



Research Report | 06.02.2024

## Market dynamics redefined: The role of US bitcoin ETFs

The recent approval of several Bitcoin ETFs in the US marks a significant turning point, swinging the door wide open to Bitcoin - the reserve currency in the cryptocurrency market - for the time being. This development underscores the growing acceptance of digital assets on a global scale and signals a significant expansion of investment opportunities for retail and institutional investors.

Digital assets have created a dynamic new asset class that is attracting both private investors and institutional players. This has recently been recognized by the US Securities and Exchange Commission (SEC). In the face of increasing pressure from influential Wall Street institutions, coupled with ever-growing interest from the investment community, the agency was forced to take a historic step.

On January 11, the SEC gave the green light for the simultaneous approval of 11 Bitcoin ETF applications - an unprecedented move that paved an official and regulated path for digital assets to enter the world's largest financial market.

### ETFs catapult Bitcoin demand into new spheres

The trading activity of the first few weeks underpins the thesis that digital assets will inevitably find their way into portfolios and that this trend is only in its infancy. Looking at the new inflows into the new ETFs, it quickly becomes clear that many new investors are taking advantage of the simplified access to the largest cryptocurrency.

After adjusting for the outflows from the existing Bitcoin vehicle, the Grayscale Bitcoin Trust, a total of USD 1.46 billion in fresh capital flowed into the new ETF range of the various financial giants.

In the final days of the 21-day observation period, there was a significant increase in average daily Bitcoin purchases by ETF providers.

USDm	43,065										
Ticker	IBIT	FBTC	BITB	ARKB	BITO	EZBC	BRRR	HODL	BITCW	GBTC	
Provider	Blackrock	Fidelity	Bitwise	Ark	Invesco	Franklin	Valkyrie	VanEck	idomtree	Grayscale	Total Spot ETF
Dev Donation			10%					5%			
Fee	0.12%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.25%	0.00%	1.50%	
Total Assets	3,116.1	2,660.7	658.8	705.8	304.4	183.6	113.9	131.4	12.8	20,388.7	1,459.1
Total Flow	3,056.9	2,480.6	663.6	683.7	293.7	64.5	113.4	60.0	10.5	6,907.0	1,459.1
11 Jan 2024	111.7	227.0	237.9	65.3	17.4	50.1	29.4	10.6	1.0	(95.1)	655.2
12 Jan 2024	386.0	195.3	17.4	39.8	28.4	0.0	20.2	0.0	0.0	(484.1)	203.1
15 Jan 2024	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0
16 Jan 2024	212.7	102.0	50.2	122.3	31.9	0.0	15.3	7.3	0.0	(594.4)	(52.6)
17 Jan 2024	371.4	358.1	88.2	50.3	57.6	1.2	1.2	4.8	1.6	(460.6)	453.8
18 Jan 2024	145.5	177.9	20.1	41.8	58.8	0.0	9.3	2.3	0.0	(582.3)	(126.6)
19 Jan 2024	201.5	222.3	56.7	62.6	63.4	0.0	10.4	14.2	2.9	(590.4)	43.5
22 Jan 2024	260.6	158.7	41.6	65.0	5.6	4.7	9.7	6.8	0.4	(640.5)	(87.5)
23 Jan 2024	160.1	157.7	26.3	61.8	0.0	1.1	0.0	2.2	0.0	(515.3)	(106.0)
24 Jan 2024	66.2	125.7	19.1	24.9	19.9	1.2	9.1	4.5	0.4	(429.3)	(158.4)
25 Jan 2024	170.7	101.0	20.0	16.1	0.0	0.0	6.5	0.0	0.0	(394.1)	(79.9)
26 Jan 2024	87.1	100.1	30.9	46.4	0.0	1.2	1.8	2.4	0.0	(555.1)	14.8
29 Jan 2024	198.4	89.0	20.0	17.2	3.0	0.0	0.0	0.0	0.5	(191.7)	136.4
30 Jan 2024	299.2	119.0	21.9	16.8	6.3	2.5	0.0	0.0	2.1	(220.7)	247.1
31 Jan 2024	116.2	232.1	17.8	14.8	1.5	0.0	0.6	2.4	0.0	(187.7)	197.7
01 Feb 2024	163.9	35.8	4.2	15.9	0.0	0.0	0.0	0.0	0.7	(182.0)	38.5
02 Feb 2024	105.8	78.9	11.5	22.6	0.0	2.5	0.0	2.4	0.9	(144.6)	80.1

