

# Monthly Cryptocurrency Market Report

November 2021

## HANetf & ETC Group

BTCetc- ETC Group Physical Bitcoin ETC (Ticker: BTCE)

Product Inception Date: 08.06.2020

TER: 200bps

ETHetc- ETC Group Physical Ethereum ETC (Ticker: ZETH)

Product Inception Date: 04.03.2021

TER: 149bps

LTCetc- ETC Group Physical Litecoin ETC (Ticker: ELTC)

Product Inception Date: 22.03.2021

TER: 200bps

BCHetc – ETC Group Physical Bitcoin Cash (Ticker: BTCH)

Product Inception Date: 17.09.2021

TER: 195bps

## For Professional Clients Only. Capital at risk.

All data as of 31.10.21

This report was written by, and is the opinion of ETC Group, creators of BTCE and ZETH, in collaboration with ITI Capital, Authorised Participant of BTCE, ZETH, ELTC and BTCH.

## Key Takeaways

- First US Bitcoin ETF approved: markets boom
- Bitcoin reached a new all-time high - \$66,276<sup>1</sup>
- Ether (Ethereum) reached a new all-time high - \$4,361<sup>2</sup>
- China Bitcoin mining drops to zero: US takes over<sup>3</sup>
- Bank of England deputy governor: Crypto regulation now “urgent”<sup>4</sup>

## Macro Outlook

The United States has been waiting for almost a decade to see its first Bitcoin ETF. The Proshares Bitcoin Strategy ETF (BITO) debuted on the New York Stock Exchange on 19 October 2021<sup>5</sup>. Four days earlier, Bitcoin crossed the \$60,000 threshold for the first time since April as investors bought the rumour and sent markets into overdrive.<sup>6</sup> On 20 October Bitcoin reached a new all-time high - \$66,276.<sup>7</sup>

“Of course this ETF is important for Bitcoin adoption, since there are so many institutional capital pools that are not allowed to invest directly in Bitcoin or other cryptocurrencies but need regulator-approved structures by agencies such as the SEC. There is a huge pile of capital waiting to gain Bitcoin exposure by means of those products.” — Sebastian Markowsky, Chief Strategy Officer, Coinsource.<sup>8</sup>

<sup>1</sup> <https://www.coingecko.com/en/coins/bitcoin>

<sup>2</sup> <https://www.coingecko.com/en/coins/Ethereum>

<sup>3</sup> <https://www.ft.com/content/50acdea5-cad1-4f39-8e6a-9be7ab78485d>

<sup>4</sup> <https://www.littlelaw.co.uk/2021/10/20/crypto-crackdown-bank-of-england-deputy-warns-that-strict-digital-currency-regulation-is-urgent/>

<sup>5</sup> <https://www.cnn.com/2021/10/19/first-bitcoin-futures-etf-rises-2percent-in-trading-debut.html>

<sup>6</sup> [https://etc-group.com/blog/ETC\\_Group\\_Crypto\\_Minutes\\_Week\\_42/](https://etc-group.com/blog/ETC_Group_Crypto_Minutes_Week_42/)

<sup>7</sup> <https://www.forbes.com/sites/cbovaire/2021/10/20/bitcoin-prices-hit-fresh-all-time-high-above-66000/>

<sup>8</sup> <https://www.valuwalk.com/sec-approves-bitcoin-futures-etf-commentary/>

We believe what investors may not have realised is that the Proshares Bitcoin Strategy ETF does not hold any bitcoin as its underlying asset, and instead tracks a basket of CME bitcoin futures contracts, rather than the spot price of Bitcoin itself. Since the futures price of any asset can differ significantly from the spot price, there is the distinct possibility that the Bitcoin Strategy ETF may not accurately track the price of Bitcoin, exposing holders to unacceptable risk.

JP Morgan raised the above possibility in a client note<sup>9</sup> published by Business Insider on 25 October 2021. The bank's analysts highlighted a flaw in the structure of the Proshares ETF that could lead to unexpectedly smaller returns for investors if the assets in the ETF grow too large.

