



Correlation between the S&P 500 & Bitcoin

Ali Raza  5th May, 05:51



- The correlation between Bitcoin and S&P500 has been a major topic of debate for a long time.
- These discussions were re-awakened in March 2020, when both markets suffered a significant price loss.
- The two have been in correlation more than once since Bitcoin's creation, although usually in bearish periods

The correlation between Bitcoin and the [S&P 500 Index](#) has been a topic of discussions and speculation for some time now. However, the last two months have seen such discussions being revisited and reconsidered after the world's largest cryptocurrency saw a sharp pullback in mid-March.

The global economy has taken a hit in the past few months because of the coronavirus pandemic. As the virus started to spread across the world and cause countries to go into lockdown, traders and investors started selling assets and seeking safer investments to protect their capital. As a result,

traditional markets went into freefall and it's hard to imagine how long it will take the global economy to recover.

At first, it seemed like the cryptocurrency industry would not suffer the same fate as conventional stocks. This was surprising to many investors, as Bitcoin is famous for its price volatility. Others were quick to point out that [the cryptocurrency was in fact created for this exact purpose](#) – to act as a safe haven when all other assets fail. Our current situation appears an ideal time to test the truth in the assertion that Bitcoin is 'digital gold.'

While the crypto markets did not react immediately to the pandemic, Bitcoin did in fact reach its own price crash relatively soon after stocks took a plunge. Bitcoin reached its 2020 peak on February 12th, when it hit \$10,303. It fell from this point onwards, before seeing a major crash on March 12th, when the coin sank from \$7,909 to barely above \$4,000.

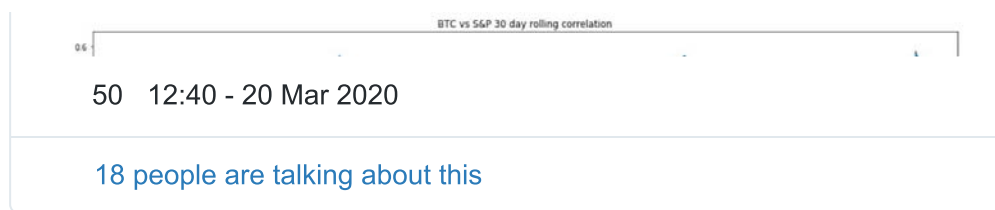
"February 19, 2020 was a historic high for U.S. stock markets and then COVID-19 triggered the 'risk-off' trade", said Campbell Harvey, a Duke University finance professor. "Risky assets like equities, credit, gold and cryptocurrency were dumped as investors bought the safe haven U.S. Treasuries driving rates down to historic lows", he added.

With S&P 500 itself seeing a 30% drop recently, many have noticed what seemed to be similar performance between the two charts. For years, the correlation between Bitcoin and S&P 500 switched between positive and negative enough to serve as a sign of a non-significant relationship. Suddenly, the correlation reached its 2-year high.

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With [#Bitcoin](#)'s correlation with the [#SP500](#) currently at a 2-year high, we have just released an in-depth research article into what we can collectively learn in regard to this unprecedented downturn among both markets. insights.santiment.net/read/what-we-c...

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This kind of behavior came as a surprise to many, as it brought into question a common narrative pushed by cryptocurrency insiders — that Bitcoin price and S&P 500 do not correlate as cryptocurrency markets are unrelated to each other.

The picture has become murkier in recent weeks, with Bitcoin seeing a strong recovery. It has not yet reached the level it achieved before tumbling in February, but currently it is not outlandish to see the coin on the way to a new 2020 peak. This adds fuel to the fire for people who still argue that one of Bitcoin's attractions as an investment is its lack of correlation with other markets, despite what happened at the moment the covid-19 crisis started to take hold.

So the question remains: did Bitcoin correlate with S&P 500 or not? Was the similar performance of the world's leading index and leading cryptocurrency simply coincidental, or is there more to it than that?

Bitcoin and S&P correlation stronger on the way down

One thing that often gets lost in the noise is that this is not the first time that a seemingly strong correlation between Bitcoin and the S&P 500 has been demonstrated. Something similar happened in 2018 shortly after Bitcoin hit its all time high of nearly \$20,000.

In early 2018 when Bitcoin's meteoric rise gave way to a steep fall in its price, the S&P 500 also crashed by 10%. This was the last instance that the two were in high correlation before the mid-March 2020 drop, and both of these occasions saw a moment when Bitcoin was under a lot of pressure and did not manage to keep itself stable.

Both of these were major events that shaped the crypto industry, and it's notable that the drops seen in the Bitcoin price were mirrored in the S&P 500. However, there appears to be less of a correlation at moments when Bitcoin's price rises rather than falls. There are plenty of instances where Bitcoin has moved upwards while the S&P 500 remained flat, or even saw a drop.

