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**Return and Volatility Spillover Effects in Leading Cryptocurrencies**

**Srinivasan Palamalaia** & **Bipasha Maityb**

a,b.School of Management, Presidency University, Rajanakunte, Yelahanka, Bangalore, Karnataka, India

**Abstract**

As Cryptocurrencies are emerging as a new class of investment assets, understanding their price and volatility dynamics has begun to gather momentum, especially the volatility can influence investment decisions. Most of previous literature concentrates primarily on several aspects of Bitcoin and endeavoring to generalize them for the whole cryptocurrency markets. In this study, we attempted to examine the return and volatility spillover effects across a wide range of cryptocurrency markets, i.e. eight major cryptocurrencies (determined by market capitalization) using a Vector Error Correction approach and Diagonal BEKK Multivariate GARCH model. We found the evidence of interdependencies and volatility co-movements among the various pairs of cryptocurrency markets. However, the study suggests that there exists a limited window of opportunity for the short-term portfolio diversification benefits from the selected large-cap cryptocurrency markets.

**Keywords:**

[Cryptocurrencies](https://www.worldscientific.com/keyword/Cryptocurrencies), [connectedness](https://www.worldscientific.com/keyword/Connectedness), [volatility spillovers](https://www.worldscientific.com/keyword/Volatility%2BSpillovers), [diagonal BEKK model](https://www.worldscientific.com/keyword/Diagonal%2BBEKK%2BModel)

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