Let us, again, imagine a different world in 2022. A world where, instead of bond gains, it was bitcoin gains that were borrowed upon. The price of bitcoin is easily hedgeable using actual bitcoin; however, the potential scarcity in the block space market for a given 10-minute block could vary the cost of transacting quite a bit. Regardless, it's still a far more effective way to hedge bitcoin price exposure than anything the bond market has to manage bond price exposure. Now that BlackRock has pushed out their spot ETF, it has never been easier, more seamless, and more effective to quickly take a position for or against bitcoin's price. BlackRock would have been able to set a floor for bitcoin's price for its clients to borrow on their gains without any worry of liquidation.

This feature of hedgeability is going to give rise to a renaissance of financial products like annuities and deferred compensation for institutions which, for one reason or another, are either unable to acquire and hold bitcoin or are prohibited from funding tax-advantaged financial products. The ability to utilize the spot ETF as a hedge or a surrogate form of financing is going to pave the way for bitcoin exposure to be made available to hundreds of millions of people, perhaps billions.

It turns out that the bitcoin spot ETF has the potential to be the perfect hedge against bitcoin exposure. We must keep in mind that there is counterparty risk with the custodian, and there are fees associated with the ETF. From a pure market risk perspective, however, there is no tenor or