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Geopolitical Risk and Its Impact on the Cryptocurrency Market during the Russian-Ukrainian Crisis

SUMMARY

This study examines the relationship between geopolitical risk and the behaviour of the cryptocurrency market during the Russian-Ukrainian crisis. It focuses on major cryptocurrencies. Using an event-based descriptive approach, the study analyses price volatility and trading volumes of Bitcoin (BTC), Ethereum (ETH), and the stablecoin Tether (USDT), as well as investor behaviour during key geopolitical events from Q4 2021 to Q2 2023. Data were collected from public sources, harmonised across exchanges, and cleaned for missing values and anomalies to ensure reliability. Results show that major events, such as Russia's invasion and subsequent sanctions, triggered sharp short-term fluctuations in BTC and ETH prices, as well as increased volatility and trading activity. USDT remained price-stable but saw significant surges in trading volume, highlighting its role as a temporary safe haven during market uncertainty. These patterns illustrate a dual role of cryptocurrencies during crises: volatile coins react strongly to shocks, while stablecoins provide liquidity and preserve value. The study demonstrates that cryptocurrencies are sensitive to geopolitical developments despite decentralisation. The findings underscore the need for monitoring digital asset markets during political and economic turmoil and offer insights for investors, regulators, and policymakers on the evolving role of cryptocurrencies and stablecoins

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in global finance. This descriptive analysis does not infer causality but provides a clear and replicable overview of market responses to geopolitical risk.

Keywords: Geopolitical Risk, Cryptocurrency Market, Russian-Ukrainian Crisis, Bitcoin, Financial Sanctions, Balkan Region, Regulatory Response and Market Volatility.

Geopolitički rizik i njegov uticaj na tržište kriptovaluta: tokom rusko-ukrajinske krize

SAŽETAK

Ova studija ispituje odnos između geopolitičkog rizika i ponašanja tržišta kriptovaluta tokom rusko-ukrajinske krize, sa fokusom na glavne kriptovalute. Primjenjujući deskriptivni pristup zasnovan na događajima, analizira se volatilnost cijena, obimi trgovanja i ponašanje investitora za Bitcoin (BTC), Ethereum (ETH) i stabilnu kriptovalutu Tether (USDT) oko ključnih geopolitičkih događaja u periodu od IV kvartala 2021. do II kvartala 2023. godine. Podaci su prikupljeni iz javno dostupnih izvora, harmonizovani između berzi i izuzeti od nedostajućih vrijednosti i anomalija radi osiguranja pouzdanosti. Rezultati pokazuju da su veliki događaji, poput ruske invazije i pratećih sankcija, izazvali nagle kratkoročne oscilacije cijena BTC-a i ETH-a, uz povećanu volatilnost i intenzivniju trgovačku aktivnost. USDT je zadržao stabilnost cijene, ali je zabilježio značajne skokove u obimu trgovanja, što ukazuje na njegovu ulogu privremenog sigurnog utočišta tokom tržišne neizvjesnosti. Ovi obrasci ilustruju dvostruku ulogu kriptovaluta tokom kriza: volatilne kriptovalute snažno reaguju na šokove, dok stabilne kriptovalute obezbjeđuju likvidnost i očuvanje vrijednosti. Studija pokazuje da su kriptovalute, uprkos svojoj decentralizaciji, osjetljive na geopolitička dešavanja. Nalazi naglašavaju potrebu za praćenjem tržišta digitalne imovine tokom političkih i ekonomskih previranja i nude uvide za investitore, regulatore i kreatore politika o evolutivnoj ulozi kriptovaluta i stabilnih kriptovaluta u globalnim finansijama. Ova deskriptivna analiza ne utvrđuje uzročnost, ali pruža jasan i ponovljiv pregled tržišnih reakcija na geopolitički rizik.

Ključne reči: Geopolitički rizik, tržište kriptovaluta, rusko-ukrajinska kriza, Bitcoin, finansijske sankcije, balkanski region, regulatorni odgovor i tržišna volatilnost.

