Discussion of 'Attention to Bitcoin'

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Description

Research Question

What is the impact of news on the dynamics of Bitcoin prices?

- Data: 244,703 news articles from Lexis-Nexis
- Time frame: January 2014 - December 2018
- Methodology: LDA and Regression Discontinuity

Methodology

- LDA to extract topics ($K = 7$) from news on Bitcoin (i.e. news with 'Bitcoin' in the title)
- Multiple RDs with different cut-off points
- Uses the Bitcoin bubble as main cut-off point (18 December 2017)
- Alternative specifications include the pre- and post-bubble phases
- 'Fintech Blockchain' is the most important topic, whereas 'Central Bank Regulation' becomes prominent after the bubble

Main Findings

- The occurrence of the topic 'Blockchain and Fintech' in the news resulted in an increase of Bitcoin prices

Contribution

- Shed new light on Bitcoin and their link with news
- Draw attention on the role of media in shaping the Bitcoin bubble
- Original approach, promising for further investigations

Comments

- What is the 'Attention to Bitcoin' about?
  - Uncertainty? (Baker et al. 2016)
  - Animal Spirits? (Nyman et al. 2018)
  - Cyber-crime scandals?
- Time-series vs Panel Data: What are we comparing Bitcoin to?
  - Non-virtual currencies
  - Other crypto currencies? (substitute goods)

Broader questions that could be addressed:

- How can central bank communication influence these shifts? (Look at speeches, isolate articles)
- Potential event study: recent shift from Draghi ('Bitcoin-averse') to Lagarde ('crypto friendly')