset and a safe haven at the same time. I believe in the months ahead, we will see what the real driver of this asset is. If government regulators (particularly the U.S. government) *successfully* crack down on Russia's use of cryptocurrency, Bitcoin's status as a safe haven could be in jeopardy.

In this scenario, it would be clear that Bitcoin is more of a bet on innovation and technology. Either way, there's some growth potential ahead. Investors should keep a close eye on these developments.

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