By Ana Alexandre

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Cryptocurrencies Are Not a Safe-Haven Asset, Says Expert

Cryptocurrencies have not been used as a safe haven amid challenges the global economy has faced at the beginning of the year, one expert says.

The world has already seen a slew of market-shaking events this year including trade policy uncertainty, geopolitical tensions and the coronavirus epidemic, among others. With investors around the world struggling to find safe haven assets to insulate themselves against potential crises, it was anticipated that many would turn to Bitcoin (BTC) and other digital currencies.

Doubts of crypto’s capabilities

However, some industry experts say that digital currencies have failed to serve as a safe haven. In a recent interview with Cointelegraph, Campbell Harvey, a professor of international business at Duke University, said that people value cryptocurrencies for transactional purposes and speculation.

"It is not a safe haven," Harvey said, suggesting that the rise in demand for cryptocurrencies is essentially speculative.

"The fact that cryptocurrencies are not a safe haven is evident from the fact that when the prices of cryptocurrencies fell, investors sold-off in the stock market when the prices on consecutive days dropped by 3%, adding:

“Now, if these cryptos were safe havens, then you would expect maybe no change in their value or maybe even an increase in value. But that’s definitely not what we’ve seen. The cryptos got battered and dropped by more than 10%. So that suggests to me, in a particular situation of great stress where people are realizing that there’s systemic risk unfolding, the stock market drops as expected, people flee to safe assets, but they didn’t flee to cryptos; they fled to the U.S. 10-year bond.”

“We’re already in a recession”

Harvey went on to speak about the inverted yield curve, which, according to him, precedes recessions. He suggested that the recession will be very severe, with people de-risking their portfolios by liquidating some of the cryptocurrencies in the face of the current coronavirus threat:

“We were already in a slowing growth situation and already headed for what might be a mild recession or just a slowdown. So given what we’ve seen in terms of in many cities, many countries where economic activity is basically stopped. So it could be that we’re already in a recession.”

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Chinese Province Sees First Official Blockchain ‘Zone’

The central Chinese province of Hunan has approved the establishment of the Wanbao blockchain zone in the city of Loudi. It is the first provincial blockchain zone in Hunan province, according to a local news (http://epaper.voc.com.cn/sdxwb/2020-03/04/content_1442129.htm?div=-1) report from March 4.

Hunan punches above its weight among Chinese provinces housing blockchain work

According to China’s 2019 blockchain zone development evaluation report (http://www.cbdoi.com/BigData/2019-08/05/content_6150127.htm), Loudi ranks at 17 among domestic blockchain zones.

Loudi blockchain zone has already attracted a number of industry-leading enterprises including Shareslink, Hyperchain, Incite Data and Shenzhen Defang Technology.

There are a total of 788 blockchain enterprises established in Hunan, ranking the front in the country, according to the report.

The province has preliminarily plans to build three major blockchain zones: blockchain industrial parks in Wanbao’s new district of Loudi city, and other special zones in Jingkai district and Gaoxing district in the city of Changsha.

The Chinese government is investing heavily in the blockchain sector

As Cointelegraph reported (https://cointelegraph.com/news/chinas-hainan-free-trade-zone-pledges-140m-in-new-blockchain-support), Hainan’s blockchain pilot zone received a fund worth 1 billion yuan ($142 million) from the government.

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