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The Impact of Cryptocurrency Integration in Investment Portfolios on Risk and Return in Financial Markets

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Abstract

Cryptocurrencies have become an integral part of the global financial system, attracting investors' attention due to the potential for high returns they offer. However, its highly volatile nature poses challenges in risk management, especially in the context of integrating cryptocurrencies into investment portfolios. The study aims to analyze the impact of cryptocurrency integration in portfolios on risk and return in financial markets. The approach used is a literature study, by reviewing various scientific sources related to investment theory, portfolio diversification, and digital asset volatility. The results of the study show that cryptocurrencies have a low correlation with traditional financial assets, making them an instrument that has the potential to increase diversification in investment portfolios. However, the high volatility of cryptocurrencies also increases systemic risks, especially during periods of economic instability. Several analyzed studies concluded that a small portion of cryptocurrency allocation (1-5%) can increase the return-to-risk ratio (Sharpe Ratio) without significantly increasing the overall volatility of the portfolio. On the other hand, proper risk management, such as hedging strategies and risk-parity, is necessary so that investors can take advantage of the benefits of diversification without incurring large losses due to extreme price movements. These findings indicate that the integration of cryptocurrencies in investment portfolios can provide benefits for investors who have the right risk mitigation strategies, but still require stricter regulation to ensure financial stability globally.

INTRODUCTION

Cryptocurrencies have come a long way in the last decade, becoming one of the most talked about financial instruments in the investment world (Hasanudin & Haryati, 2023). These digital assets offer a unique investment alternative with high volatility and great potential returns (Hidayah & Saidah, 2024). With the growing acceptance of cryptocurrencies in various global financial institutions, many investors are starting to consider integrating these assets into their portfolios to increase diversification and profit potential (Kusumanigtyas, 2023). However, the high price fluctuations and clear lack of regulation raise questions regarding the long-term impact of the integration of cryptocurrencies in investment portfolios on risk and return (Utami, 2023).

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The financial market is an arena where investors interact to earn profits through various investment instruments. However, every investment is always accompanied by risks that are directly proportional to the expected rate of return. In financial theory, there is a known positive relationship between risk and return, which means that the higher the risk of an asset, the greater the chance of getting a high return. According to Hariyati (2023), understanding risk and return is very important in making investment decisions, as it can help investors manage their portfolios to achieve optimal returns (Hariyati, 2023). In this context, the modern portfolio theory introduced by Markowitz is still the main reference in determining asset combinations that can minimize risk while still getting optimal returns.

One of the main risks in financial markets is systematic and non-systematic risk. Systematic risk is a risk that cannot be eliminated through diversification because it is influenced by macroeconomic factors such as inflation, interest rates, and government policies. In contrast, non-systematic risks can be mitigated through portfolio diversification as they are specific to specific companies or industries. According to Kalsum et al. (2023), optimizing the allocation of financial resources is very important in managing risks in financial markets, especially in long-term investment strategies (Kalsum et al., 2023). In addition, the Capital Asset Pricing Model (CAPM) is used to measure systematic risk and calculate the expected rate of return based on an asset's beta to the market (Kuncoro, 2023).

In practice, market volatility is a challenge for investors in evaluating potential profits and losses. For example, a study by Hutauruk (2021) showed that the COVID-19 pandemic caused high volatility in the LQ45 index, which indicates increased investment risk (Hutauruk, 2021). Therefore, investors need to use a data-driven approach to analyze market trends and make more rational decisions. In addition, technological developments such as big data and artificial intelligence have helped investors identify risk and return patterns more accurately. As global financial markets evolve, a deep understanding of risk and return is becoming increasingly important in achieving sustainable investment success.

Various studies show that cryptocurrencies have a low or even negative correlation with traditional assets, such as stocks and bonds, so they can be used as effective diversification instruments in modern investment strategies (Johan, 2024). However, the extreme volatility inherent in these assets leads to a significant increase in investment risk, especially during periods of global economic instability (Milando et al., 2023). A study by Hisam (2024) revealed that adding cryptocurrencies to a portfolio can increase portfolio returns, but also increase the level of risk that must be managed with more complex investment strategies (Hisam, 2024).

The impact of the integration of cryptocurrencies in investment portfolios is increasingly of concern after the global financial crisis due to the COVID-19 pandemic, where financial markets experienced higher volatility than ever before (Rolando et al., 2024). Cryptocurrencies showed highly volatile price movements during the period, with significant price spikes on the one hand, but also major crashes on the other (Puryandani et al., 2024). This underscores the need for a deep understanding of how these digital assets contribute to the risk profile and overall portfolio returns (Astuti, 2024).

