

## Evaluating the Effects of a Positive Bitcoin Shock on the U.S Economy: A TVP-FAVAR Model with Stochastic Volatility

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**Abstract :** This pioneer paper studies whether and how Bitcoin shocks are transmitted to the U.S economy. We employ a new methodology: TVP FAVAR model with stochastic volatility. We use a large dataset of 111 major U.S variables from 1959:m1 to 2016:m12. The results show that Bitcoin shocks significantly impact the U.S. economy. This significant impact is pronounced in a volatile and increasing U.S economy. The Bitcoin has a positive relationship on the U.S real activity, and a negative one on U.S prices and interest rates. Effects on the Monetary Policy exist via the inter-est rates and the Money, Credit and Finance transmission channels.

**Keywords :** bitcoin, US economy, FAVAR models, stochastic volatility

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