

# \$13.9B traded in Bitcoin ETFs during week one.

After one week, \$13.9B has been traded across the newly approved ETFs. The first week of data has started to show some clear trends.

On January 10<sup>th</sup>, 2024, the SEC approved eleven US-Listed exchange traded funds (ETFs) that invest in Bitcoin. This has opened up a new asset class for many investors, as the move has simplified the process of gaining direct exposure to the cryptocurrency. The ease of investing in Bitcoin through an ETF structure will not only increase the popularity of this asset class but is also likely to catapult it into the financial mainstream. One week after these new ETFs started trading, and following \$1.15B of net flows, some interesting trends have started to emerge.

Fund flow data for week one (01/11/24 – 01/18/24):

ETF Name	Ticker	Total Fund Flow (\$M)	Total Volume (M)	Total Value Traded (\$M)	Total AUM (\$M)	Average Bid / ask Spread	Short interest (% Shares outstanding on loan) (%)
Ark 21Shares Bitcoin ETF	ARKB	\$329.6	16.4	\$727.3	\$309.7	0.00138	10.9
Bitwise Bitcoin ETF	BITB	\$393.7	15.1	\$363.0	\$360.2	0.00272	4.2
Fidelity Wise Origin Bitcoin Fund	FBTC	\$1,060.3	54.9	\$2,111.4	\$838.7	0.00106	7.9
Franklin Bitcoin ETF	EZBC	\$51.3	3.8	\$100.0	\$47.5	0.00506	0.4
Grayscale Bitcoin Trust	GBTC	-\$2,216.3	196.2	\$7,592.2	\$23,124.7	0.00069	0.5
Hashdex Bitcoin Futures ETF	DEFI	\$13.3	0.1	\$7.1	\$16.1	0.00299	0.8
Invesco Galaxy Bitcoin ETF	BTCO	\$194.0	5.4	\$234.3	\$190.0	0.00358	1.8
iShares Bitcoin Trust	IBIT	\$1,227.4	107.6	\$2,707.9	\$1,171.7	0.00121	N/A
Valkyrie Bitcoin Fund	BRRR	\$75.4	1.3	\$16.3	\$70.1	0.00509	1.5
Vaneck Bitcoin Trust	HODL	\$25.0	1.3	\$67.3	\$90.3	0.00564	1.1
Wisdom Tree Bitcoin Fund	BTCW	\$2.5	0.3	\$14.9	\$4.6	0.00460	0.3
<b>Total</b>		<b>\$1,156.2</b>		<b>\$13,941.8</b>	<b>\$26,223.5</b>		

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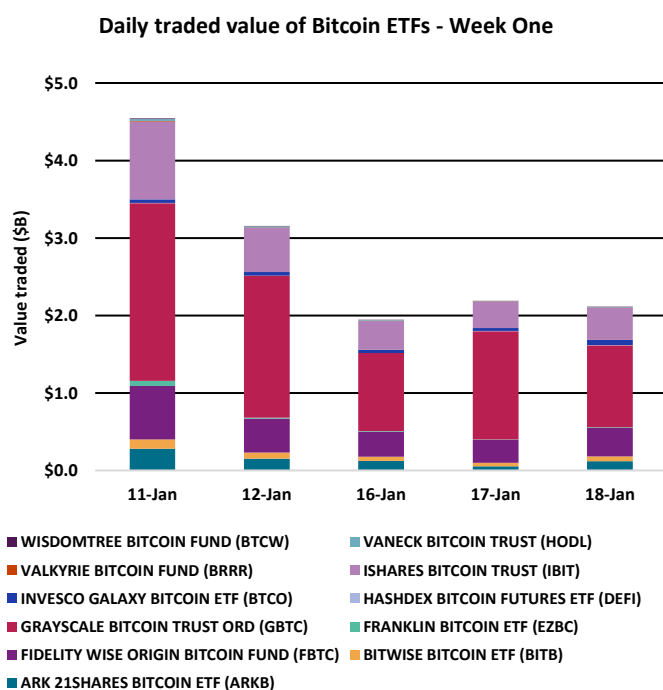
Source: S&P Global Market Intelligence ETF and Benchmarking Services

The iShares Bitcoin Trust (IBIT) (\$1.2B) and the Fidelity Wise Origin Bitcoin Fund (FBTC) (\$1B) experienced the largest inflows across all newly formed ETFs during the first week of trading. Blackrock and Fidelity have proved popular amongst investors, receiving a combined 68% of all week one inflows (BITI 37%, FBTC 31%).

The iShares Bitcoin Trust (IBIT) was the first of the group to amass more than \$1B in assets, accumulating the largest inflows during the week, and boasting an AUM of \$1.17B on January 18<sup>th</sup>. The value of both ETFs combined inflows (\$2.2B) was equal to the value of the outflows seen across the Grayscale Bitcoin Trust (GBTC) (\$2.2B) during the period.

The Grayscale Bitcoin Trust (GBTC) experienced \$2,216.3B of outflows during the week. This ETF was the only fund to experience daily outflows during its first week of trading. The meteoric rise in the price of Bitcoin, which pushed ever higher as investors anticipated the approval of these new funds, is believed to have led to profit taking by existing investors in the former closed-end fund. Now converted, existing units can now be traded freely on exchange which lowers the bid /offer spread for investors who would have previously had to trade over the counter, often at a substantial discount to the Bitcoin price.

Fund flows have been affected by the decision of some Bitcoin ETF issuers to charge 0% fees for a limited amount of time, with the agreement to raise them when a defined AUM is reached. The majority of the funds are expected to charge between 0.2% and 0.4% in the future. The Grayscale Bitcoin Trust ETF (GBTC) continues to charge 1.5%, stating its track record as its differentiating competitive factor. When looking outside the fee, the Grayscale ETF had the lowest average trading spread across the group during the week and experienced the highest trading volumes and values (as seen in the graph below). This suggests that liquidity and price remain important factors for a substantial proportion of the investor base.



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Source: S&P Global Market Intelligence ETF and Benchmarking Services

Across all of the newly approved ETFs, the Hashdex Bitcoin Future ETF (DEFI) experienced the lowest traded value over the week (\$7.1M). This fund continues to trade Bitcoin futures rather than physical assets. After the fanfare of the most recent approvals, it appears that investors' appetites for the futures equivalent, now that they can access the real thing, are muted.

The Ark 21Shares Bitcoin ETF (ARKB) appears to be the ETF of choice when speculating on the price of Bitcoin. As of January 19<sup>th</sup>, just over 11% of the ETF's shares were borrowed. This is often used as a proxy for short selling, where speculators sell a borrowed stock in anticipation of the price falling, before buying it back at a lower price. This ETF had a significantly higher percentage of its outstanding shares on loan in comparison to the other funds.

Since the launch of these new products the price of Bitcoin has dropped circa 11%. How that impacts investor flows and demand going forward remains to be seen. During the first week of trading, investors have shown a clear interest in the asset class with \$13.9B traded and two dominant front runners seen in iShares Bitcoin Trust (IBIT) and Fidelity Wise Origin Bitcoin Fund (FBTC).

As the initial flood of new money starts to slow, the landscape is likely to remain competitive. Given the level of investor demand and the fact that the asset class does not provide a yield as returns are based solely upon pricing speculation, these most recently approved ETFs are likely to represent the start of a growing trend of investment strategies to generate returns across this increasingly popular asset class.

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