

# WHAT'S HOT: U.S. CRYPTO INVESTORS FINALLY HAVE A CHOICE

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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

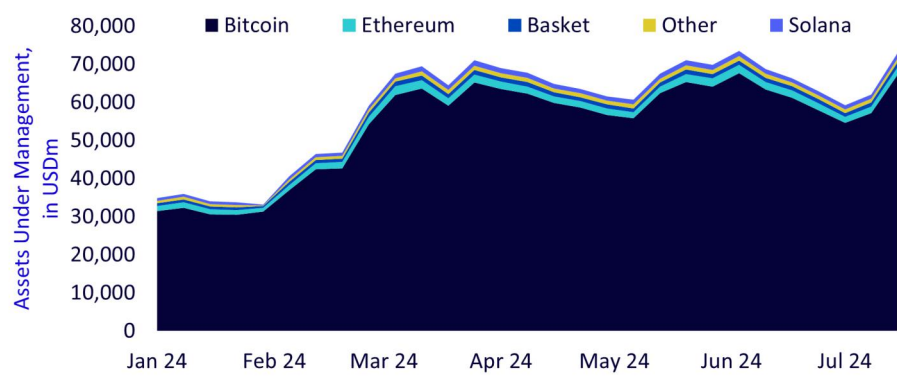
While the United States is starting to catch up with Europe where investors have had access to physical bitcoin, ether, other single coin crypto and crypto basket exchange traded products (ETPs) since 2019, most of European domiciled Ethereum ETPs will outperform United States domiciled Ethereum ETFs 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 billion<sup>1</sup> of net inflows year-to-date and globally crypto ETPs now have over USD 70 billion<sup>2</sup> 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 million<sup>3</sup>. These outflows were from Grayscale’s Ethereum Trust that was converted to spot Ethereum ETF.

Figure 2: Spot Ethereum ETF Flows, in USD million

	8 Spot Ethereum ETFs	1 Grayscale Ethereum Trust converted to spot ETF	Total
Seed	1,056	9,199	10,255
23 July 2024	591	-484	107
24 July 2024	194	-327	-133
Flow Total	784	-811	-27

Source: Farside Investors. 25 July 2024. Historical performance is not an indication of future performance and any investments may go down in value.

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%<sup>4</sup> during 24-hour period. Year to date, Ethereum is +34%<sup>5</sup>. 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.



<sup>1</sup> Source: Bloomberg. 22 July 2024.

<sup>2</sup> Source: Bloomberg. 22 July 2024.

<sup>3</sup> Source: Farside Investors. 25 July 2024. <https://farside.co.uk/?p=1518>

<sup>4</sup> Source: Messari. 25 July 2024. <https://messari.io/?tab=topAssets>

<sup>5</sup> Source: Messari. 25 July 2024. <https://messari.io/?tab=topAssets>

#### Related Products

+ [WisdomTree Physical Bitcoin \(BTCW / WBIT\)](#)

+ [WisdomTree Physical Ethereum \(ETHW / WETH\)](#)

+ [WisdomTree Physical Crypto Mega Cap Equal Weight \(MEGA / WMEG\)](#)

#### Related Blogs

+ [US Spot Ether ETF Approval Another Step Towards Mainstream Adoption of Digital Assets](#)

+ [The key differences between European bitcoin ETPs and US bitcoin ETFs](#)

View the online version of this article [here](#).

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