

The week in seven charts



Chart #1

Eleven Bitcoin spot ETFs validated by the SEC

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Image source: iStock

SEC approves 11 Bitcoin spot ETF

The SEC approves 11 Bitcoin spot ETFs, witnessing billions of dollars exchanged on the inaugural trading day, and Taiwan elects Lai-Ching-te much to China's dismay. Each week, the Syz investment team takes you through the last seven days in seven charts.

Charles-Henry Monchau

Chief Investment Officer

Chart #1

Eleven Bitcoin spot ETFs validated by the SEC

Here we go! After years of waiting, the Securities Exchange Commission (SEC) in the USA and its chairman Gary Gensler have finally relented. On Wednesday January 10, they approved the first Bitcoin spot ETFs. More than three years elapsed between this approval and that of the first Bitcoin futures ETFs (based on dollar-settled futures contracts).

The table below shows the full list of "lucky" issuers.

Earlier in the week, Bitcoin ETF applicants had filed last-minute amendments with the SEC, including a reduction in their management fees. Wall Street has decided to unleash a veritable fee war on these products. The aim: to maximise assets under management, since in the ETF industry, size and economies of scale are what count, and subsequently enable competitors to be eliminated. BlackRock has reduced its fees to 0.30% and ARK to 0.25%. Several issuers are even offering zero fees to new entrants.

Note that \$7.7 trillion asset manager Vanguard has declared that it will not be offering Bitcoin spot ETFs

Name	Ticker	Issuer	Fee (after Waiver)	Waiver Details	Exchange	Most Recent Filing
<i>"Physically" Backed</i>						
Grayscale Bitcoin Trust (Re-filing/Conversion)	GBTC	Grayscale	1.5%	None	NYSE	1/8/24
ARK 21Shares Bitcoin ETF (Re-filing)	ARKB	21Shares & ARK	0.0% (0.25%)	6 Months or \$1 Billion	CBOE	1/8/24
iShares Bitcoin Trust	IBIT	BlackRock	0.20% (0.30%)	6 Months or \$5 Billion	Nasdaq	1/8/24
Bitwise Bitcoin ETP Trust (Re-filing)	BITB	Bitwise	0.0% (0.24%)	6 Months or \$1 Billion	NYSE	1/8/24
VanEck Bitcoin Trust (Re-filing)	HODL	VanEck	0.25%	None	CBOE	1/8/24
Wisdomtree Bitcoin Trust (Re-filing)	BTCW	Wisdomtree	0.50%	None	CBOE	1/8/24
Invesco Galaxy Bitcoin ETF (Re-filing)	BTCO	Invesco & Galaxy	*0.0% (0.55%)	6 Months or \$5 Billion	CBOE	1/8/24
Fidelity Wise Origin Bitcoin Trust (Re-filing)	FBTC	Fidelity	0.59%	None	CBOE	1/8/24
Valkyrie Bitcoin Fund (Re-filing)	BRRR	Valkyrie	0.80%	None	Nasdaq	1/8/24
Hashdex Bitcoin ETF (Strategy Change)	DEFI	Hashdex	0.90%	None	NYSE	12/26/23
Franklin Bitcoin ETF	EZBC	Franklin	0.29%	None	CBOE	1/8/24

Source: Bloomberg Intelligence, SEC.gov

Source: Bloomberg

Chart #2

Day 1 of bitcoin spot ETFs

What are the main lessons to be learned from the first day of spot trading in bitcoin ETFs?

Firstly, it was a very good session in terms of volume, with billions of dollars changing hands on this historic first day.

The Blackrock iShares Bitcoin Trust (IBIT) exceeded \$1 billion in volume on Thursday. All ETFs combined reached \$4.3 billion in volume, \$2.2 billion if we exclude the Grayscale Bitcoin Trust GBTC, which is a special case as the Trust existed prior to approval.

Note that 4 issuers exceeded \$100 billion in volume. At the same time, the BITO Bitcoin Futures ETF shattered its volume record on this historic day, with \$2 billion traded. Perhaps some of this was due to redemptions, but it's likely that BITO's liquidity could be useful to market makers for some time to come.

The BITO and GBTC ETFs were both in the Top 10 ETFs across all asset classes in terms of volume traded on Thursday. The IBIT (Blackrock) and FBTC (Fidelity) ETFs are also in the Top 25.

Quite simply, it was a great first day of trading. Let's not forget that Bitcoin futures ETFs have averaged barely \$2 million in daily volume since their launch.

Volume on the launch day of Bitcoin spot ETFs

TICKER	VOLUME \$MM
IBIT	1009.2
FBTC	673.7
ARKB	275.6
BITB	120.3
EZBC	65.2
BTCO	44.6
HODL	24.8
BRRR	9.0
BTCW	6.4
DEFI	4.2
GBTC	2093.8
SPOT TOTAL	4326.8
SPOT TOTAL ex GBTC	2232.9
BITO	1874.2
WHOLE COMPLEX	6201.0

Chart #3

Nikkei 225 at 33-year high

Last week, the Nikkei 225 index exceeded the 34,000-point level for the first time since 1990. Japanese equities have outperformed the Hang Seng China Index (Hong Kong) by 63% since the beginning of 2023.



Source: Jeroen Blokland

Chart #4

The Taiwan risk

Ruling-party candidate Lai Ching-te emerged victorious in Taiwan's presidential election (40.1%), in a vote that has enormous geopolitical implications across not just the Taiwan Strait, but between the US and China, too.

