

"A FLIGHT-TO-SAFETY FROM BITCOIN TO STOCK MARKETS: EVIDENCE FROM CYBER ATTACKS"

AUTHORS

Yang Fang, Cathy Yi-Hsuan Chen, Chunxia Jiang

EXECUTIVE SUMMARY

We discover a novel flight-to-safety (FTS) effect from cryptocurrency markets to stock markets, triggered by a series of hacking attacks on cryptocurrency exchanges. This phenomenon is driven by heightened uncertainty, which increases investors' risk awareness and prompts asset reallocation in favour of safer stock markets over riskier cryptocurrency markets. We conduct an extensive global examination of this effect across 39 countries and confirm this novelty. This effect is amplified by frequent attacks when investors' risk awareness is strengthened. Notably, social media sentiment surrounding these attacks serves as both a timely warning indicator for upcoming hacking events and a measure of the FTS pressure following such attacks. We conclude that the collapsed investor confidence and increased risk aversion are the primary cause of such an effect.

We further substantiate the FTS hypothesis by offering evidence of significant abnormal fund flows into US mutual funds following these hacking events. As such, through the lens of cyber attacks, we document how a shock in cryptocurrency markets is transmitted into stock markets via investors' FTS behaviour.



KEYWORDS

- Cyber-crime
- Cryptocurrency
- Flight-to-safety
- Stock market
- Social media

RESEARCH RELEVANCE

- When cryptocurrency markets are under cyber-attacks, investor confidence collapses and investors tend to minimize risk-taking by withdrawing or holding up investment in cryptocurrencies.
- Regulatory bodies should closely monitor developments in cryptocurrency markets and consider strengthening oversight to help safeguard the overall stability of financial markets.
- Social media sentiment has demonstrated predictive capabilities for upcoming cyber-attacks, which offers a potential early warning signal for investors interested in cryptocurrency investment.

BIBLIOGRAPHIC INFORMATION

Fang, Y., Chen, C. Y.-H., & Jiang, C. (Accepted/In press). A flight-to-safety from Bitcoin to stock markets: Evidence from cyber attacks.

International Review of Financial Analysis.

<https://doi.org/10.1016/j.irfa.2025.104093>

“This study highlights a link between unregulated cryptocurrency markets and traditional regulated stock markets.”