As a new investment instrument, cryptocurrencies face challenges in terms of reliability, regulation, and security. In contrast to stocks and bonds, which already have strong regulatory mechanisms, cryptocurrencies still operate in an ecosystem that is often unstable and vulnerable to market manipulation (Khairiyah, 2024). Therefore, a more comprehensive empirical study is needed to evaluate whether the integration of cryptocurrencies in investment portfolios can actually reduce overall risk or instead increase volatility without providing sufficient diversification benefits (Maelani et al., 2024).

The urgency of this research is based on the increasing interest of investors in cryptocurrencies as an investment alternative, although there is no academic agreement on its long-term impact on investment portfolios (Awaluddin, 2024). Given the extreme price fluctuations as well as the lack of clear regulation, it is important to research how cryptocurrency integration can affect risk and return within financial markets. This research will contribute to providing insights to investors and regulators regarding effective risk management strategies in dealing with digital asset volatility (Shafira, 2023).

Several previous studies have explored the relationship between cryptocurrencies and investment portfolios. A study by Mariana et al. (2022) found that cryptocurrencies have a high rate of return but with much greater risk than traditional assets (Mariana et al., 2022). Meanwhile, research by Kurniawan et al. (2023) shows that diversification by adding cryptocurrencies can increase portfolio returns, but it is only effective in bullish market conditions (Pratama et al., 2023). Another study by Hanafi and Firdaus (2023) discusses the impact of regulation on cryptocurrency price stability in investment portfolios (Hanafi & Firdaus, 2023). However, previous studies have been limited in exploring how optimal asset allocation strategies can reduce the risk of cryptocurrency volatility in long-term investment portfolios.

The study aims to analyze the impact of cryptocurrency integration in investment portfolios on risk and return in financial markets. In particular, the study will evaluate the correlation between cryptocurrencies and traditional financial assets, analyze the impact of cryptocurrency volatility on portfolio risk, and examine optimal asset allocation strategies to achieve a balance between risk and return. In addition, the study will also provide recommendations for investors and regulators regarding the use of cryptocurrencies in sustainable investment strategies. By understanding these aspects, this research is expected to make theoretical and practical contributions to various stakeholders in dealing with the dynamics of the growing cryptocurrency ecosystem.

METHOD

This study uses a qualitative method with a library research approach to analyze the impact of cryptocurrency integration in investment portfolios on risk and return in the financial market. Literature studies are chosen because they allow researchers to explore various relevant scientific sources to understand the phenomenon being studied in depth (Zed, 2018). Relying on the existing literature, this study aims to identify patterns, trends, and implications of the use of cryptocurrencies in investment portfolios, both from an academic perspective and practice in the financial industry (Creswell & Poth, 2016).

The data sources used in this study come from secondary literature, namely scientific journals, books, research reports, and official documents relevant to the research topic. The selection of sources is carried out based on certain criteria, namely publications within the last five years (2019–2024) and has high relevance to the study of cryptocurrency integration in investment (Miles et al., 2019). In addition, the data sources used come from leading academic platforms such as Google Scholar, ScienceDirect, Springer, ResearchGate, and accredited national journals.

The data collection technique in this study was carried out through a systematic literature search, where researchers identify, select, and analyze various studies that discuss the relationship between cryptocurrencies and investment portfolios. This process involves the stages of keyword identification, screening of relevant literature, and critical evaluation of the content and findings of previous research (Boell & Cecez-Kecmanovic, 2014). To increase the validity of the data, only references from trusted sources are used in the analysis.

The data analysis method used in this study is content analysis with a thematic approach. This analysis aims to group the findings in the literature based on key themes related to the impact of

cryptocurrency integration in investment portfolios. The data obtained is categorized into several key themes, such as cryptocurrency volatility, diversification benefits, systematic and non-systematic risks, and regulations related to digital investments (Bowen, 2009). Each theme is critically analyzed to understand the relationship between the variables studied and to provide a synthesis of findings from various previous studies.

RESULT AND DISCUSSION

In this study, a systematic selection of various scientific articles has been carried out that discuss the impact of the integration of cryptocurrencies in investment portfolios on risk and return in financial markets. Of the many literatures found, the 10 main articles that are most relevant and have a significant contribution to this research were selected based on quality, relevance, and recent publications (2019-2024). These articles cover a wide range of analysis methods, from econometric models, empirical studies, to theoretical approaches in examining the relationship between cryptocurrencies and global financial markets.

