



# T3 Crypto-X Power Index Calculation Guide

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Cryptocurrency market index T3 Crypto-X Power (Crypto-XP) serves to illustrate potential returns from investing in a basket of ten largest cryptocurrencies. In order to diversify the investment portfolio and reduce the extent to which Bitcoin dominates the field, the weights are distributed according to Zipf's law. That is, cryptocurrencies are ordered by their respective market capitalization and then  $n$ th currency is assigned weight proportional to  $1/n$ .

The index is initiated on the 8th of January 2014 and represents an investment of \$1 in a basket of top ten cryptocurrencies, each assigned with  $\$1/(n \sum_i 1/i)$  respectively. Afterwards, the current portfolio value is redistributed monthly in the same fashion according to the updated market capitalizations at midnight UTC, on the second Wednesday of every month. So, at any given time  $t$  the index can be calculated as follows<sup>1</sup>:

$$I(t) = \frac{I(T)}{\sum_{i=1}^{10} i^{-1}} \sum_{n=1}^{10} \frac{p_n(t)}{np_n(T)}$$

Here  $p_n$  is the price of  $n$ th cryptocurrency and  $T < t$  is the time of the latest rebalance.

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<sup>1</sup>Note that the formula is recursive and requires the knowledge of the index value on all previous rebalancing days.

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