

The SEC has Approved Bitcoin ETFs, now what next?

Bitcoin lost roughly 15% of its value two weeks into the approval of Bitcoin Exchange Traded Funds (ETFs) which saw Bitcoin price levels dip briefly below the \$39,000 mark since December 2023. It has since returned to price levels above \$41,000. The correction in Bitcoin's net asset value (NAV) was largely attributable to large outflows from the largest US Bitcoin investment fund managed by Grayscale (GBTC) which has seen outflows reaching \$4.3 billion according to JP Morgan.

Naturally, investors might be puzzled by the price trends seen in Bitcoin since the Bitcoin ETFs approval. Many experts believe that early investors in GBTC anticipating the ETF conversion who have been accumulating long positions at a significant discount to NAV over the past year have decided to take profits instead of focusing on the cheaper spot Bitcoin ETFs. This total exit from Bitcoin is the main reason behind Bitcoin's temporal decline in price and is widely considered to be a correction in the market.

Therefore, the common question on investors' minds is what next for Bitcoin and is the worst finally over? JP Morgan seems to think so and so are some indicators that point to better days ahead for Bitcoin. With the Bitcoin ETFs up and running, industry experts believe that this will cultivate a nascent derivatives market. Investment advisor Roundhill Investments' Bitcoin Covered Call ETF (YBTC) is an example of a Bitcoin linked derivative product that mimics a traditional covered call ETF that aims to generate a yield at the expense of some potential market returns. This is a prime example of how cryptocurrencies and income generation can be combined to create an investment grade product. However, the wider industry believes YBTC is just the tip of the iceberg, and is touted to be first of numerous novel Bitcoin based derivative products set to be introduced to retail investors; this is only the beginning of innovative cryptocurrency investment products.

Besides a derivatives market, there is increasing anticipation that the Bitcoin ETF approval will facilitate new avant garde cryptocurrency investment products. Speculation is high that the next approved cryptocurrency ETF will be based on Ether or even the USD pegged Tether with options trading for the aforementioned introduced thereafter. Additionally, cryptocurrency-related stocks could potentially stand to benefit in the long-term from a burgeoning "crypto capital markets". These companies who have held a bullish view on the wider cryptocurrency industry are poised to act and capture any emerging trends within cryptocurrency markets underpinned by their deep knowledge and expertise in this field.

While cryptocurrency linked products remain in its infancy stage, there are promising signs that it could spark a wave of further development barring hawkish policies.

With all that has been discussed and said, the question that remains is are you ready for the wave of change?

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