Figure 1: Breakdown of Bitcoin ETF money flows since launch / Source: BitMEX Research

The approximately USD 85 million that flows into total demand per trading day through the ETFs (USD 60.7 million, adjusted to a 7-day week, or 1,411 BTC) is offset by a daily Bitcoin issuance rate of 900 Bitcoins or USD 38.7 million. The inflow from Bitcoin ETFs alone thus generates a demand exceeding the inflation rate with a factor of 1.56. With the upcoming Bitcoin halving in just 2 months, which will halve the Bitcoin inflation rate again, the factor will double if the parameters remain unchanged.

Looking at the current total assets held in Bitcoin tradable financial instruments in the US, the total assets under management (AuM) amount to an impressive USD 43 billion. To put this into context, the gold ETFs and silver ETFs that have been available on the market for decades have assets of USD 95 billion and USD 11 billion respectively.

### An unstoppable trend

The future development of the initial trend of new capital inflows through US-based Bitcoin ETFs



remains to be seen. However, it has been evident for some time that there is considerable demand for the new asset class from the traditional financial world.

The blockchain phenomenon and the associated investment opportunities are having an impact on a global level. Outside the United States, there are already a large number of exchange-traded products that allow investors to invest in digital currencies. The recent [positive response](#) from the Hong Kong Securities and Exchange Commission to the first applications for Bitcoin ETFs is particularly noteworthy as it opens up access to the Chinese investor market - a country that has been ambivalent about cryptocurrencies in the past.

#### Traditional financial flows boost underlying demand for digital assets

Direct technology investment in the web3, which is facilitated by ETFs and has led to the emergence of the digital asset class, is still at an early stage. With a total market capitalization of over USD 1.6 trillion, this asset class still represents a manageable sum compared to other asset classes.

Bitcoin currently accounts for around half of this total market capitalization, which comprises more than 15,000 tokens. For Ethereum, the second-largest cryptocurrency by market capitalization, several ETF applications have already been submitted to the SEC in the US by renowned institutions such as BlackRock, which the authority will decide on in May.

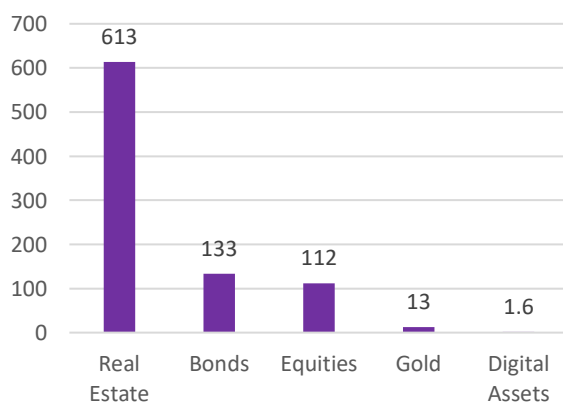


Figure 2: Market size of global asset classes in USD trillions /  
Source: Statista, Digital Asset Solutions AG

The attractiveness of the new asset class with its enticing asymmetric risk/return profile is ultimately determined by the actual demand for blockchain technologies and the applications based on them.

The signs are looking good. User adoption of cryptocurrencies, with an estimated 420 million users, is on the verge of exponential growth according to the S-curve theory. This increasing number of users are not only conducting more transactions on their respective blockchains, but are also actively paying with the native currency, such as Bitcoin, which corresponds to native demand.

Die Nachfrage von passiven Investoren über Finanzinstrumente wie ETFs und die aktive Nutzung durch native Blockchain-Anwender konvergieren mit dem oft begrenzten Angebot digitaler Währungen.

#### Blockchain: Exponential trends define the new era of digitalization

Public blockchain networks, such as Bitcoin, are among the disruptive developments that are significantly minting the era of digitalization. Passive investment opportunities via financial instruments such as ETFs therefore reinforce the existing demand for cryptocurrencies on public blockchain networks.

Access to the entire ecosystem via passive investment vehicles is currently limited. In the coming years, a new investment universe will develop in this area, encompassing both the basic blockchain infrastructure and the application layer.

Those who are already looking ahead and investing in the area in a diversified manner will benefit from enormous opportunities due to their early positioning.