One example of this was May 2019. One year ago, Bitcoin saw a gain of 60% in the first major bull run that marked the end of the crypto winter. The coin exceeded \$13,000 during this surge. Meanwhile, the S&P 500 saw a 6% drop, acting completely on its own, and with no similarities with BTC performance whatsoever.

"It is really challenging to say much about correlations with the S&P 500 given there is so little data. We have the S&P from 1871 and we have high quality BTC data for less than a decade. Indeed, we have never had a recession in the history of BTC – until now", said Harvey. *"Yes, I know there are*

good economic reasons that BTC should be uncorrelated with the economy (given there is no tangible fundamentals associated with the technology). However, there is no evidence that cryptocurrencies are safe-haven assets," added Harvey.

As mentioned, Bitcoin has already seen [a strong recovery](#) after it's falls earlier this year, and while it is currently still far away from its peak, it is still much higher than it was prior to the price crash in March.

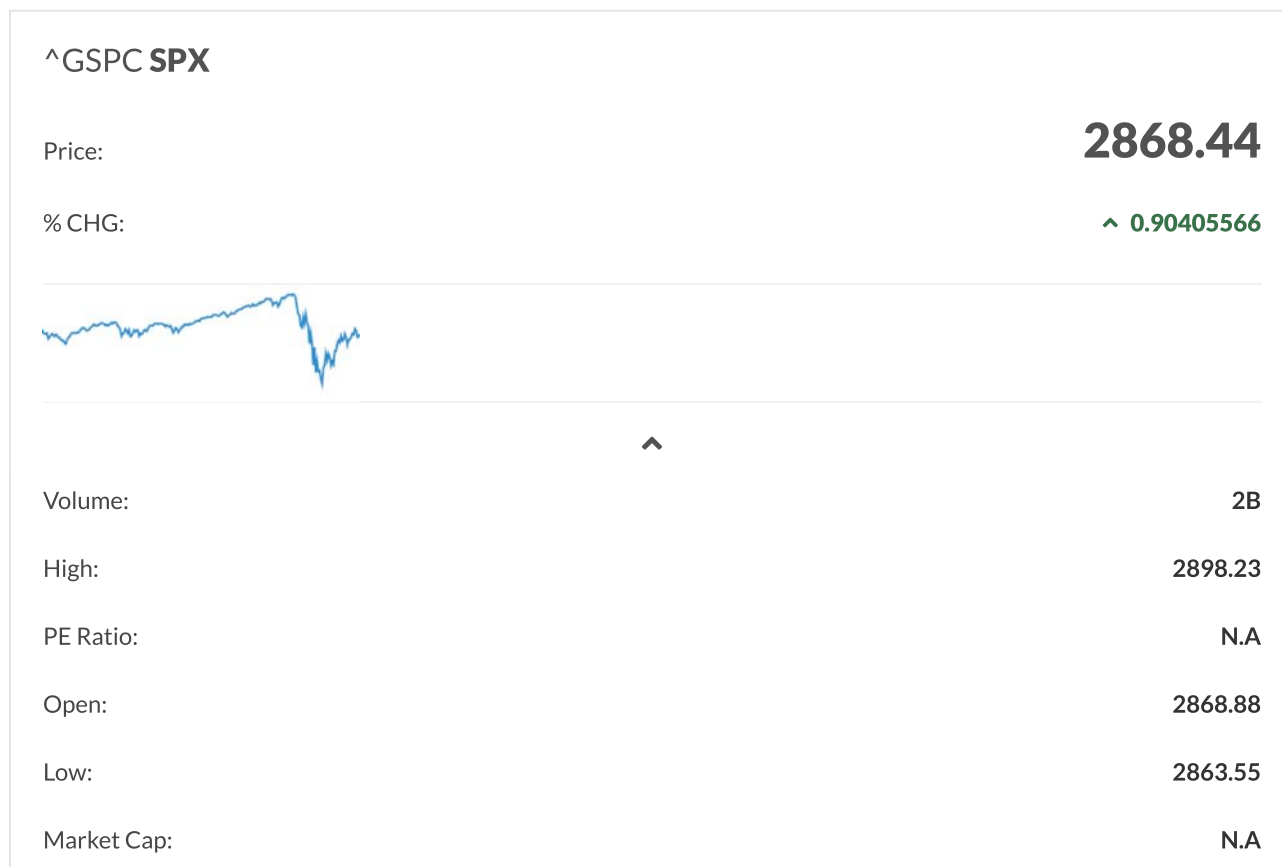
While the S&P 500 has seen its own recovery, starting from March 23rd onwards, the process has been slower, and has had its ups and downs. The index is still yet to match its level of 3,130.12 achieved on March 4th, let alone it's 2020 peak of 3,386.15 from the 19th February.

So the jury's still out on the extent to which [Bitcoin's](#) price correlates with the [S&P 500](#), but it would appear that the strongest similarities between the two happen when the markets fall, with Bitcoin able to recover faster than the stock market.

By Ali Raza

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