



While access to Bitcoin ETFs has helped investors overcome technical challenges in storing digital assets, CIO remains unconvinced of the structural case for crypto assets. (UBS)

The case for cryptos remains weak

08 February 2024, 4:23 pm CET, written by UBS Editorial Team

Following the 10 January US Securities and Exchange Commission (SEC) approval for exchange-traded funds (ETFs) that invest directly in Bitcoin, 10 funds opened their doors to new investors and one existing Bitcoin Trust converted to an ETF.

While many investors view ETFs as an easier way to access, store, and invest in digital assets, investor interest and flows have so far not lived up to pre-launch expectations. The fundamental investment case for crypto assets broadly remains weak, in our view.

Since the ETFs began to trade on 11 January, all 10 have received net inflows, as investors rotated some assets away from existing higher-cost vehicles. The 10-year-old Grayscale Bitcoin Trust (which was converted into an ETF) has experienced approximately USD 4 billion of outflows since its conversion into an ETF. In the two weeks since the SEC approval, the price of Bitcoin has declined 15% to below USD 40,000 at the time of writing.

But, while access to Bitcoin ETFs has helped investors overcome technical challenges in storing digital assets, we remain unconvinced of the structural case for crypto assets.

Investor requirements remain restrictive. Part of the initial excitement for Bitcoin ETFs was based on the hope of large inflows, as institutional investors sought a more liquid way to allocate to the asset class. While inflows may grow as firms study and approve investments, the initial flows have been underwhelming. Additionally, potential asset flows have been limited due to the restrictive requirements on assets under management for investments in Bitcoin ETFs at many investment brokerage firms.

There is little correlation between Bitcoin “halving” and improved performance. The fourth halving event is expected in April 2024 when the reward for Bitcoin mining transactions will be cut in half. From that point onward, miners will receive 3.125 Bitcoin for adding a block to the network, down from 6.25 Bitcoin. While the third halving coincided with a rally to an all-time high of nearly USD 68,000, we do not see a statistically significant pattern that would suggest a strong correlation between the event and price performance. Additionally, we believe crypto assets are likely to stay volatile.

Security concerns remain. Fundamentally, we are still not convinced that crypto assets can make significant inroads in meaningful and disruptive real-world use cases. Crypto assets can expose investors to legal, regulatory, technological, reputational, and market risks, as well as criminal and illicit activities.

So, while Bitcoin ETFs provide an easier way for investors to access, store, and invest in digital assets, the fundamental case for crypto assets broadly remains weak, in our view. We believe the significant price swings make them more of a speculative trade and advise longer-term investors to focus on technology disruptors—leading firms that deliver, enable, or use new technology for growth, gaining market share, or cutting costs. For more information, please read our recent crypto report: "After a strong rebound in 2023, what lies ahead for crypto assets in 2024?"

Main contributors – Solita Marcelli, Mark Haefele, Jennifer Stahmer, Michael Bolliger, Daisy Tseng

Read the original report : [The case for cryptos remains weak, 25 January 2024.](#)

Disclaimer

This document is prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland), its subsidiaries or its affiliates ("UBS"), part of UBS Group AG ("UBS Group"). UBS Group includes Credit Suisse AG, its subsidiaries, branches and affiliates. In the USA, UBS Financial Services Inc. is a subsidiary of UBS AG and a member of FINRA/SIPC. This document and the information contained herein are provided solely **for your information** and UBS marketing purposes. Nothing in this document constitutes investment research, investment advice, a sales prospectus, or an offer or solicitation to engage in any investment activities. This document is not a recommendation to buy or sell any security, investment instrument, or product, and does not recommend any specific investment program or service.

Information contained in this document has not been tailored to the specific investment objectives, personal and financial circumstances, or particular needs of any individual client. Certain investments referred to in this document may not be suitable or appropriate for all investors. In addition, certain services and products referred to in the document may be subject to legal restrictions and/or license or permission requirements and cannot therefore be offered worldwide on an unrestricted basis. No offer of any product will be made in any jurisdiction in which the offer, solicitation, or sale is not permitted, or to any person to whom it is unlawful to make such offer, solicitation, or sale.

Although all information and opinions expressed in this document were obtained in good faith from sources believed to be reliable, no representation or warranty, express or implied, is made as to the document's accuracy, sufficiency, completeness or reliability. All information and opinions expressed in this document are subject to change without notice and may differ from opinions expressed by other business areas or divisions of UBS Group. UBS is under no obligation to update or keep current the information contained herein. **The views and opinions expressed in this material by third parties are not those of UBS.** Accordingly, UBS does not accept any liability over the content shared by third parties or any claims, losses or damages arising from the use or reliance of all or any part thereof. All pictures or images ("images") herein are for illustrative, informative or documentary purposes only and may depict objects or elements which are protected by third party copyright, trademarks and other intellectual property rights. Unless expressly stated, no relationship, association, sponsorship or endorsement is suggested or implied between UBS and these third parties.

Any charts and scenarios contained in the document are for illustrative purposes only. Some charts and/or performance figures may not be based on complete 12-month periods which may reduce their comparability and significance. Historical performance is no guarantee for, and is not an indication of future performance.

Nothing in this document constitutes legal or tax advice. UBS and its employees do not provide legal or tax advice. This document may not be redistributed or reproduced in whole or in part without the prior written permission of UBS. To the extent permitted by the law, neither UBS, nor any of its directors, officers, employees or agents accepts or assumes any liability, responsibility or duty of care for any consequences, including any loss or damage, of you or anyone else acting, or refraining to act, in reliance on the information contained in this document or for any decision based on it.

Additional Disclaimer relevant to Credit Suisse Wealth Management

This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Credit Suisse to any registration or licensing requirement within such jurisdiction. Your personal data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website <https://www.credit-suisse.com>. In order to provide you with marketing materials concerning our products and services, UBS Group AG and its subsidiaries may process your basic personal data (i.e. contact details such as name, e-mail address) until you notify us that you no longer wish to receive them. You can optout from receiving these materials at any time by informing your Relationship Manager.

Except as otherwise specified herein and/or depending on the local Credit Suisse entity from which you are receiving this report, this report is distributed by Credit Suisse AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA). Credit Suisse AG is a UBS Group company.

Please visit | <https://www.ubs.com/global/en/wealth-management/insights/chief-investment-office/marketing-material-disclaimer.html> | to read the full legal disclaimer applicable to this material.

© UBS 2024. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.