

Bitcoin Update: ETFs, Futures, and Interest Rates

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Bitcoin appears to be enjoying its own spring after surviving the crypto winter of 2022¹

Even as major crypto platforms like FTX, Three Arrows Capital, and BlockFi failed 2022, Bitcoin has proven to have its own drivers.¹ While former crypto billionaire Sam Bankman-Fried (SBF) was sentenced to twenty-five years in person for securities fraud and money laundering,¹ Bitcoin recaptured its 2021 highs (Figure 1) and touched new highs in March 2024. In 2023, investors returned to Bitcoin in 2023 as the regulatory prospects for approval of Bitcoin spot exchange traded funds (ETF) improved.² The Securities and Exchange Commission has had its own crypto-related troubles when the “US Court of Appeals for the District of Columbia held that the Commission failed to adequately explain its reasoning in disapproving the listing and trading of Grayscale’s proposed ETP (the Grayscale Order).”³ Rather than face other judicial losses, the SEC relented and on January 10th 2024, the Securities and Exchange Commission (SEC) approved eleven Bitcoin spot ETFs that had been previously denied.³

¹ Source: Bloomberg, E. Nicolle et al., “All the Ways Crypto Broke in 2022,” December 21, 2022.

² Source: Bloomberg, S. Shukla, “Digital Asset Inflows Highest in a Year As BlackRock Files for Bitcoin ETF,” June 26, 2023.

³ Source: SEC, Chair Gary Gensler, “Statement on the Approval of Spot Bitcoin Exchange Traded Products,” January 10, 2024.

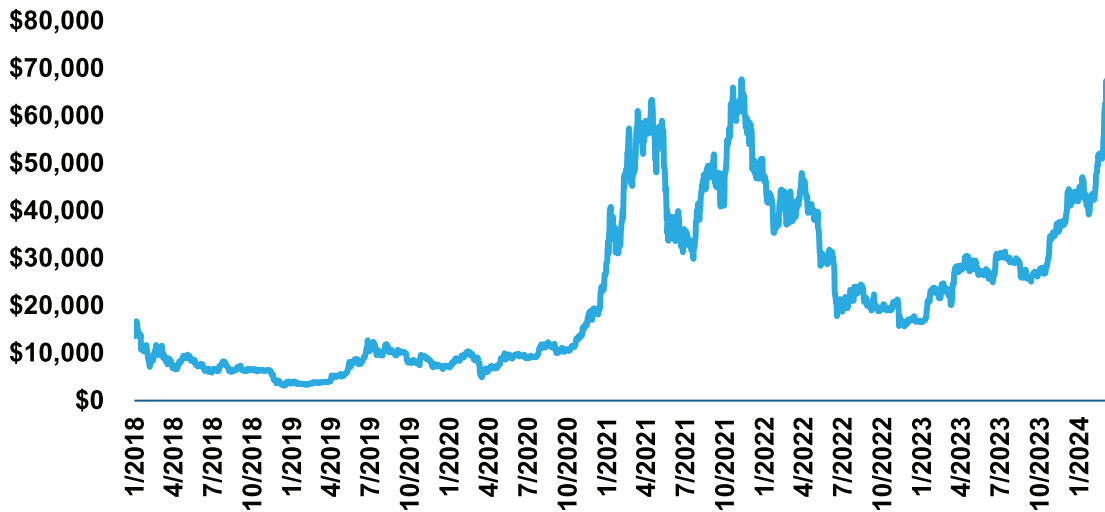


FIGURE 1
Bitcoin Price (USD)

Source: Bloomberg data March 25, 2024.

Greyscale’s legal victory was a boon for Bitcoin ETFs which are estimated to have around 300,000 Bitcoin or less than 2% of the total Bitcoin supply for a market value around \$18 billion dollars.⁴ By March, Bitcoin futures and derivatives markets saw Bitcoin interest soar. According to CCData, a leading digital asset data and index provider, spot-trading and derivatives hit a record high in March for a combined value of \$9.1 trillion dollars.⁵ Institutional trading activity, a part of the surge in trading, rose 60.6% in March this year with a market value of \$155 billion.⁵

⁴ Source: Financial Times, N. Asgari, “Bitcoin Price Tops \$60,000 for the First Time Since 2021,” February 28, 2024.

⁵ Source: Bloomberg, M. Torres, “Crypto Trading Volume Reached All-Time High During March Rally,” April 4, 2024.

⁶ Source: CMEGroup, P. Shah, “Bitcoin Halving 2024 – This Time Its Different,” April 4, 2024.

But the SEC’s approval of eleven spot Bitcoin ETFs is only part of the changing dynamics behind Bitcoin’s rally. Around April 19th, Bitcoin will undergo its fourth halving event that will double the computing work required to earn a Bitcoin. After the April halving event, miners will receive only 3.25 Bitcoin for block solved down from 6.5. In the past, halving events have been understood to be supportive for the Bitcoin demand.⁶ With higher computing demands for earning Bitcoins, some anticipate that there could be consolidation among crypto-miners.⁶

The combined forces of more demand for Bitcoin from spot ETF products with the prospects of fewer new coins being mined support the Bitcoin price around its new high near \$70,000.⁶

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