

Hong Kong is the Latest Player to Join the Global Cryptocurrency ETF Race, who's next?

Hong Kong Becomes the Latest Jurisdiction to Offer Cryptocurrency ETFs

30th April 2024 marked another landmark moment for the cryptocurrency industry as Asia's first-ever spot cryptocurrency exchange-traded funds (ETFs) began trading on the Hong Kong Stock Exchange (HKEX). This marked a significant milestone as the Asian city became the latest player to join the global spot cryptocurrency ETF race after the United States and the United Kingdom.

The listing of the cryptocurrency denominated spot ETFs in Hong Kong has come after a slew of similar investment products were launched in the United States by mega fund houses like Blackrock, Fidelity, and Invesco. This has been the main catalyst behind Bitcoin's recent rally to historic high price points of \$73,000. A total of six ETFs were listed on the HKEX last Thursday with three mainland Chinese asset managers with presence in Hong Kong each launching two ETFs backed by Bitcoin and Ether respectively. The ETFs launched by Bosera Asset Management were in collaboration with Hashkey Capital while Harvest Global Investments and China Asset Management launched theirs independently.

The ETF launch has come amid Hong Kong's push to be a cryptocurrency hub against a backdrop of strict regulations from Beijing and marks a significant milestone as the first virtual asset-backed spot products introduced in an Asian economy. However, any exuberance around Hong Kong matching the US might be premature. For one, the trading turnover on the first trading day for the Hong Kong ETFs was recorded at a paltry \$13m contrasted against US ETFs which recorded a whopping \$4b trading turnover volume. This muted performance was largely attributable to lukewarm market sentiment underpinned by the relatively flat price points of Bitcoin and Ethereum.

Notwithstanding the underwhelming start for Hong Kong spot ETFs, the launch of these products marks a major step forward for Hong Kong as an Asian cryptocurrency hub which has been met by optimism throughout the industry. This builds upon the 2022 launch of the cryptocurrency futures ETF by CSOP Asset Management and will certainly provide investors with more options as the demand for spot cryptocurrency investment products continue to see a rise in popularity. Market watchers largely believe that regulators are beginning to "warm up" to spot cryptocurrency products which will not only benefit the wider industry but retail investors as well. A relaxed regulatory landscape could just be what is needed for Bitcoin's march towards \$100,00 and cryptocurrency bulls would certainly keep their eyes peeled on developments within this space.

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