Don’t invest unless you’re prepared to lose all the money you invest. This is a high-risk investment and you should not expect to be protected if something goes wrong. Take 2 mins to learn more.

What’s Hot: U.S. Crypto Investors Finally Have a Choice

Published 26 July 2024

Dovile Silenskyte
Director, Digital Assets Research

Key Takeaways

- U.S. crypto investors finally have a choice: bitcoin and / or ether
- Most of European domiciled physical Ethereum ETPs will outperform U.S. domiciled spot Ethereum ETFs due to staking
- Staking needs to be implemented in a transparent and risk-managed approach

On Tuesday, 23rd July 2024, nine spot Ethereum (ETH, or ether) exchange traded funds (ETFs) were listed in the United States. These ETFs followed eleven spot Bitcoin ETFs that were listed in the United States earlier this year. This finally gives a choice – bitcoin and / or ether – for U.S. crypto investors who do not want to:

- Manage crypto wallets directly
- Entrust assets to unregulated exchanges
- Invest in futures-based strategies that underperform due to roll costs

While the United States is starting to catch up with Europe where investors have had access to physical bitcoin, ether, other single coin crypto and crypto basket exchange traded products (ETPs) since 2019, most of European domiciled Ethereum ETPs will outperform United States domiciled Ethereum ETFs due to staking.

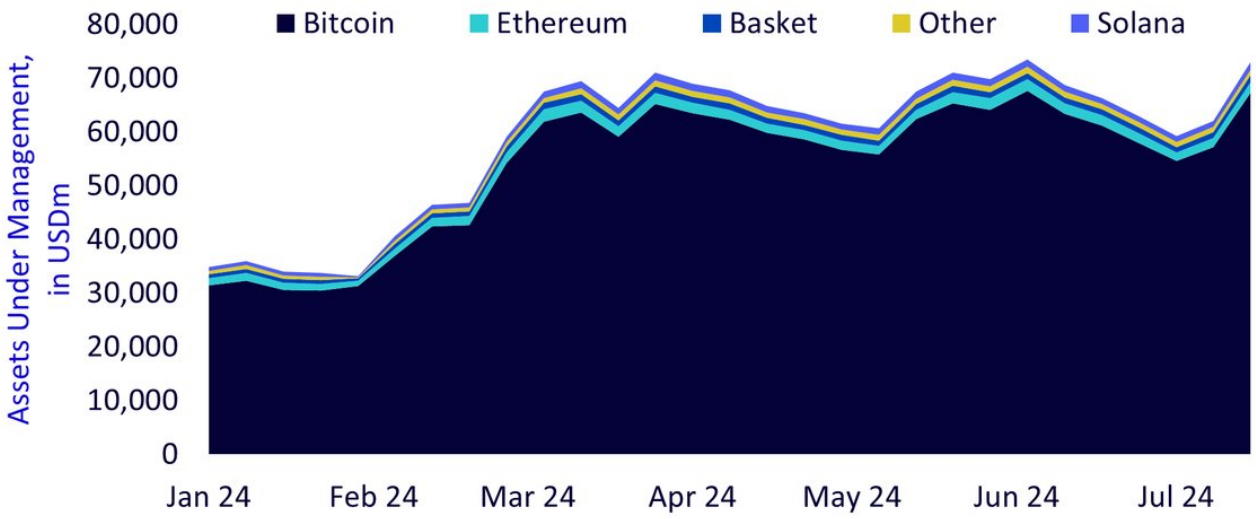
By way of reminder, staking is a feature of Proof-of-Stake blockchains, such as Ethereum. It is like a term / fixed deposit for crypto as it involves delegating ‘voting rights’ to a validator node via smart contract, which is rewarded in new cryptocurrency. While staking needs to be implemented in a transparent and risk-managed approach in order to allow investors to understand what risks they are exposing themselves to and to minimise those risks, the staking return that investors receive via coin entitlement more than

covers the management expense ratios of staked Ethereum ETPs. At the moment, the United States Securities and Exchange Commission (SEC) has only cleared path for stake-free Ethereum ETFs.

Potential Market Impact

As mentioned in the 'US Spot Ether ETF Approval Another Step Towards Mainstream Adoption of Digital Assets' blog, the launch of spot Bitcoin ETFs in the United States garnered record inflows, marking a significant milestone for the asset classes' maturity. Specifically, listing approvals have led to nearly USD 18 billion1 of net inflows year-to-date and globally crypto ETPs now have over USD 70 billion2 in assets under management (AUM).

Figure 1: Fund Assets in Crypto Exchange Traded Products, in USD million



Source: Bloomberg. 22 July 2024. **Historical performance is not an indication of future performance and any investments may go down in value.**

During the first two days of trading, spot Ethereum ETFs experienced net outflows of USD 27 million3. These outflows were from Grayscale's Ethereum Trust that was converted to spot Ethereum ETF.

Figure 2: Spot Ethereum ETF Flows, in USD million

By way of reminder, this is no different to what was experienced with spot Bitcoin ETFs where outflows happened on 6 out of the first 10 trading days.
The second day outflows also coincided with broader market sell-off during which ETH price fell by approximately 8%4 during 24-hour period. Year to date, Ethereum is +34%5. Most of this price appreciation was experienced in anticipation of the SEC approving spot Ethereum ETFs. Since approval, the ETH price has broadly moved sideways.

As we outlined in the 'US Spot Ether ETF Approval Another Step Towards Mainstream Adoption of Digital Assets' blog, Ethereum has much of its supply locked in staking and smart contracts. Reduced supply and increased demand due to U.S. investors being able to access Ethereum exposure via listed and regulated ETFs is likely to be positive for ETH pricing going forward.

WisdomTree: an established ETP provider to access cryptocurrencies

WisdomTree offers a curated range of eight physical crypto ETPs that have institutional-grade structure and provide spot price exposure to single coins and diversified crypto baskets. Please see the WisdomTree Crypto ETP centre and for further detail.

1 Source: Bloomberg. 22 July 2024.
2 Source: Bloomberg. 22 July 2024.
3 Source: Farside Investors. 25 July 2024. https://farside.co.uk/?p=1518
4 Source: Messari. 25 July 2024. https://messari.io/?tab=topAssets
5 Source: Messari. 25 July 2024. https://messari.io/?tab=topAssets

Important Risks Related to this Article

Important Information

Marketing communications issued in the European Economic Area ("EEA"): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as "WisdomTree" (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

For professional clients only. The information contained in this document is for your general information only and is neither an offer for sale nor a solicitation of an offer to buy securities or shares. This document should not be used as the basis for any investment decision. Investments may go up or down in value and you may lose some or all of the amount invested. Past performance is not necessarily a guide to future performance. Any decision to invest should be based on the information contained in the appropriate prospectus and affer seeking independent investment, tax and legal advice.

The application of regulations and tax laws can offen lead to a number of different interpretations. Any views or opinions expressed in this communication represent the views of WisdomTree and should not be construed as regulatory, tax or legal advice. WisdomTree makes no warranty or representation as to the accuracy of any of the views or opinions expressed in this communication. Any decision to invest should be based on the information contained in the appropriate prospectus and affer seeking independent investment, tax and legal advice.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares or securities in the United States or any province or territory thereof. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States.

Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.