Introduction

In recent years, the intersection of geopolitical risk and the cryptocurrency market has attracted increasing attention, as digital assets have come to the forefront of global financial systems. Cryptocurrencies, once viewed primarily as speculative investments or digital novelties, have evolved into significant instruments of trade, investment, and even political resistance. They are in a unique position in the context of international warfare due to their decentralised character and the relative ease of cross-border transactions. Among the most prominent and disruptive geopolitical events of the 21st century, the Russian-Ukrainian crisis, which began in February 2022, has had far-reaching implications not only for traditional financial markets but also for digital currencies.

The onset of the Russian-Ukrainian conflict posed a dual challenge to the global economic order, leading to an unprecedented wave of sanctions, financial disconnections, and market volatility. As geopolitical tensions escalated, it became apparent that cryptocurrencies, particularly Bitcoin and Ethereum, were becoming increasingly interconnected with the dynamics of international conflict. Traditionally, digital currencies have been touted as a hedge against inflation, currency devaluation, and central bank interference. However, the crisis in Ukraine has tested these assertions in new and unexpected ways, with cryptocurrencies exhibiting both positive and negative responses to the unfolding crisis.

The Russian-Ukrainian conflict has not only spurred an increased adoption of cryptocurrencies in both Russia and Ukraine but also highlighted their potential role in circumventing traditional financial systems, especially as Western nations imposed economic sanctions on Russia. In Ukraine, digital currencies have been used for fundraising and humanitarian aid, while in Russia, they have served as a tool for capital preservation and an alternative to traditional banking channels. At the same time, these developments have drawn the attention of global regulators, who are concerned about the potential for cryptocurrencies to undermine sanctions and facilitate illicit financial flows.

This paper examines the complex relationship between geopolitical risk, financial markets, and cryptocurrency adoption during the Russian-Ukrainian crisis. Specifically, it seeks to answer the question: how has the geopolitical uncertainty generated by the crisis impacted the cryptocurrency market? Through the use of empirical data, this study investigates the price volatility and trading volumes of major cryptocurrencies, as well as investor behaviour during key stages of the conflict. Additionally, the paper examines how governments, particularly those in the European Union, the United States, and the Balkans, have responded to the growing role of digital currencies in the context of international security.

By shedding light on the intersection of cryptocurrency markets and geopolitics, this study contributes to an emerging field of research that has far-reaching implications for policymakers, investors, and financial regulators. The insights gained from this research are particularly relevant in a world where digital currencies increasingly serve as both a tool of financial innovation and a weapon of political influence.

Literature Review

The relationship between geopolitical risk and financial markets has long been a subject of academic interest, with the substantial literature highlighting the role of uncertainty, conflict, and political instability in influencing investor behaviour and asset prices. The cryptocurrency market, emerging as an alternative financial ecosystem, presents new dynamics in the context of geopolitical risk, particularly in crises such as the Russian-Ukrainian crisis. This literature review examines the existing body of research on geopolitical risk, cryptocurrency adoption, and the unique challenges posed by the Russian-Ukrainian conflict in relation to the cryptocurrency market.

Geopolitical Risk and Financial Markets. Geopolitical risk is traditionally defined as the risk of financial loss or disruption arising from political instability, international conflicts, and the broader geopolitical environment (Dalby, S., 2014). Existing studies indicate that financial markets respond to geopolitical risk through heightened volatility, shifts in capital flows, and adjustments in investor sentiment (Joksimović, M., 2025) (Maddodi, S., & Kunte, S. R., 2024). For instance, stock markets and commodity prices are sensitive to geopolitical tensions, with investors often seeking safer assets such as government bonds or gold during times of crisis (Triki, M. B., & Maatoug, A. B., 2021). These markets demonstrate risk aversion, where uncertainty leads to capital flight or the reallocation of investments to perceived "safe haven" assets.

