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Bitcoin Futures—What use are they?

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Abstract: Early analysis of Bitcoin concluded that it did not meet the economic conditions to be classified as a currency. Since this conclusion, interest in Bitcoin has increased substantially. We investigate whether the introduction of futures trading in Bitcoin is able to resolve the issues that stopped Bitcoin from being considered a currency. Our analysis shows that spot volatility has increased following the appearance of futures contracts, that futures contracts are not an effective hedging instrument, and that price discovery is driven by uninformed investors in the spot market. We therefore argue that the conclusion that Bitcoin is a speculative asset rather than a currency is not altered by the introduction of futures trading.

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