Lai's victory represents an unprecedented democratic milestone: the 1st time a political party in Taiwan has won 3 straight presidential election. Kuomintang or KMT, Beijing's preferred political partner, gained roughly 33% of the vote.

Beijing has repeatedly labelled Lai as a "stubborn worker for Taiwan independence" and a dangerous separatist. There are also fears this could in turn influence frosty China-U.S. relations and security in the broader Indo-Pacific region.

The risk of a conflict between China and Taiwan is seen by many as the biggest risk to the global economy and financial markets in 2024. The Bloomberg graph below shows that the impact on the global economy would be greater than that of the shocks that have occurred in recent years (Great Financial Crisis 2008, Covid, September 11, etc.).

Indeed, the presidential and legislative elections hold significant geopolitical implications:

- Geopolitics: if China were to gain control of Taiwan, it would open the access of China to the Pacific as it breaks the chain of US-allies islands. We note that US President Biden's statement post-election was very balanced, officially congratulating LaiChing-te, but no support for Taiwan's independence vote.
- Trade: almost half of the world's container fleet passes through the Taiwan Strait and 60% of global maritime trade passes through the South China Sea.
- Technology: over 60% of the world's semiconductors and over 90% of the most advanced chips are produced in Taiwan.

The good news about the election's outcome is the fact that re-elected President Lai Ching-te (DPP party) favours closer ties with the US and an expected status quo regarding the situation of Taiwan and the existing relationships. As such, we don't expect any significant change in Taiwan's policies.

The Global Risk of a Taiwan War

Estimates of scenarios in any escalation of tensions over Taiwan show a potentially bigger impact to global GDP than other recent shocks

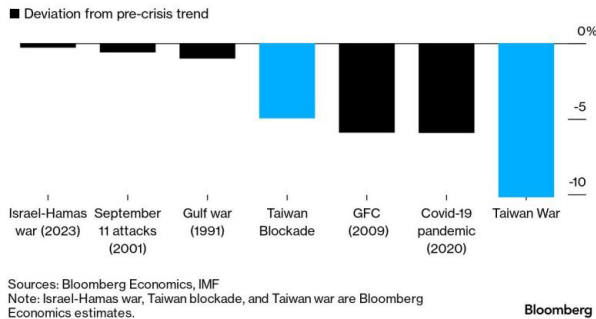


Chart #5

Taiwan's importance to the rest of the world

The chart below demonstrates the importance of the island of Taiwan for the rest of the planet. Its weight in the semiconductor value chain is simply gigantic. Imagine the effects of an invasion of Taiwan on the "Magnificent 7"...

Taiwan dominates the global production of computer chips

Global foundry market share, by country and company 2021

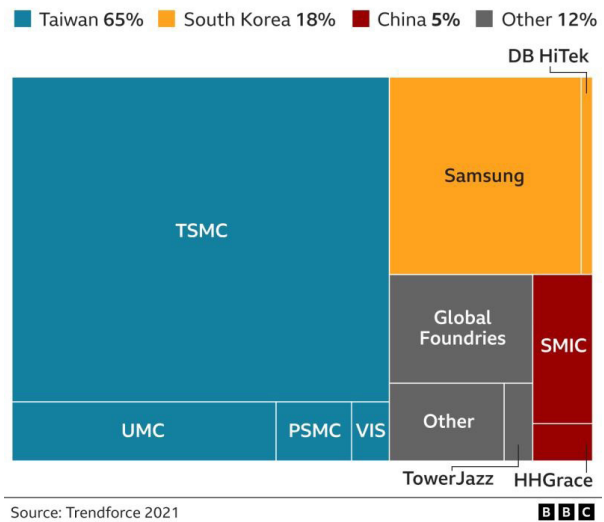


Chart #6

The magnificent 7 and the rest of the world

Speaking of the Magnificent 7... The market capitalisation of these 7 iconic stocks (Microsoft, Apple, Alphabet, Amazon, Nvidia, Meta and Tesla) is greater than that of the entire stock market in every country except the USA.

Nation-size Wealth

The Magnificent Seven combined have a larger market cap than any single country's stock market except for the U.S.

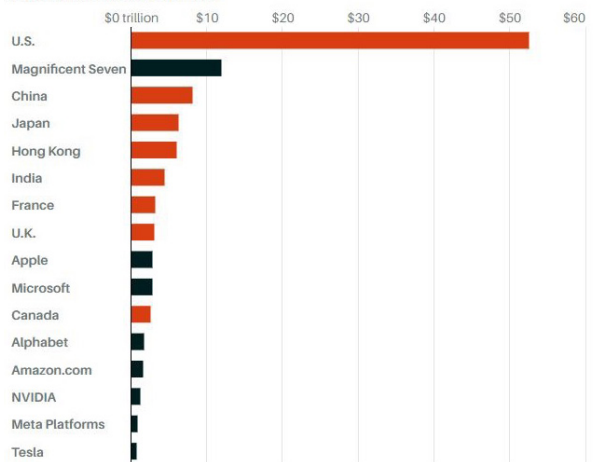


Chart #7

WTI Crude Oil prices exceed \$75 a barrel

Oil prices back above \$75 after US and UK strikes in Yemen. The strikes were prompted mainly by recent attacks on the Red Sea by Yemen's Houthi group.

Gold prices also rose on this news, as fears of a conflagration in the Middle East resurfaced.



Source: The Kobeissi Letter, Barchart

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