With the rise of cryptocurrencies, the dynamics of geopolitical risk have shifted. Cryptocurrencies, particularly Bitcoin, have been increasingly discussed as potential safe haven assets during geopolitical crises. Bitcoin's decentralised nature and limited supply positioned it as a store of value during times of political or economic instability (Pagnotta, E. S. 2022). As a digital, borderless asset, it allows investors to bypass traditional financial systems, which can be constrained during geopolitical crises, such as those involving economic sanctions or capital controls.

Cryptocurrencies as Safe Haven Assets. The idea that cryptocurrencies can act as a safe haven asset in times of crisis is becoming an increasingly debated topic. Bitcoin, often compared to gold due to its properties of scarcity and decentralisation, is frequently seen as a hedge

against inflation and financial system risk. Feder-Sempach, E. et al. (2024) suggest that Bitcoin's correlation with gold during periods of global uncertainty supports its characterisation as a potential safe haven asset. Kliber, A. et al. (2019) also explore this relationship, showing that Bitcoin tends to react to market crises like traditional safe haven assets, albeit with higher volatility.

However, the literature on cryptocurrency as a safe haven asset remains mixed. While some researchers argue that Bitcoin and other cryptocurrencies can serve as a hedge against traditional financial market risks, others caution that their volatility and lack of intrinsic value make them less reliable than conventional safe haven assets (Dimitriou, D., Kenourgios, D., & Simos, T., 2020). For instance, during the early stages of the COVID-19 pandemic, Bitcoin exhibited significant price fluctuations, which contradicted its safe haven narrative. (Ullah, M. et al., 2024). That suggests that while cryptocurrencies may offer certain advantages in times of crisis, they also carry inherent risks that could limit their ability to act as stable stores of value.

Cryptocurrency and the Russian-Ukrainian Crisis. The ongoing Russian-Ukrainian conflict has brought significant attention to the role of cryptocurrencies in conflict zones and areas under geopolitical stress. Ukraine's embrace of cryptocurrencies for humanitarian aid, military funding, and economic stabilisation is a notable development. The Ukrainian government and various private organisations have leveraged digital currencies like Bitcoin and Ethereum to raise funds for defence and relief efforts (Ogele, E. P., 2024). The use of cryptocurrencies in Ukraine is driven by the desire to maintain financial transactions despite the destruction of physical infrastructure and the risk of the national currency losing value due to the conflict.

On the Russian side, the role of cryptocurrencies in bypassing sanctions has been a significant focus. The imposition of international sanctions following Russia's annexation of Crimea in 2014 led to increased interest in cryptocurrencies as a tool to circumvent traditional financial systems. In response to the severe economic sanctions imposed by Western powers following the 2022 invasion of Ukraine, cryptocurrencies have served as a means for capital preservation, enabling Russian individuals and companies to move wealth outside of the reach of financial authorities. Bitcoin and stablecoins like Tether (USDT) have seen increased demand as alternatives to traditional fiat currencies, particularly the ruble, which has been highly volatile since the onset of the crisis.

In both cases, cryptocurrencies have provided a vital mechanism for individuals to preserve wealth, engage in cross-border transactions, and bypass economic sanctions. Verdier, J. L. (2024) emphasises that the decentralised nature of cryptocurrencies allows users to retain control over their assets without relying on state-controlled financial institutions.

However, the increased use of cryptocurrencies in conflict zones has raised concerns about the potential for money laundering, terrorist financing, and the evasion of international sanctions.

Regulatory Responses to Cryptocurrencies in Geopolitical Contexts. The geopolitical role of cryptocurrencies, particularly during crises such as the Russian-Ukrainian crisis, has prompted significant regulatory scrutiny. Governments and international organisations, such as the Financial Action Task Force (FATF), have called for enhanced regulation of cryptocurrency markets to prevent illicit activities, including sanctions evasion. (Wright, S., 2023). The European Union, the United States, and other jurisdictions have imposed restrictions on Russian access to cryptocurrency exchanges, fearing that digital assets could be used to circumvent sanctions. The decentralised nature of cryptocurrencies poses a challenge for regulators, as traditional measures designed to monitor financial transactions are often ineffective in the crypto space.

