

Bitcoin ETFs Challenge Investor Loyalty to Gold-Backed Securities

In recent times, the financial landscape has witnessed a seismic shift with the advent of Bitcoin Exchange-Traded Funds (ETFs), stirring a wave of interest among investors. This surge of interest is not without consequence, as it prompts some investors to re-evaluate their portfolios, considering a swap-out of holdings in gold-backed ETFs. While this move signals a notable transition, analysts and fund managers are quick to caution that Bitcoin ETFs are unlikely to challenge the supremacy of gold in the longer term.

Spot Bitcoin ETFs emerge as a potential alternative for investors seeking to hedge against inflation, presenting a novel avenue alongside traditional gold investments. ETFs, known for tracking various indices, commodities, bonds, or asset baskets, offer investors diversified exposure akin to index funds. The recent regulatory green light for ETFs tracking the price of Bitcoin in the United States, granted in January, has set the stage for further growth in the ETF market, valued at trillions of dollars globally.

Following the US regulatory approval on January 10th, two prominent spot Bitcoin ETFs, namely iShares Bitcoin Trust and Fidelity Wise Origin Bitcoin Fund, amassed

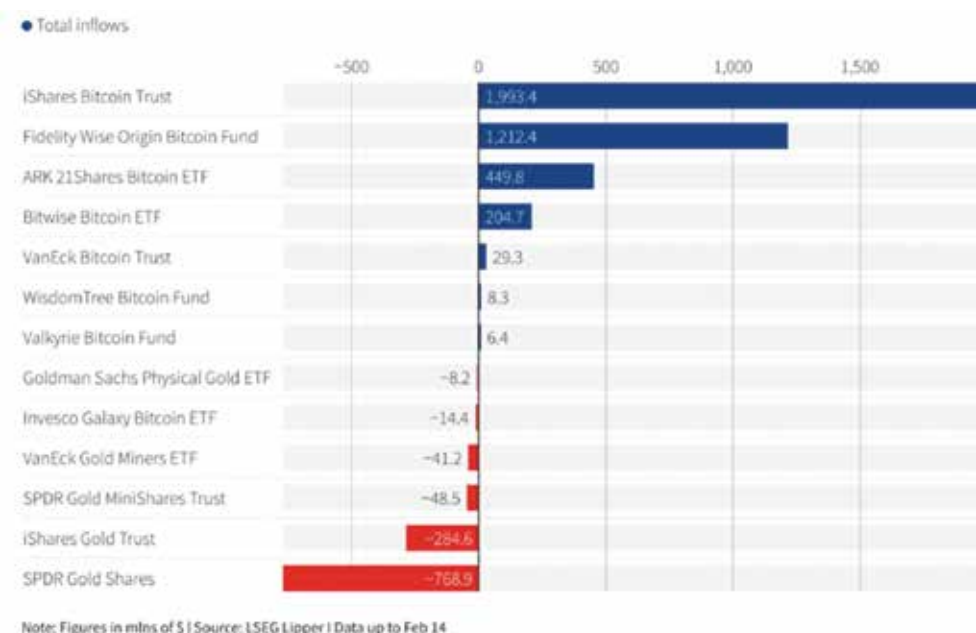
considerable assets, totalling \$5.45 billion and \$4.13 billion, respectively, as of February 14th, according to LSEG Lipper data. In contrast, the largest gold-backed ETF, New York's SPDR Gold Trust, experienced outflows of \$768.9 million during the same period, with the iShares Gold Trust witnessing outflows of \$284.6 million.

The emergence of these new products coincides with a rally in cryptocurrency prices. In 2023 alone, Bitcoin surged by over 150%, while gold recorded a comparatively modest climb of 13%. Nicky Shiels, Head of Metals Strategy at MKS PAMP SA, suggests that the crypto industry's maturation, coupled with increased regulatory approval and the legitimization of new products, poses a growing threat to traditional safe havens like gold in certain regions.

However, amidst the enthusiasm surrounding Bitcoin ETFs, cautionary voices emerge within the financial realm. Fund managers and analysts warn against hastily migrating from gold ETFs, citing Bitcoin's inherent volatility as a significant concern. Bryan Armour, an ETF analyst at Morningstar, emphasizes the enduring value of gold, which has been revered for thousands of years, juxtaposed with Bitcoin's relatively nascent stage.

As spot bitcoin ETFs grow, gold counterparts falter

Inflows and outflows into prominent bitcoin and gold ETFs since the launch of bitcoin products in January



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