Table 1. Literature Review

No	Author	Title	Research Focus
1	Tetiana et al. (2022)	Investment models on centralized and decentralized cryptocurrency markets	Cryptocurrencies can increase diversification in an investment portfolio, but volatility is high.
2	Saksonova & Kuzmina-Merlino (2019)	Cryptocurrency as an investment instrument in a modern financial market	Cryptocurrencies can be used as alternative investment instruments with high risk and potential returns.
3	Aljinović et al. (2021)	Cryptocurrency portfolio selection—a multicriteria approach	The multi-criteria approach shows that the optimal portfolio including cryptocurrencies performs better than traditional assets.
4	Boiko et al. (2021)	The optimization of the cryptocurrency portfolio in view of the risks	Risk management in cryptocurrency investments is a major challenge for institutional investors.
5	Inci & Lagasse (2019)	Cryptocurrencies: Applications and Investment Opportunities	The integration of cryptocurrencies in a portfolio increases risk but can also increase returns.
6	Gil-Alana et al. (2020)	Cryptocurrencies and stock market indices. Are they related?	There is a low correlation between cryptocurrencies and stock market indices, making it an effective diversification tool.
7	Aliu et al. (2021)	Modeling the optimal diversification opportunities: the case of crypto portfolios and equity portfolios	Cryptocurrencies can reduce total risk when combined with equities in an investment portfolio.
8	Ji et al. (2019)	Dynamic connectedness and integration in cryptocurrency markets	The connection between cryptocurrencies and financial markets is increasing as the digital asset market grows.
9	Osman et al. (2023)	Diversification in financial and crypto markets	Adding cryptocurrencies to a portfolio can reduce specific risks but increase systematic risks.

10	Fasanya et al. (2021)	Returns and volatility spillovers among cryptocurrency portfolios	Cryptocurrencies have a volatility spillover effect that can affect the returns of other assets in the portfolio.

In this study, a literature review of the impact of cryptocurrency integration in investment portfolios on risk and return in financial markets has yielded some in-depth insights. From the various sources that have been analyzed, it is found that cryptocurrencies have become an increasingly popular financial instrument in investment strategies, both among individual and institutional investors. However, with the increasing adoption of cryptocurrencies, there are also challenges related to price volatility, linkage to traditional assets, and their role in portfolio diversification strategies.

Research conducted by Tetiana et al. (2022) shows that cryptocurrencies can increase diversification in investment portfolios because they have unique properties that set them apart from traditional assets such as stocks and bonds. However, the study also highlights that the high volatility in the cryptocurrency market makes it a high-risk instrument. This means that although these assets can provide greater opportunities for returns, the risks associated with them are also much higher than conventional assets (Tetiana et al., 2022).

Furthermore, a study conducted by Aljinović et al. (2021) explores a multi-criteria approach in cryptocurrency portfolio selection. The study shows that portfolio strategies that include cryptocurrencies often show higher returns than traditional assets, but require a more complex approach to risk management. The research reveals that cryptocurrency-based portfolio optimization requires more sophisticated models due to extreme market volatility and unpredictable price fluctuations (Aljinović et al., 2021).

The research of Boiko et al. (2021) further strengthens the previous findings by highlighting that risk management in cryptocurrency investments is still a major challenge. This study emphasizes the importance of risk mitigation strategies to mitigate the impact of high price fluctuations. In this context, the study underlines that diversification strategies by adding cryptocurrencies to a portfolio can indeed reduce non-systematic risks, but still increase exposure to systemic risks, such as regulatory changes and global market conditions (Boiko et al., 2021).

Meanwhile, research by Saksonova & Kuzmina-Merlino (2019) examines cryptocurrencies as a modern investment instrument. Their findings suggest that while cryptocurrencies provide high potential returns, their less predictable nature makes them more suitable for investors with a high risk tolerance (Saksonova & Kuzmina-Merlino, 2019). This is in line with the research of Inci & Lagasse (2019), which highlights that the integration of cryptocurrencies in investment portfolios tends to increase systematic risk, but on the other hand, can provide greater returns than portfolios consisting only of conventional assets (Inci & Lagasse, 2019).

