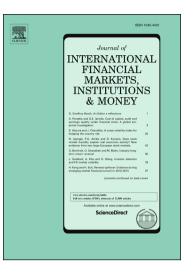
## Accepted Manuscript

Virtual Relationships: Short- and Long-run Evidence from BitCoin and Altcoin Markets

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## ACCEPTED MANUSCRIPT

## **Virtual Relationships:** Short- and Long-run Evidence from BitCoin and Altcoin Markets<sup>1</sup>

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**Abstract:** This study empirically examines interdependencies between BitCoin and altcoin markets in the short- and long-run. We apply time-series analytical mechanisms to daily data of 17 virtual currencies (BitCoin + 16 alternative virtual currencies) and two Altcoin price indices for the period 2013-2016. Our empirical findings confirm that indeed BitCoin and Altcoin markets are interdependent. The BitCoin-Altcoin price relationship is significantly stronger in the short-run than in the long-run. We cannot fully confirm the hypothesis that the BitCoin price relationship is stronger with those Altcoins that are more similar in their price formation mechanism to BitCoin. In the long-run, macro-financial indicators determine the altcoin price formation to a greater degree than BitCoin does. The virtual currency supply is exogenous and therefore plays only a limited role in the price formation.

Key words: BitCoin, altcoins, virtual currencies, price formation, supply, demand, macroeconomic development.

JEL classification: E31; E42; G12

CCK

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