

Cryptocurrencies are here to stay

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Points clés

- With a market capitalisation rivalling traditional asset classes and a proven history, cryptocurrencies are no longer a niche investment but a formidable player in the global financial ecosystem.
- For investors dismissing the sector as a passing trend, it may be worth reevaluating their stance in light of the evidence.
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As of late November 2024, the total market capitalisation of cryptocurrencies reached an impressive \$3.4 trillion¹, placing it among the largest asset classes globally. This figure exceeds the market capitalisation of listed real estate (\$1.9 trillion) and broad commodities (\$1.0 trillion), and rivals other well-established categories such as emerging markets small cap equities (\$2.8 trillion), high yield bonds (\$2.8 trillion), and inflation linked bonds (\$2.6 trillion)².

Cryptocurrencies now boast a 15+ year track record, evolving from Bitcoin's debut in 2009 to a thriving ecosystem of thousands of digital assets and blockchain-based applications. This longevity and growth underscore their resilience and staying power.

Investor sentiment

Despite these achievements, scepticism persists. According to our 2024 Professional Investor Survey, approximately 15% of respondents see lack of demand for cryptocurrencies, and just over 13% of them still view cryptocurrencies as a passing fad³.

This scepticism overlooks several significant milestones in cryptocurrencies' journey towards mainstream finance and institutionalisation that we have observed in 2024. By way of example:

- Spot Bitcoin exchange-traded products (ETPs) launched in the United States and received over \$24 billion⁴ in net inflows during the first 10 months of 2024.
- Major institutions, including the State of Wisconsin Investment Board and Emory University Endowment, allocated to bitcoin ETPs, citing inflation-hedging properties and potential for portfolio diversification.

As shown in Figure 1, while the majority of 2024 flows have gone into US-domiciled spot bitcoin ETPs, Europe remains a leader in the diversity and maturity of its offerings. Here investors can invest in a broad range of single-coin and crypto basket ETPs, many of which boast relatively long track records.

Figure 1: Crypto ETP Flows and AUM

In Europe

In the United States

In Rest of World

Source: Bloomberg, WisdomTree. 31 October 2024. Actively managed crypto ETPs are excluded. AUM = assets under management. 1M = one month. YTD = year to date. Historical performance is not an indication of future performance and any investment may go down in value.

Europe's foresight has fostered a sophisticated market that spans diverse strategies and caters to varying investor preferences. In contrast, the US market, although gaining momentum with recent launches, continues to play catch-up.

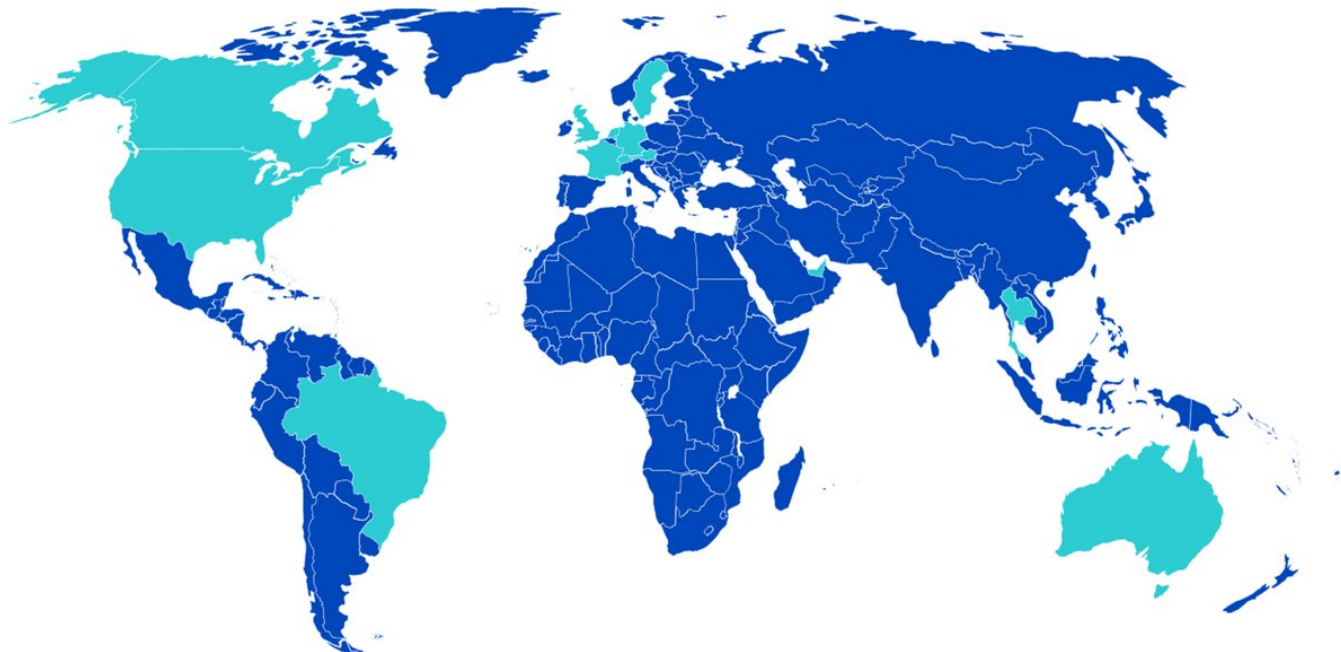
Looking ahead

The evolution of the crypto ETP market is expected to accelerate as both the US and European markets continue to mature.

In the US, the recent launch of spot bitcoin and Ethereum ETPs could pave the way for regulatory approval of additional cryptocurrency products, broadening the scope of investment opportunities available to institutional and retail investors. This growing accessibility is likely to attract even greater inflows, further embedding cryptocurrencies within the traditional financial ecosystem.

Meanwhile, Europe's established leadership and diverse product offerings position it to remain a hub of innovation in the crypto ETP space.

Figure 2: Global view



Source: WisdomTree. November 2024.

As shown in Figure 2, bitcoin ETPs are now listed in most developed markets, providing institutional investors across the globe with streamlined access to cryptocurrencies. This widespread availability not only enhances portfolio diversification opportunities but also fosters greater adoption by institutional players who were previously deterred by the complexities of direct cryptocurrency investment.

Conclusion

The data highlights a disconnect between the market reality of cryptocurrencies and the perceptions of some investors. With a market capitalisation rivalling traditional asset classes and a proven history, cryptocurrencies are no longer a niche investment but a formidable player in the global financial ecosystem.

For investors dismissing the sector as a passing trend, it may be worth reevaluating their stance in light of the evidence.

1 At the time of writing, the total market capitalisation of cryptocurrencies was \$3.4 trillion (Messari. 21 November 2024).

2 Bloomberg, WisdomTree. 31 October 2024. **You cannot invest directly in an index. Historical performance is not an indication of future performance and any investment may go down in value.**

3 WisdomTree Pan European Professional Investor Survey, June-July 2024, 800 respondents, conducted by Censuswide.

4 Bloomberg. 31 October 2024.

Important Risks Related to this Article

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