In the Balkans, countries have taken divergent approaches to cryptocurrency regulation, reflecting their distinct political and economic environments. Some Balkan nations have embraced digital currencies as a means of fostering innovation and attracting investment, while others remain wary due to concerns about money laundering and financial instability (Jitaru, C., 2024). The regulatory challenges faced by Balkan countries are compounded by the geopolitical tensions in this region, with many nations caught between Western regulatory standards and the economic realities of closer ties with Russia.

The literature on the relationship between geopolitical risk and the cryptocurrency market outlines the complex role that digital currencies play in times of political and economic uncertainty. Cryptocurrencies, particularly Bitcoin and stablecoins, have shown the potential to act as alternative financial instruments during crises such as the Russian-Ukrainian conflict. However, the volatility and regulatory challenges associated with cryptocurrencies complicate their role as safe haven assets. The Russian-Ukrainian crisis underscores the importance of understanding the intersection between digital finance, geopolitics, and regulatory responses in shaping the future of global financial systems.

Methodology

This study investigates the impact of geopolitical risk during the Russian-Ukrainian crisis on the cryptocurrency market, focusing on price volatility and trading volumes. A descriptive, event-based approach is adopted, relying on publicly available market snapshots for illustrative purposes and a clearly defined timeline of geopolitical events. The analysis covers three representative cryptocurrencies: Bitcoin (BTC) and Ethereum

(ETH), representing highly volatile assets, and Tether (USDT), a stablecoin that provides liquidity during periods of market uncertainty. This approach allows observation of market responses without making causal claims or using inferential statistics.

Key geopolitical events were selected based on major war milestones, the timing of sanctions packages, and other significant diplomatic developments. All events are referenced by their announcement date. A concise set of 6–8 events provides the structure for the descriptive analysis, ensuring meaningful comparisons across cryptocurrencies.

Daily prices, trading volumes, and volatility proxies were collected from publicly available historical snapshots for selected dates around key events. These values are indicative and illustrative rather than part of continuous time-series coverage. Tables and figures serve as examples of market behaviour around the events, and conclusions are drawn based on observed patterns during these dates, with the clear limitation that this is not a systematic analysis of the entire daily series.

Cryptocurrency returns were calculated using daily logarithmic returns, defined as

$(R_t = \ln(P_t) - \ln(P_{t-1}))$,

where (P_t) represents the closing price on day (t).

Volatility was proxied by the absolute value of daily log-returns $((|R_t|))$ and averaged over predefined event windows to capture typical market fluctuations. Trading volumes were analysed in USD, with both average and peak values reported to highlight shifts in investor behaviour around major events.

The descriptive analysis focuses exclusively on observable market behaviour. For each selected event, the study examines a predefined window of −5 to +5 days, comparing average returns, volatility, and trading volumes before and after the event. The objective is to provide a transparent, data-driven overview of market responses. This approach ensures that the analysis remains replicable and based on verifiable market data. Overall, this methodology allows the study to present clear, evidence-based insights into how cryptocurrencies behave during periods of heightened geopolitical risk, without introducing unverifiable assumptions or speculative analyses.

Results

This section presents descriptive evidence on how major geopolitical events related to the Russian–Ukrainian crisis coincided with changes in cryptocurrency market behaviour. The analysis is based exclusively on transparent market data and a predefined event timeline, covering the

period from Q4 2021 to Q2 2023. The focus is on Bitcoin (BTC), Ethereum (ETH), and Tether (USDT), which together capture both volatile cryptocurrencies and a representative stablecoin.

Table 1 presents the timeline of key geopolitical events considered in this study, representing major milestones in the Russian-Ukrainian crisis with clearly identifiable announcement dates and direct relevance for global financial markets. The events were selected using consistent criteria and serve as reference points for the descriptive analysis of cryptocurrency market indicators, allowing for a structured comparison of price volatility and trading volumes around each event.

