

Cryptocurrency ETFs: Impacts on the industry and future investment products

With Bitcoin backed ETFs officially incorporated into mainstream investment products, industry experts believe that once the initial frenzy from Bitcoin ETFs comes down, there will be a shift in focus to Ether ETFs and Bitcoin options. Additionally, the wider cryptocurrency industry will benefit from developed investment products introduced which will help to cement cryptocurrency investment products as safe and legitimate.

ETF experts firmly and widely believe that Bitcoin options will be part of the natural progression of Bitcoin ETFs. Just last month, The Chicago Board Options Exchange (CBOE) (the largest options exchange in the United States), filed with the SEC to offer Bitcoin ETFs linked options products. The CBOE expects these options products to start trading by the end of 2024 and believes that options products could appeal to institutional investors that have traditionally been averse to investing in digital assets. The CBOE believes that Bitcoin ETFs linked options will appeal to both institutional and retail investors as these options will provide downside hedging and risk management for the end investor. Chief among the derivatives products that could be met with the most reception are zero-day options or “ODTEs” which are derivatives contracts that expire the same day they are traded. The reason why these ODTEs could be hugely popular is due to the volatile nature of Bitcoin. Speculators or even long-term investors in Bitcoin could utilise the ODTEs to help them hedge their positions based on their risk appetite which reduces the potential for large movements in portfolio NAVs.

Another potential cryptocurrency product that could see mainstream approval is spot Ether ETFs. Numerous industry observers predict that once the frenzy and hype around spot Bitcoin ETFs have died down, there will be an immediate shift in focus on spot Ethereum ETFs. This prediction is not unfounded as some large financial institutions like Fidelity and BlackRock have applied for a spot Ethereum ETF over the last few months. Additionally, Ethereum futures ETFs went live late 2023 which marked the launch of the first ever Ethereum backed futures ETF. The launch came two years after the launch of the first Bitcoin futures ETF. This similar pattern of futures ETFs preceding spot ETFs has led to widespread anticipation that a spot Ethereum ETF could soon be approved.

In light of the positive developments in the cryptocurrency space, investors who are bullish on the industry could be in for exciting times as the world continues to see encouraging developments. However, with that being said, it would likely take quite some time before Bitcoin ETF derivatives and spot Ethereum ETFs will be launched for both institutional and retail investors.

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