The relationship between cryptocurrencies and stock market indices is also the focus of the study of Gil-Alana et al. (2020). The study found that cryptocurrencies have a low correlation with stocks and bonds, which means they can be an attractive diversification tool for investors looking to reduce stock market risk. However, the study also highlights that during periods of high volatility, such as the global economic crisis, cryptocurrencies can exhibit movement patterns that are increasingly similar to those of other assets, reducing their effectiveness as a diversified instrument (Gil-Alana et al., 2020).

A study conducted by Aliu et al. (2021) supports the idea that cryptocurrencies can help reduce the total risk of a portfolio when combined with other equity assets. However, the study also warns that not all cryptocurrencies have the same impact, as some coins have much higher volatility

than others. Therefore, the selection of the type of cryptocurrency to include in the portfolio is a very important factor in the investment strategy (Aliu et al., 2021).

From the perspective of market connectivity, research by Ji et al. (2019) shows that connectivity between cryptocurrencies and other financial markets continues to increase along with the growth of the digital asset industry. This means that cryptocurrencies are no longer stand-alone investment instruments, but are increasingly integrated with global financial markets, thus having a broader impact on the economy as a whole (Ji et al., 2019).

The research of Osman et al. (2023) discusses how cryptocurrencies can be used to mitigate specific risks in investment portfolios, but on the other hand, they can actually increase systematic risks, especially those related to government policies and regulations. They also emphasized that the impact of cryptocurrencies on portfolios is highly dependent on overall market conditions as well as the ongoing economic cycle (Osman et al., 2023).

Finally, a study conducted by Fasanya et al. (2021) shows that cryptocurrencies can have a volatility spillover effect that affects the returns of other assets in the portfolio. This means that while cryptocurrencies can increase profits, they can also create additional uncertainty in investment strategies, especially for investors who do not have a high risk tolerance (Fasanya et al., 2021).

From the various studies that have been studied, there are several main conclusions that can be drawn. First, cryptocurrencies have great potential as a diversified instrument, especially because they have a low correlation with traditional assets. This makes it an attractive option for investors looking to reduce stock or bond market risk. Second, while cryptocurrencies offer higher return opportunities, the extreme volatility that comes with them makes them assets with a very high level of risk. This means that investment strategies that incorporate cryptocurrencies must be supported by a more sophisticated risk management approach.

Third, some research shows that the impact of cryptocurrencies on portfolio risk and returns is highly dependent on the asset allocation strategy used. Investors who are able to optimize the allocation of cryptocurrencies in their portfolios can take advantage of the advantages offered by these digital assets, while investors who do not have the right strategy in place may face huge losses due to price fluctuations. Fourth, the increased connectivity between cryptocurrencies and global financial markets shows that these assets are increasingly playing an important role in the modern financial ecosystem. However, this connectivity also carries additional risks, especially in terms of the influence of regulations, monetary policy, and global market sentiment on cryptocurrency price movements.

Overall, the study reveals that the integration of cryptocurrencies in investment portfolios has two contrasting sides. On the one hand, cryptocurrencies offer higher return opportunities and diversification benefits that can help reduce specific risks in a portfolio. On the other hand, this asset also brings its own challenges, especially in terms of volatility management, still unstable regulation, and greater market uncertainty. Therefore, investors who want to adopt cryptocurrencies in their investment strategies should have a deep understanding of the characteristics of the cryptocurrency market as well as have proper risk mitigation strategies in place.

Discossion

Cryptocurrencies have evolved into an attractive asset class for both institutional and individual investors. However, its unique characteristics such as high volatility and decentralized nature pose challenges in integration into investment portfolios. This analysis discusses how cryptocurrencies affect the risk and return of an investment portfolio, their correlation with traditional financial assets, as well as optimal asset allocation strategies to achieve a balance of risk and return.

Correlation between Cryptocurrencies and Traditional Financial Assets

Cryptocurrencies have attracted the attention of investors as an alternative asset that can provide diversification in investment portfolios. One important aspect to analyze is how cryptocurrencies correlate with traditional financial assets such as stocks, bonds, and gold. A low or negative correlation between cryptocurrencies and traditional assets can provide diversification benefits, but under certain market conditions, this relationship can change significantly.

According to research by Ali, Du, and Majeed (2025) published in Finance Research Letters, the correlation between cryptocurrencies and traditional assets varies depending on the market situation. Under normal conditions, Bitcoin and Ethereum tend to have a low correlation against major stock indices such as the S&P 500 and Nasdaq, suggesting that they can be used to reduce systematic risk in portfolios (Ali et al., 2025). However, during periods of economic instability, such as during the COVID-19 pandemic or the global financial crisis, this correlation increases, which means cryptocurrencies do not always act as hedging assets.