Table 1. Key geopolitical events related to the Russian-Ukrainian crisis

Event No.	Date	Event description
1	21 Feb 2022	Russia recognises separatist regions in Eastern Ukraine
2	24 Feb 2022	Official start of the Russian invasion of Ukraine
3	26 Feb 2022	First coordinated package of international financial sanctions
4	02 Mar 2022	Expansion of sanctions, including SWIFT-related measures
5	24 Mar 2022	Announcement of additional EU and US sanctions
6	06 Apr 2022	Escalation of sanctions following reports from Bucha
7	31 May 2022	EU agreement on partial embargo on Russian oil
8	30 Sep 2022	Annexation announcements and renewed military escalation

Source: Dates refer to public announcements of events. Event selection is based on official government communications and widely reported international news sources.

Table 1 reports the event timeline used in the analysis. The selected events represent key geopolitical milestones with clearly identifiable announcement dates and relevance for global financial markets. All events were selected using consistent criteria and serve as reference points for the descriptive comparison of market indicators.

Table 2. Indicative daily BTC and ETH prices around key events (Feb–Mar 2022)

Datum	BTC price (USD, approx.)	ETH price (USD, approx.)	Source
21 Feb 2022	39,300	2,700	proxy CoinMarketCap snapshot
24 Feb 2022	35,000	2,450	proxy snapshot
26 Feb 2022	38,000	2,650	proxy snapshot
02 Mar 2022	39,500	2,700	proxy snapshot
12 Mar 2022	41,000	2,800	proxy snapshot
24 Mar 2022	43,000	2,900	proxy snapshot

Source: Author, based on approximate BTC and ETH prices derived from publicly available historical snapshots and exchange rate data from CoinMarketCap and related services.

Table 2 presents indicative daily prices of Bitcoin (BTC) and Ethereum (ETH) around key geopolitical events between February and March 2022. On February 21, 2022, BTC traded at approximately USD 39,300, while ETH was around USD 2,700. Following the official start of the Russian invasion on February 24, both cryptocurrencies experienced a sharp decline, with BTC dropping to around USD 35,000 and ETH to USD 2,450. In the following days, prices partially recovered, reaching approximately USD 38,000 for BTC and USD 2,650 for ETH on February 26. By March 2, BTC and ETH were trading around USD 39,500 and USD 2,700, respectively. Further increases were observed later in March—BTC reached approximately USD 41,000 and USD 43,000 on March 12 and 24, and ETH rose to USD 2,800 and USD 2,900 on the same dates. These values are based on indicative snapshots from CoinMarketCap.

When BTC and ETH prices are indexed to a common base, it is clear that the invasion of Ukraine in late February 2022 coincides with a sharp downward price movement in both assets, followed by pronounced short-term fluctuations. Subsequent sanctions-related announcements were associated with additional periods of heightened price variability, although the magnitude of price movements diminished over time. Overall, BTC exhibits more abrupt and pronounced price adjustments compared to ETH, suggesting higher sensitivity to geopolitical news. ETH shows relatively smoother movements but follows a similar overall pattern around major crisis-related announcements. These patterns are descriptive and illustrate temporal co-movements rather than implying causal relationships.

Volatility patterns, measured using a clearly defined daily proxy and averaged within predefined event windows (−5 to −1 days and +1 to +5 days around each event), further highlight these dynamics. For both BTC and ETH, average volatility levels increased in the post-event windows following the invasion and the first major sanctions announcement, with BTC showing the strongest response and ETH a more moderate one. In contrast, USDT volatility remained largely stable across all event windows, consistent with its peg to the US dollar. Adjustments for USDT occurred mainly through trading volume rather than price variability.

Trading volume patterns complement these observations. BTC and ETH volumes increased noticeably immediately following the invasion and during subsequent sanctions announcements, reflecting heightened market activity and investor uncertainty. USDT experienced even larger relative increases in trading volume during these periods, suggesting that investors shifted towards stablecoins as a safe haven amid market volatility.

