Bitcoin

US bitcoin ETFs draw in nearly $1bn in first two days of trading

Grayscale has outflows of $579mn as investors turn to BlackRock and Fidelity for new crypto products

Grayscale helped open the door to regulatory approval for bitcoin ETFs after winning a court victory against the SEC last year © Bloomberg

Scott Chipolina in London and **Will Schmitt** in New York YESTERDAY

Bitcoin exchange traded funds have pulled in just under $1bn in the first two days of trading, as investors cautiously welcome the new stock market vehicles that track the cryptocurrency.

The new funds, which include those from BlackRock, Franklin Templeton and Invesco, have had inflows of $984mn, according to data from CoinShares, a digital asset manager, since their launch on Thursday.

BlackRock, the world's largest asset manager, led the way with $508mn of inflows, followed by Fidelity with $442mn.

Crypto enthusiasts celebrated the approval of the funds by the US Securities and Exchange Commission last week after more than a decade of rejections. Supporters hope it will attract new investors to the token and boost its price in the long term.

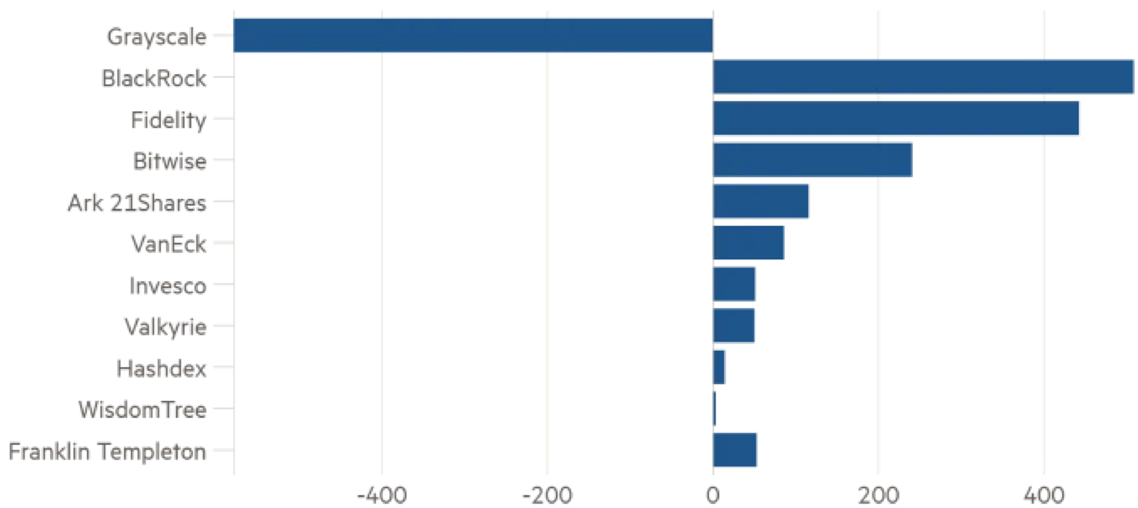
Growing speculation that the SEC would approve so-called spot bitcoin ETFs had pushed the price of bitcoin up more than 70 per cent since October. However bitcoin has fallen roughly 6 per cent since their approval.

"By no means was this launch a mass success," said Ilan Solot, co-head of digital assets at Marex Solutions. "Bitcoin's latest price action shows that this has so far been an underwhelming launch for products that were so highly anticipated."

The funds' collective performance also fell short of the $1bn that ProShares pulled in on its first two days after launching a bitcoin futures ETF in October 2021.

Just under $1bn flowed into the US's newly approved spot bitcoin ETF market

Flows for all newly approved bitcoin spot ETFs ($mn)



Data current at end of Jan 12 2024
Source: CoinShares

Grayscale, which runs the world's largest bitcoin fund, had $579mn in outflows in the first two days of trading since it converted into an ETF last Thursday. The US group, which has run a bitcoin trust since 2013, helped open the door to regulatory approval for bitcoin ETFs after winning a court victory against the SEC last year.

"Following a sharp run-up in valuations, it's natural to see some profit-taking from the investment community," said Zach Pandl, Grayscale's managing director for research.

Investors in Grayscale's trust had previously only been able to sell their holdings in the over-the-counter market, and they often traded at a large discount to the price of bitcoin.

Analysts speculated that some of the flow was from investors who were moving their investments away from Grayscale, whose 1.5 per cent fee is more than a percentage point higher than those charged by rivals.

“There’s a lot of shuffling around of deck chairs . . . because Grayscale was trading as a closed-end fund for so long, but as soon as it became an ETF it became liquid, so it’s not surprising to see selling pressure coming from Grayscale,” said James Butterfill, head of research at CoinShares.

Some brokers have declined to offer trading in the new bitcoin ETFs. Vanguard, the world’s second-largest asset manager, said the new products “did not align with its offer of a well-balanced, long-term investment portfolio”.

Analysts said flows into bitcoin ETFs would take time to materialise as advisers became comfortable enough with the products to recommend them as additions to client portfolios.

“This isn’t about day one. This is new for a lot of clients,” said an executive at one of the issuers who declined to be identified. “It’s going to take some time to have a full education and understand its role in a portfolio and ultimately choose to make an allocation to a product. What I’m most excited about is the long-term prospects. We are giving access to an entirely new market.”

Additional reporting from Steve Johnson in London