

# AI-00953 Bitcoin ETF

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## Is Investing in Bitcoin ETF safer now than 6 months ago?

Potential safety of a Bitcoin ETF depends on a few factors:

1. **Bitcoin price itself:** Bitcoin is a volatile asset, and its price can fluctuate significantly. So, regardless of the timeframe (6 months or now), investing in Bitcoin carries inherent risk.
2. **Specific ETF structure:** Not all Bitcoin ETFs are created equal. Some track Bitcoin futures contracts, which can be less volatile than directly owning Bitcoin, but may not perfectly reflect the underlying asset price.
3. **Regulation:** The US Securities and Exchange Commission (SEC) has not yet approved a spot Bitcoin ETF, which would directly track the price of Bitcoin. There are currently Bitcoin futures ETFs available, but a spot ETF might offer different risk characteristics.

Here's a breakdown of how these factors can affect safety:

- **Bitcoin price:** If the price of Bitcoin goes down after you invest, regardless of the ETF structure, you could experience losses.
- **ETF structure:** A futures ETF might be slightly less volatile than a spot ETF (if it's ever approved), but it comes with its own set of risks.
- **Regulation:** A SEC-approved ETF might offer some regulatory benefits and assurances compared to unregulated investment options.

**Overall, it's difficult to say definitively whether a Bitcoin ETF is safer now than 6 months ago.** The past performance of Bitcoin is not necessarily indicative of future results.

Here are some resources to help you make an informed decision:

- Information about Bitcoin futures ETFs: [What Will Happen When A Bitcoin ETF Is Approved [YouTube]](This source discusses potential advantages and risks of a Bitcoin ETF)
- Information on Bitcoin in general: [bitcoin ON Wikipedia en.wikipedia.org]

Remember, it's important to do your own research before investing in any financial product, including Bitcoin ETFs.

### Compare the Fidelity Bitcoin ETF vs Blackrock ETF, use a table formatted

#### Fidelity Bitcoin ETF vs. BlackRock Bitcoin ETF

| Feature                                      | Fidelity Wise Origin Bitcoin Trust (FBTC)             | iShares Bitcoin Trust (IBIT)  |
|--|---|---|
| <b>Expense Ratio</b>                         | 0% (until July 31st, 2024) then 0.25%                 | 0.12% (up to \$5 billion in AUM)<br>0.25% (over \$5 billion in AUM) |
| <b>Inception Date</b>                        | January 11, 2024                                      | January 11, 2024  |
| <b>Current Assets Under Management (AUM)</b> | Data not publicly available, but trailing behind IBIT | Over \$9 billion (as of March 2024)                                 |
| <b>Investment Strategy</b>                   | Physically backs Bitcoin (if a spot ETF)              | Tracks Bitcoin futures contracts                                    |
| <b>Distribution Advantage</b>                | Large network of retail and advisor clients           | Largest asset manager globally                                      |

#### Notes:

- Neither ETF has been around for a full year, so long-term performance comparisons are not possible.
- Fidelity's expense ratio is currently waived, making it cheaper than BlackRock's at this time.
- BlackRock's ETF currently has a larger AUM, which might indicate higher liquidity.
- Fidelity's ETF might invest directly in Bitcoin (spot ETF), while BlackRock's tracks futures contracts, which can have different risk profiles.

#### Bitcoin trades 24/7, does the two etf trades the same way?

No, Bitcoin ETFs **do not trade exactly the same way as Bitcoin** even though Bitcoin itself trades 24/7. Here's why:

- **Market Hours:** Bitcoin ETFs trade on stock exchanges that have specific opening and closing hours. This means you can only buy or sell shares of the ETF during those hours, unlike Bitcoin which can be traded continuously. For instance, if you wanted to buy an ETF after hours, you'd have to wait until the next trading day.
- **Creation and Redemption Unit:** ETFs are created and redeemed in large creation/redemption units, not individual shares. To meet demand for ETF shares, authorized participants buy or sell large baskets of Bitcoin underlying assets. This process can cause temporary discrepancies between the price of the ETF and the actual price of Bitcoin.
- **Liquidity:** The trading volume of a Bitcoin ETF might be lower than the trading volume of Bitcoin itself. This can lead to price differences between the ETF and the underlying asset, especially during times of lower liquidity.

**In short, while Bitcoin trades 24/7, Bitcoin ETFs are restricted by exchange hours, creation/redemption processes, and liquidity factors.**

**So an investor can tell ahead of what the bitcoin price action will be by looking at the actual bitcoin price movement and volume. Delve and explain.**

Unfortunately, **looking at historical Bitcoin price movement and volume cannot definitively tell you what the future price action will be.** While it can provide some insights and inform your investment decisions, it's not a foolproof way to predict the future. Here's why:

- **Market Volatility:** Bitcoin is a notoriously volatile asset. Its price can fluctuate significantly due to various factors like news events, regulations, whale activity (large investors moving large amounts), and overall market sentiment. These factors can be unpredictable, making it difficult to use past data to perfectly predict future price movements.
- **Technical vs. Fundamental Analysis:** Technical analysis focuses on historical price and volume data to identify patterns that might suggest future trends. However, technical indicators are not always reliable, and past performance doesn't guarantee future results. Fundamental factors, like underlying

economic conditions or the adoption rate of Bitcoin, can also play a role in price movements and are not directly reflected in price and volume charts.

- **External Events:** Unforeseen events like natural disasters, political instability, or changes in government regulations can significantly impact the price of Bitcoin. These events are often unpredictable and can't be taken into account by simply looking at historical data.

**However, analyzing price and volume data can be a valuable tool for investors.**

Here's how:

- **Identify Trends:** By looking at historical charts, you might identify potential trends like support and resistance levels. These can inform your entry and exit points for buying and selling Bitcoin (or a Bitcoin ETF).
- **Gauge Market Sentiment:** High trading volume can indicate increased interest in Bitcoin, which could suggest a potential price rise. Conversely, low volume might suggest a lack of interest and a possible price decline. However, volume alone doesn't tell the whole story.
- **Risk Management:** By understanding historical volatility, you can develop a risk management strategy. This might involve setting stop-loss orders to limit potential losses if the price goes against you.

**Overall, price and volume data are just pieces of the puzzle.** A comprehensive investment strategy should consider other factors like your risk tolerance, investment goals, and overall market conditions. Remember, investing always carries risk, and diversification is key.