



Bitcoin and Ethereum: A Decade of Risk/Return Analysis

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ABSTRACT

This study evaluates the risk/return analysis of two cryptocurrencies, Bitcoin and Ethereum, since their inceptions. CMBI Bitcoin and CMBI Ethereum indices are compared to ten traditional asset classes: gold, Global stocks, developed country stocks, emerging market stocks, commodities, energy, U.S. bonds, global bonds, U.S. real estate, and global real estate. Results show that both cryptocurrencies had very high risk, absolute returns, and risk-adjusted returns compared to traditional asset classes. While both Bitcoin and Ethereum had very high cumulative returns and, thereby, generated much more wealth, both also had very high monthly downside deviations when compared to the traditional asset classes. Overall, results show cryptocurrencies to be extremely high risk, high reward investment alternatives.

Key words: Cryptocurrency, risk-adjusted performance, drawdown

JEL classifications: G2, G11, G15

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