

TRENDS IN THE DEVELOPMENT OF GLOBAL CRYPTOCURRENCY MARKETS

Grzegorz Konieczny¹, Iryna Chunitska², Paulina Kolisnichenko³, Nataliia Gomon⁴

¹*Doctor of Social Science, Rector of WSHIU Academy of Applied Sciences, Poznan, Poland, e-mail: rektor@wshiu.pl, ORCID: <https://orcid.org/0000-0002-6337-9738>*

²*Doctor of Economics, Professor, Professor at the Department of Financial Markets and Technologies, State Tax University, Irpin, Ukraine, e-mail: chunitskaya_307@ukr.net, ORCID: <https://orcid.org/0000-0002-9718-1332>*

³*Ph.D. of Economic Sciences, Associate Professor, Vice Rector for International Cooperation, WSHIU Academy of Applied Sciences, Poznan, Poland, e-mail: paulina.kolisnichenko@wshiu.pl, ORCID: <https://orcid.org/0000-0001-6730-1236>*

⁴*Master's degree, Junior Researcher of the Department of Ukrainian and Foreign Languages, Nation University of Ukraine on Physical Education and Sport, e-mail: natalygomon.ukraine@gmail.com, ORCID: <https://orcid.org/0000-0001-9359-073X>*

Abstract. Currently, the global financial system is undergoing irreversible transformations, giving rise to an entirely new type of economic relations. This is characterized by the integration of new technologies, the emergence of new knowledge, and the development of decentralized information networks. Issues related to excessive centralization in financial markets necessitate the transformation of the existing system of international cooperation and the logistics of financial flows. This justifies the relevance of studying trends in the development of global cryptocurrency markets, as cryptocurrency activities serve as an alternative solution to this issue.

There are hundreds of cryptocurrency exchanges worldwide, with the most well-known being: Binance, Kraken, Bitfinex, Bitstamp, Bitflyer, Coinbase, itBit, Gemini, Bittrex, and Poloniex.

To assess the trends in the development of global cryptocurrency markets, it's worth comparing the S&P-500 stock index (SPX), which includes stocks of 500 companies traded on the US stock exchange and has the highest capitalization, with the forex index USDX (DXY), showing the USD's relationship to a basket of six major currencies of the US's main trading partners.

On the dynamics chart of the S&P-500 index, significant fluctuations are evident, influenced by various factors, including:

- The global financial crisis of 2008, acting as a conditional trigger for the development of alternative currencies.
- The COVID-19 pandemic in 2020, marking a peak in its spread.

- The unfolding of full-scale military actions by Russia on Ukrainian territory since February 2022.

A significant decrease in the S&P-500 index is observed during the 2008 global financial crisis, dropping by 900 points. Afterward, a stable rise ensues, reaching new heights and increasing the index price sevenfold. The COVID-19 pandemic then leads to a decrease of 400 points. However, rapid growth immediately follows, halted by the events of February 2022 when military actions began in Europe.

This index reflects the relative stability of the dollar compared to other currencies: the euro, pound, Canadian dollar, yen, Swedish krona, and Swiss franc. The volatility of the index over the past few decades fluctuates around 80-100. The historical minimum occurred during the 2008 global financial crisis. Similarly, a decline is observed during the COVID-19 pandemic, while an increase is noted in times of war.

In today's world, Bitcoin is the dominant cryptocurrency asset, constituting 70% of the total cryptocurrency market capitalization. Therefore, let's examine the dynamics of Bitcoin's exchange rate volatility.

The extraordinary rise in the value of bitcoins is driven by various factors, with demand for this asset being a primary contributor. It's worth noting that stablecoins also exhibit volatility. An illustrative case is the situation with the USDT stablecoin, where in 2022, the USDT/USD rate momentarily dropped below 0.94 USDT per USD. The involvement of the banking sector in blockchain technologies is considered to

enhance the efficiency of monetary flows, financing projects, and countering illicit cryptocurrency users.

Recently, some companies worldwide have begun accepting cryptocurrency as payment for goods or services. For example, Microsoft allows the use of bitcoins to replenish personal accounts, Wikipedia accepts contributions in bitcoins, and the American travel agency "Cheapair" accepts online bitcoin payments. KFC Canada even sells a "Bitcoin Bucket" for bitcoins.

Currently, the most widespread method of acquiring cryptocurrency is mining, utilizing the computational power of computer hardware. Miners need to find the correct hash code from millions of combinations, forming a block header in the blockchain. Once the required number is generated, the block with all transactions is sealed, and miners move on to finding the next. Miners receive a reward of 12.5 bitcoins for the correct hash code. Another popular method worldwide is forging, a specialized form of mining with voting.

Key factors contributing to the high liquidity and volatility of global cryptocurrency markets include:

- The relatively small size of the cryptocurrency market.
- Dependency on technological developments.

- Formation of cryptocurrency prices solely based on supply and demand without backing by real assets.

- Speculative nature of the cryptocurrency industry, recognized as the primary source of earnings where large players manipulate the market, holding 80% of crypto assets.

- Low entry barriers to the cryptocurrency market and exchanges, enabling activity with an investment as low as \$10.

- Market sensitivity to various factors.

Therefore, it can be concluded that the global cryptocurrency market is evolving each year. Bitcoin, as the first cryptocurrency, has the largest capitalization, though other cryptocurrencies also demonstrate effective functioning and popularity among users. The efficiency of the global cryptocurrency market depends on its structure, interaction, and coherence of elements. It's a complex process. The features of cryptocurrency operation, its issuance, and acquisition significantly differ from the functioning of traditional currencies. Despite some doubts, consumers from various countries continue to invest in cryptocurrency increasingly each year, thereby boosting its level of capitalization.

Keywords: global financial system; cryptocurrency markets; development.

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