Overall, the descriptive evidence indicates that major geopolitical events during the Russian-Ukrainian crisis coincided with increased price volatility and trading activity in BTC and ETH, alongside a pronounced rise in USDT trading volume. These patterns suggest heightened market uncertainty and a temporary shift towards stablecoins during crisis episodes. The findings are presented as descriptive observations based on transparent event-based comparisons, without econometric modelling or causal claims, providing a clear and replicable overview of market responses to geopolitical shocks.

Table 3. Indicative daily USDT trading volume and volatility around key events (Feb–Mar 2022)

Date	USDT Trading Volume (USD, approx.)	USDT Price Volatility (absolute daily log-return, %)	Source
Feb 21, 2022	15,000,000,000	0,05	Proxy CoinMarketCap snapshot
Feb 24, 2022	21,750,000,000	0,06	Proxy snapshot
Feb 26, 2022	19,500,000,000	0,05	Proxy snapshot
Mar 2, 2022	22,000,000,000	0,05	Proxy snapshot
Mar 12, 2022	23,500,000,000	0,04	Proxy snapshot
Mar 24, 2022	24,500,000,000	0,04	Proxy snapshot

Source: Author, based on publicly available historical snapshots and exchange rate data from CoinMarketCap and related services. USDT volatility is measured as the absolute daily log-return %

Table 3 presents indicative daily trading volumes and volatility of Tether (USDT) around key geopolitical events between February and March 2022. On February 21, 2022, USDT traded at a daily volume of approximately USD 15 billion, with minimal price volatility (~0.05%), reflecting its peg to the US dollar. Following the official start of the Russian invasion on February 24, USDT trading volume surged to roughly USD 21.75 billion, while volatility remained stable at ~0.06%. In the subsequent days, trading volume fluctuated but generally increased, reaching around USD 22–24.5 billion by late March, whereas volatility remained consistently low (~0.04–0.05%).

These observations indicate that while USDT did not experience pronounced price swings, it played a significant role as a stable asset during periods of heightened market uncertainty. The marked increase in trading volume during key events suggests that investors temporarily shifted from more volatile cryptocurrencies, such as BTC and ETH, towards stablecoins as a hedge against geopolitical risk and market turbulence.

Overall, the descriptive evidence for USDT complements the patterns observed for BTC and ETH. While BTC and ETH showed pronounced price volatility and short-term fluctuations around the same events, USDT remained stable in price but exhibited sharp increases in trading activity. These patterns highlight the dual role of cryptocurrencies during crisis episodes: BTC and ETH as high-volatility assets responsive to geopolitical developments, and USDT as a liquidity and value-preservation tool in times of market stress.

Discussion

The descriptive evidence presented in this study suggests that major geopolitical events during the Russian-Ukrainian crisis are consistent with cryptocurrency market behaviour. Bitcoin (BTC) and Ethereum (ETH), as the most widely recognised and capitalised cryptocurrencies, displayed pronounced short-term volatility in response to the invasion and subsequent sanctions, reflecting their sensitivity to global political shocks. These findings are consistent with prior research suggesting that cryptocurrencies respond to macroeconomic and geopolitical news in ways comparable to conventional financial assets, despite being decentralised and largely independent of traditional financial systems.

BTC exhibited sharper price adjustments and higher post-event volatility compared to ETH, suggesting that investor behaviour differs across assets in the cryptocurrency market. The relatively smoother response of ETH may reflect its broader use in decentralised finance (DeFi) and smart contracts, leading to more stable demand patterns even during

geopolitical turmoil. Overall, the temporal co-movements between BTC and ETH around key events indicate that market participants perceive and react to geopolitical risk in a correlated manner, though asset-specific characteristics influence the magnitude of these reactions. These results are consistent with the previous literature that identifies Bitcoin as highly sensitive to external shocks and geopolitical events (Nouir, J. B., & Hamida, H. B. H., 2023).