A clear example of this phenomenon occurred during the COVID-19 pandemic in March 2020. Initially, Bitcoin and the stock market experienced a drastic decline simultaneously, suggesting that in periods of extreme panic, the correlation between these assets increased. However, after monetary stimulus from central banks was imposed, Bitcoin recovered faster than stocks, which shows that in the long run, this asset still has different properties from traditional markets.

In addition, research by Huang (2025) at Atlantis Press revealed that the correlation between cryptocurrencies and gold shows a more complex pattern. Gold is often seen as a safe haven asset during periods of uncertainty, while Bitcoin is sometimes referred to as "digital gold." However, data shows that during periods of global financial uncertainty, such as the U.S.-China trade war or Russia's invasion of Ukraine, gold maintains a negative correlation with stocks, while Bitcoin shows higher correlation fluctuations against equity markets (Huang, 2025).

An additional study by Chen, Sarker, and Lau (2025) in the SSRN Working Paper found that stablecoins such as USDT have a higher correlation with bonds compared to Bitcoin or Ethereum. Stablecoins pegged to the US dollar have a more stable nature and are often used by investors as a means of parking funds during periods of high volatility (Chen et al., 2025).

From this analysis, it can be concluded that while cryptocurrencies can serve as a diversification tool in an investment portfolio, the nature of their correlation with traditional assets is not always fixed. During periods of stable markets, low correlation can provide diversification benefits, but in conditions of global crisis, cryptocurrencies tend to be more correlated with the stock market, reducing the benefits of protection against market risk. Therefore, investors need to dynamically evaluate these correlation changes when developing their investment strategies.

The Impact of Cryptocurrency Volatility on Portfolio Risk

Cryptocurrencies are known for their high volatility compared to traditional financial assets such as stocks and bonds. These extreme price movements provide great profit opportunities but also increase the overall portfolio risk. Investors who integrate cryptocurrencies in their investment strategies should understand how this volatility affects risk exposure and potential portfolio returns.

Research conducted by Colombo, Donatoni, Prati, and Ratibondi (2025) shows that high volatility in cryptocurrencies can increase the value of Conditional Value at Risk (CVaR), which is an indicator for measuring potential losses in extreme scenarios. The study found that portfolios containing cryptocurrencies such as Bitcoin and Ethereum tended to have a higher CVaR compared to portfolios without cryptocurrencies, especially during periods of economic instability (Colombo et al., 2025).

As a real example, in May 2021, the price of Bitcoin dropped from around $60,000 to $30,000 in a matter of weeks, which caused panic in the market. Investors who have large exposures to Bitcoin suffer significant losses, while those with more diversified portfolios experience more controlled impacts.

According to research by Ahmed (2025), cryptocurrencies have a greater impact on Value at Risk (VaR) compared to traditional assets such as gold or bonds. This study shows that increased Bitcoin volatility can double the VaR of an already high-risk portfolio (Ahmed, 2025). This means that the possibility of large losses in unfavorable market conditions becomes more significant.

For example, during the COVID-19 crisis in March 2020, the price of Bitcoin experienced a drastic drop of more than 50% in a single day, while stock indices such as the S&P 500 experienced a much smaller decline. This suggests that cryptocurrencies can exacerbate losses in extreme market conditions.

While high volatility can increase risk, some investors actually use it in momentum-based trading strategies. Rudd and Porter (2025) in their research in the Journal of Risk and Financial Management found that short-term trading strategies on Bitcoin can yield higher returns than buy-and-hold strategies, but with greater risk (Rudd & Porter, 2025).

As a real example, many traders take advantage of Bitcoin's high volatility in their scalping or day trading strategies. When the price of Bitcoin dropped drastically in May 2021, some investors who had a quick trading strategy were able to buy the asset at a low price and resell it in a short period of time to make a profit.

Optimal Asset Allocation Strategy in Cryptocurrency Portfolios

In building an optimal investment portfolio, investors need to consider how cryptocurrency allocation can affect the combination of risk and return. A proper asset allocation approach can help capitalize on the potential gains of cryptocurrencies while mitigating the impact of high volatility on portfolio stability.

1. Mean-Variance Optimization (MVO) approach

   The Mean-Variance Optimization (MVO) model developed by Harry Markowitz is used to determine optimal asset allocation by considering the relationship between risk and return. According to research by Ling, Jiang, and Liu (2025), a small allocation of cryptocurrencies, around 1-5% of the total portfolio, can increase the Sharpe Ratio of a portfolio without significantly adding risk. Sharpe Ratio is a measure that compares returns to the risk taken by investors; the higher the value, the more efficient the portfolio is in generating profits compared to the risks taken (Ling et al., 2025).

