

# **Global and local drivers of Bitcoin trading vis-à-vis fiat currencies**

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## **Abstract-**

**We analyse global and local drivers of Bitcoin transactions against 45 fiat currencies in the largest peer-to-peer crypto exchanges. Global factors, such as momentum in the crypto-asset market or financial market volatility, do matter for Bitcoin trading. There is evidence of a global&nbsp;crypto&nbsp;cycle driven by speculative motives. Trading across currencies and users around the world moves in tandem with fluctuations in the Bitcoin price. Crypto shocks and global risk shocks are behind this cyclical comovement. Crucially, Bitcoin seems to also offer utility benefits in emerging and developing economies, since trading increases after idiosyncratic, currency-specific shocks that depreciate the currency. Local projections analysis and case studies confirm this important link between exchange rate instability and Bitcoin transactions.**

**Index Terms-** Digital currencies; Bitcoin; Peer-to-peer exchanges; Exchange rates; Emerging markets

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