Bitcoin Prices and Stock Market Index Movement in Nigeria

Eseosa David Obadiaru

Graduate School of Business Leadership, University of South Africa, Cnr Janadel and Alexandra Avenues 1686, Midrand, Gauteng, South Africa.

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ABSTRACT

Cryptocurrencies are seemingly gaining more acceptance both as mediums of exchange and investment vehicles. Their role as emerging alternative investments creates the need to ascertain how connected they are to regular investments. This study examines the relationship between Bitcoin prices and values of the Nigerian Exchange Group All Shares Index. Daily data spanning from 2018 to 2021 were used for the study and analyzed using the Granger causality and Cointegration test. Data from the full sample period and sub-sample period were analyzed. The result of the Granger causality test on the entire sample period revealed a unidirectional causal relationship stemming from Bitcoin to the Nigerian stock market index. The Gregory Hansen test indicates a weak long-run relationship between Bitcoin and the Nigerian stock market index. Findings from the ARDL bound test also similarly corroborate that of the Gregory Hansen cointegration test as the results revealed no cointegration in the result of the entire sample period but showed the presence of cointegration in the first sub-period analysis while indicating a weak long-run relationship in the second sub-period. The study has implications for investment portfolio diversification.

JEL Codes:

Keywords: *Cryptocurrency; Bitcoin; Nigerian All shares index; Emerging Stock Market; Cointegration; ARDL; Granger Causality; Gregory Hansen Cointegration Unit Root with Breaks*