

Welcome to Morgan Creek Digital's digital asset update. It is comprised of a thought piece from our team. We hope you find this content interesting. Please let us know if you have any comments or questions or if you would like to speak to a member of the [Morgan Creek Digital team](#).

The approvals of Bitcoin spot exchange-traded fund (ETFs) have marked a significant milestone in the cryptocurrency market, with all eleven issuer applications receiving the green light early last month. Further, analysts have drawn parallels to the launch of the first U.S. gold ETF in November 2004, which was followed by a nine-year consecutive rise in gold prices and attracted \$89 billion in inflows.¹ On February 28th, all the spot Bitcoin ETFs reached a combined net inflow of nearly \$7.4 billion (for perspective, that is over 8% of gold's nine-year run of inflows).²

Why Does This Matter?

The introduction of U.S. spot Bitcoin ETFs, attracted an average of \$195 million in daily inflows in February, contrasting with the Bitcoin network's daily production of approximately 900 coins.³ This discrepancy could underscore the growing demand and limited supply dynamics pushing Bitcoin's value upward.

"Bitcoin is an asset that exists in the absence of a liability just like gold, its stock-to-flow ratio is very high. In fact, it [Bitcoin's stock-to-flow ratio] is a little higher than gold as of the last halving cycle and should continue to increase after the next halving cycle.⁴ Bitcoin's network has a daily production of approximately 900 coins, which will become 450 in daily production in April. Therefore, the scarcity of this asset is rather dramatic, and it has a new source of demand as a result of spot Bitcoin ETFs."

- Mark Yusko, Morgan Creek Digital Managing Partner, via Digital Currents

Further, it is important to understand Bitcoin's price increase as part of a broader trend, with a nearly 42% rise in value in February 2024, fueled by the introduction of ETFs and the upcoming "halving" event, coupled with a tight supply and increasing demand, especially from institutional investors.⁵ In fact, on February 28th, Bitcoin's value exceeded \$63,000 for the first time since November 2021, resulting in significant market activity, with \$178 million in short positions and about \$83.5 million in long positions liquidated in 24 hours, highlighting the volatility of the market.⁶

Historical data on alternative asset ETFs market would suggest that flows into Bitcoin ETFs will not happen all at once, despite the early signaling of rapid inflows. Some platforms will take time to approve the new ETFs, and investors could choose to approach them cautiously, gradually increasing their positions over time. Recognizing this, it is important to adopt a long-term investment perspective, looking for sustained

growth patterns. The approval of Bitcoin spot ETFs represents a pivotal moment for the digital assets market, with potential implications for the long-term adoption as mainstream assets. As institutional interest grows, the convenience of Bitcoin ETFs may play a crucial role in shaping the future landscape of the digital asset market.

“One of the things that is exciting about this [the approvals of spot Bitcoin ETFs] is that only one in 25 boomers, about 4%, have exposure to Bitcoin. Boomers own about \$37 trillion of capital, but interestingly about \$30 trillion of that is controlled by financial advisors, which have, for the most part, about zero exposure to crypto. If there is \$30 trillion up for grabs by these advisers, and if strategists eventually adopt a small allocation of Bitcoin via ETFs, say 10 basis points, that's \$30 billion, or potentially 100 basis points, that's \$300 billion of incremental demand for an asset that trades about \$8 to 10 billion a day. This equates to a significant supply-demand imbalance, and we think that boomers can have an impact with just a small incremental movement.”

- Mark Yusko, Morgan Creek Digital Managing Partner, via Digital Currents

[Click here for Bitwise, Bitcoin Spot ETF, and Blockchain's Evolution, A Conversation with Hunter Horsley](#)

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¹[Visualizing Gold ETFs' Record Inflows of 2020 - Visual Capitalist](#)

²<https://www.theblock.co/post/279798/spot-bitcoin-etfs-record-net-inflows-blackrock-ibit>

³<https://finance.yahoo.com/news/bitcoin-breaks-61-000-flood-163747029.html>

⁴The “**halving cycle**” reduces the mining rewards by half and historically precedes major market rallies.

⁵<https://www.forbes.com/advisor/investing/cryptocurrency/why-is-bitcoin-going-up/>

⁶<https://finance.yahoo.com/news/why-bitcoin-popped-over-64-214245888.html>

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