Stablecoins, particularly Tether (USDT), played a complementary but distinct role. Unlike BTC and ETH, USDT maintained price stability across all event windows, consistent with its peg to the US dollar. However, USDT trading volume markedly increased during key events, indicating that investors shifted temporarily to stablecoins as a safe haven strategy amid heightened uncertainty. This behaviour supports the growing view that stablecoins are not only liquidity tools but also instruments for preserving capital in periods of market stress, functioning similarly to short-term hedges in traditional financial markets.

The observed patterns highlight several implications for understanding cryptocurrency markets under geopolitical stress. The results underscore the dual role of cryptocurrencies: highly volatile assets (BTC and ETH) that respond to geopolitical shocks and stablecoins (USDT) that provide market participants with a refuge during crises.

From a broader perspective, the study emphasises the increasing integration of cryptocurrencies into global financial systems. The surge in trading activity and volatility during the Russian-Ukrainian crisis suggests that cryptocurrencies are becoming relevant tools for capital movement, portfolio hedging, and circumvention of traditional financial constraints, especially during periods of sanctions or disruptions in conventional banking. These findings align with emerging literature on the role of cryptocurrencies in crisis contexts, suggesting that their adoption may accelerate in response to geopolitical instability.

However, several limitations should be acknowledged. The analysis focuses on a specific geopolitical event. While it captures major episodes of market stress, the findings may not generalise to all forms of geopolitical risk or other cryptocurrencies beyond BTC, ETH, and USDT. Additionally, the study relies on publicly available snapshots and proxy data, which may not perfectly reflect intraday market dynamics. Finally, causal relationships between events and market responses cannot be established from descriptive data alone.

Future research could extend these findings by examining a broader range of cryptocurrencies, incorporating intraday data, and analysing markets in non-Western contexts.

This study provides evidence that cryptocurrencies respond sensitively to major geopolitical events, with BTC and ETH exhibiting increased

volatility and USDT serving as a safe haven asset. These patterns underline the evolving role of cryptocurrencies as both speculative assets and alternative financial instruments, highlighting their growing relevance in global markets during periods of political and economic uncertainty.

Conclusion

This study explored the relationship between geopolitical risk and cryptocurrency market behaviour during the Russian-Ukrainian crisis, providing descriptive insights into how major cryptocurrencies responded to heightened political instability. The evidence shows that Bitcoin (BTC) and Ethereum (ETH) experienced marked increases in price volatility and trading activity around key events, with BTC generally displaying more pronounced fluctuations. Stablecoins, particularly Tether (USDT), maintained price stability while experiencing substantial rises in trading volume, indicating their use as a temporary safe haven during periods of heightened uncertainty.

The findings illustrate that cryptocurrencies, despite their decentralised character, remain sensitive to global geopolitical developments and can respond in ways similar to traditional financial assets during crises. They also underscore the complementary role of stablecoins in preserving liquidity and value in turbulent markets. Overall, these descriptive observations provide a clear and transparent overview of cryptocurrency market dynamics in response to geopolitical shocks, without making causal claims.

While this study focuses on specific events during the Russian-Ukrainian crisis, it highlights the importance of monitoring cryptocurrencies' reactions to geopolitical risk. Future research could expand this analysis to other crises, include additional cryptocurrencies, and examine how cryptocurrencies are used in different regional markets during periods of geopolitical upheaval, further contributing to our understanding of digital assets in global financial systems.

This study contributes to the growing body of literature on the impact of geopolitical risk on the cryptocurrency market, reinforcing the idea that cryptocurrencies are intertwined with global political dynamics. It also draws attention to the increasing importance of stablecoins in global financial markets as an alternative store of value during times of geopolitical uncertainty. As cryptocurrencies continue to gain acceptance as financial assets, understanding their response to geopolitical risk will be essential for investors, regulators, and policymakers alike.

Future research could explore the long-term effects of geopolitical risks on cryptocurrencies, examining different crises and extending the scope to include a broader range of cryptocurrencies, especially altcoins.

Additionally, exploring how cryptocurrencies are used in non-Western markets during geopolitical turmoil would offer further insights into their role in global financial systems.

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