   In 2021, a report from Fidelity Digital Assets showed that a 5% allocation of Bitcoin in a traditional portfolio consisting of stocks and bonds could increase the risk-reward ratio without drastically increasing volatility. The study shows that during bullish periods, cryptocurrencies can increase portfolio profits higher compared to a fully traditional asset-based portfolio.

2. Risk-Parity Approach in Asset Allocation

   The Risk-Parity approach balances the risk contribution of each asset class in the portfolio. Because cryptocurrencies have much higher volatility than stocks and bonds, this approach allocates a smaller portion to riskier assets so as not to dominate the total portfolio risk.

   According to research by Joignant, Landry, and Suhar (2024), the use of the Risk-Parity approach in a multi-asset portfolio allows cryptocurrency allocation in the range of 2-7% depending on its level of volatility compared to other asset classes (Joignant et al., 2024).

Some major investment firms such as Morgan Stanley and BlackRock have implemented a risk-parity approach by allocating a small portion of their funds into cryptocurrencies. It aims to take advantage of the potential diversification of digital assets without taking excessive risks.

3. Hedging Strategies with Safe-Haven Assets

Hedging strategies are essential for investors who want to mitigate the impact of high volatility from cryptocurrencies. One commonly used way is to offset cryptocurrency holdings with safe-haven assets such as gold, government bonds, or defensive stock indices.

According to research by Niyazpour (2025), combining Bitcoin with gold in a portfolio can reduce exposure to risks caused by extreme fluctuations in the crypto market. The study shows that during periods of financial crisis, Bitcoin tends to experience sharp corrections, while gold actually rises in value, which makes the combination of these two assets an attractive hedging option (Niyazpour, 2025).

During the Russia-Ukraine war in 2022, the price of Bitcoin fell by more than 20% in a few weeks, while the price of gold rose by about 8% in the same period. Investors who have exposure to these two assets experience lower volatility than those who only own crypto assets.

Recommendations for Investors and Regulators

The integration of cryptocurrencies in investment portfolios poses opportunities and challenges for investors and regulators. Here are some recommendations:

1. Recommendations for Investors
   a. Use a diversified approach
      Allocate small amounts of cryptocurrencies to take advantage of low correlation with other assets.
   b. Use risk management strategies
      Apply stop-loss, hedging and diversification to reduce the risk of high volatility.
   c. Use derivative instruments
      Investors can use options or futures to protect their portfolios from extreme price movements.
   d. Rebalance regularly
      Evaluate the portfolio periodically to ensure that the proportion of cryptocurrencies remains in line with the risk tolerance.
2. Recommendations for Regulators
   a. Investor protection
      Develop transparent regulations to protect investors from unexpected risks.
   b. Surveillance of extreme volatility
      Regulators may consider trading margin rules or leverage limits on cryptocurrencies.
   c. Facilitating traditional financial integration
      Encouraging investment products such as supervised Bitcoin ETFs to provide safer options for institutional investors.

CONCLUSION

The results of the study show that the integration of cryptocurrencies in investment portfolios has a double impact. On the one hand, cryptocurrencies can increase portfolio diversification, as they have a low correlation with traditional assets such as stocks and bonds. However, on the other hand, high volatility and regulatory uncertainty are the main challenges that investors must face. Cryptocurrencies tend to have higher returns than traditional assets, but with much greater risk, so an effective investment strategy is essential to optimize their benefits.

In the context of practical advice, investors who want to integrate cryptocurrencies into their portfolios are advised to allocate digital assets in small proportions (1-5%) to mitigate the impact of high volatility. In addition, risk management strategies such as hedging with safe-haven assets (gold or government bonds) and cross-asset diversification can help stabilize investment returns. For institutional investors, the use of optimization models such as Mean-Variance Optimization (MVO) or the Risk-Parity approach can be a tool in determining optimal asset allocation.

As a suggestion for further research, an in-depth study of the effectiveness of risk mitigation strategies against cryptocurrency price fluctuations is urgently needed. In addition, empirical research on the impact of government regulation on the stability of the cryptocurrency market is also an important topic to explore. With the growing development of blockchain technology and policies related to digital assets, more comprehensive research is needed on the long-term influence of cryptocurrencies on global financial markets.

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