

Bitcoin wins boost on hope of broader trading

November 1 2023, by Lucie LEQUIER, With Thomas Urbain in New York



The authorization of a bitcoin exchange-traded fund in the United States would make it easier for investors to trade in the cryptocurrency.

Bitcoin's price has risen strongly in recent weeks with the United States

possibly set to allow a popular type of trading in the cryptocurrency that would further normalize the asset.

A 30-percent jump since the end of August has been driven by speculation around the creation of a so-called exchange-traded fund for the asset, which would directly track the price of [bitcoin](#).

Spot bitcoin ETF would allow more of the general public to invest in the cryptocurrency without having to directly buy it.

"Approval is now (a matter of) when, not if," Charles Morris, founder of crypto analyst group ByteTree, told AFP.

With a [market capitalization](#) of about \$670 billion, bitcoin is the world's biggest cryptocurrency and has doubled in value since the start of the year.

Bitcoin's price briefly surpassed \$35,000 last week—helped also by some investors viewing the asset as a haven amid economic and geopolitical unrest.

But it remains around half its record value of almost \$69,000 that was reached in late 2020.

"The rebound we are seeing... seems linked to a single catalyst: the enthusiasm generated by a possible approval" of Spot bitcoin ETF, said Clara Medalie of cryptocurrency data analysts Kaiko.

Blackrock chief executive Larry Fink recently argued that part of the rally could be attributed to "way beyond the rumor".

He said it was also "about a flight to quality, with all the issues around the Israeli war now, global terrorism".

A [federal appeals court](#) in Washington last month upheld its decision that ruled in favor of asset manager Grayscale against the US Securities and Exchange Commission, which had refused to authorize its bitcoin ETF.

The SEC is now re-examining the application, as well as looking at bitcoin ETF requests made by other financial groups, including BlackRock and Ark Invest.

The regulator's first decision is expected to be on Ark Invest, by January 10 at the latest.

In gold's wake

Morris believes SEC approval will set off a gradual push into bitcoin trades, similar to when an ETF for gold was approved at the start of the millennium.

Companies applying for a fund are helping to boost the cryptocurrency's price, since they are required to have a certain level of bitcoins before launch, according to Michael van de Poppe, founder of the MN Trading platform.

Felix Hartmann, managing partner at Hartmann Capital, told AFP that the present situation "moves bitcoin further out of this esoteric asset class and more towards being recognized as a legitimate trustable asset".

Central banks and regulators have long warned over the volatility of bitcoin and other cryptocurrencies, especially in statements aimed at small investors.

Rival cryptocurrencies

Analysts believe rivals to bitcoin, notably ether, could also eventually have Spot ETFs attached.

Before then, Sui Chung, chief executive at CF Benchmarks, expects the SEC to approve several bitcoin ETFs at once, since the applications are similar.

"Once providers know what the benchmark is for approval, it could open the way for ETFs tracking other cryptocurrencies," he predicted.

His company is providing market data to seven bitcoin ETF applicants, including BlackRock.

Whatever the SEC decides on the exchange-traded funds, bitcoin's current price-recovery is a positive for cryptocurrency, a sector rocked by a series of bankruptcies and scandals in recent years.

Attention is also fixed firmly on the ongoing court trial of former crypto tycoon Sam Bankman-Fried.

The 31-year-old has been charged with seven counts of fraud, embezzlement and criminal conspiracy and faces decades in prison if found guilty on all counts.

He witnessed his FTX empire's downfall, which followed a meteoric rise in which the platform became the world's second biggest crypto exchange—making Bankman-Fried a tech-world billionaire sensation.

© 2023 AFP

Citation: Bitcoin wins boost on hope of broader trading (2023, November 1) retrieved 9 May 2024 from <https://techxplore.com/news/2023-11-bitcoin-boost-broader.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.