Bitcoin Sentikator Index – Emotion in Bitcoin

The Bitcoin Sentikator Index (BSI) methodically measures the ratio of positive to negative sentiment of investors towards the digital peer-to-peer currency bitcoin. Since the creation of bitcoin in 2009 the bitcoin marketplace has substantially evolved to a recognized financial sector with a market cap of 96 million USD and a monthly volume of 19 million on Mt. Gox, the largest bitcoin exchange, as of end of January. Much more than traditional financial markets, the bitcoin price is strongly, almost exclusively influenced by expectations, opinions and emotions expressed by bitcoin holders in social networks, on online forums and in the internet relay chat (IRC). The BSI systematically collects and analyzes these opinions and the emotions behind in order to extract the prevailing undertone and quantify the bitcoin market sentiment.

News and investors' mood move market prices

Classical finance postulates that prices on financial markets are determined by news and information. Market participants process new data instantaneously and the majority opinion is reflected in the current price. The direction of the price is mainly determined by the investor mood. This phenomenon is investigated by behavioral finance. As this theoretical framework is known for quite a long time already sophisticated investors make use of tools that quantify emotions in market models and allow to profit from this data.

Rising interest in bitcoin from institutionals

As in recent months institutional investors such as asset managers, hedge funds and even pension funds have discovered bitcoin and expressed interest in this alternative asset there has been a growing demand for a reliable and comprehensible sentiment indicator. The Bitcoin Sentikator Index satisfies this demand. It is primarily intended for professional market participants wishing to deepen their understanding in the bitcoin market and to improve their knowledge on how others think and feel about bitcoin.

Modern technology for best results

The BSI digs for emotions towards bitcoin by constantly collecting opinions about bitcoin that people express on the internet. Based on the fact that people transport their state of emotion by the choice of words they apply the computer linguistic engine behind the BSI can recognize emotions and content in texts and transform them into quantitative data in a highly efficient and reliable manner. This datastream is calculated in realtime, is straightforward to understand, can easily be integrated into proprietary applications such as trading- or market-models and shows how the sentiment evolves as time passes. Further adaptations of the BSI are carried out hand in hand with our clients to best fit their demand.

The science behind the BSI

The algorithms behind the BSI called Sentikator use logical elements to detect the prevalent topic within a text. Techniques from the science of linguistics are applied to recognize and classify emotions and moods within texts and sophisticated statistical models are made use of to constantly verify the results. The basic approach however is fairly easy to understand:

Exemplary Facebook status on Bitcoin:

This exemplary status on **bitcoin** is thoroughly positive as indicated by the clustering of positive words such as **greatest**, **strong** and **happy**. Words such as **constant** and **stable** are so called calm-words. Those words have a significant predictive power - particularly for financial applications. The clustering of green-inked words such as **demand** or **currency** indicates that this message is somehow connected to a financial subject. Taking this message solely, the BSI would increase.

Flexible and intuitive application

The BSI is designed to be comprehensible, intuitively to interpret and ready to enhance your bitcoin investing. It is disseminated as an adaptive output feed in various formats so that integration in your applications is easy.

Innovative products often lead to questions. We are happy to assist you. For more information call +49-208-37779899, e-mail to office@sentikator.com or visit http://bsi.sentikator.com.