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Flip the coin: Heads, tails or cryptocurrencies?

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Abstract: This paper analysis and compares the volatility of seven cryptocurrencies – Bitcoin, Dogecoin, Ethereum, BitcoinCash, Ripple, Stellar and Litecoin – to the volatility of seven centralized currencies – Yuan, Yen, Canadian Dollar, Brazilian Real, Swiss Franc, Euro and British Pound. We estimate GARCH models to analyze their volatility. The results point to a considerably high volatility of cryptocurrencies when compared to that of centralized currencies. Therefore, we conclude that cryptocurrencies still fall far short of fulfilling all the requirements to be considered as a currency, specifically regarding the functions of store of value and unit of account.

Keywords: Centralized currencies, cryptocurrencies; GARCH models; volatility

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