The ETF pioneer Ben Fulton during a recent interview with ETF.com stated: "Technology has lapped the SEC and provided easy ways to own bitcoin, and the ETC Group is now providing that in a user-friendly wrapper to Europe. The same is happening in Canada and other countries with physically backed bitcoin ETFs."<sup>10</sup>

Anticipating that incoming "huge pile of capital" were existing investors, who helped drive crypto market prices ever northwards and on to the edge of their all-time highs. Both Bitcoin and Ethereum are up by more than 100% in the last three months, compared to 67% for Litecoin, and 47% for Bitcoin Cash.<sup>11</sup>

The price of Ether (Ethereum), the second largest cryptocurrency by market value achieved a new all-time high of \$412,361 on 21 October 2021<sup>12</sup>. Just days after Q3 ended, Coinbase, the largest digital asset exchange in the United States announced it is launching its own NFT marketplace, using Ethereum as its main base.<sup>13</sup>

China has systematically destroyed its vast Bitcoin mining industry over the past year, and now there exist the statistics to prove it. Updated data to August 2021 from the Cambridge Centre for Alternative Finance, released on 13 October 2021 shows that China's share of Bitcoin mining has fallen to zero. The United States has nearly tripled its share to more than 35% of global Bitcoin hashrate since the last CCAF statistics were published in April 2020. With Canada's boom to 9.55%, it means that North American mining operations now control nearly half the global Bitcoin hashrate. At its peak, China controlled approximately three-quarters of Bitcoin hashrate.<sup>14</sup>

The reaction to one of the biggest sources of Bitcoin hashrate dropping off the map entirely was not the bloodbath one might have expected: Chinese miners have fled their home country in droves, instead pitching up in the US, in Texas, Maryland and Georgia, or moving their operations to locations with cheap electricity sources; namely Russia and Kazakhstan. Hashrate is a measurement of the amount of computing power that miners expend for securing the Bitcoin network, processing transactions and minting new BTC. The higher the hashrate of a Proof of Work blockchain, the more resistant it is to attack.<sup>15</sup>

Since their inception cryptocurrencies have been locked in a long-running turf war with central bankers, governments, and financial watchdogs. In Q3 2021 we watched as era-defining regulations came into force. Ukraine, Cuba, and El Salvador all legally recognised cryptocurrencies.

It is not the fault of crypto asset issuers that regulators have been slow to move. The kind of overhaul of financial systems that crypto proposes is labyrinthine in scope and cross-border in nature. Painstaking detail and focus must be applied. A \$2 trillion<sup>16</sup> market has grown up in stages: in some areas arguably without any legal clarity at all. It is to everyone's benefit, from private banks to pension funds and the small retail investor to high-net-worth individuals if strong regulation is applied.

<sup>9</sup> <https://markets.businessinsider.com/news/currencies/bitcoin-futures-etf-too-big-contango-cryptocurrency-proshares-2021-10>

<sup>10</sup> <https://www.etf.com/sections/blog/secs-bitcoin-solution-problem>

<sup>11</sup> [https://etc-group.com/blog/ETC\\_Group\\_Crypto\\_Minutes\\_Week\\_42/](https://etc-group.com/blog/ETC_Group_Crypto_Minutes_Week_42/)

<sup>12</sup> <https://www.coingecko.com/en/coins/Ethereum>

<sup>13</sup> <https://blog.coinbase.com/coinbase-nft-is-coming-soon-join-the-waitlist-today-for-early-access-cc7bac29fd72>

<sup>14</sup> <https://www.coindesk.com/business/2021/10/13/us-claims-bitcoin-mining-crown-following-china-crackdown/>

<sup>15</sup> [https://etc-group.com/blog/ETC\\_Group\\_Crypto\\_Minutes\\_Week\\_42/](https://etc-group.com/blog/ETC_Group_Crypto_Minutes_Week_42/)

<sup>16</sup> <https://coinmarketcap.com>

## Crypto Performance Table

As of 31.10.2021

	1M	3M	6M	YTD	12M	SI
<b>BTCetc - Bitcoin Exchange Traded Crypto</b>	<b>43.40%</b>	<b>52.56%</b>	<b>8.71%</b>	<b>112.03%</b>	<b>348.29%</b>	<b>525.16%</b>
<i>Bitcoin</i>	42.81%	56.38%	9.85%	114.86%	360.65%	543.11%
<b>ETHetc - ETC Group Physical Ethereum</b>	<b>47.94%</b>	<b>81.24%</b>	<b>58.14%</b>	<b>184.45%</b>	<b>NA</b>	<b>184.45%</b>
<i>Ether (Ethereum)</i>	46.43%	84.51%	58.65%	185.52%	185.52%	185.52%
<b>LTCetc - ETC Group Physical Litecoin</b>	<b>28.62%</b>	<b>36.12%</b>	<b>-27.63%</b>	<b>-21.09%</b>	<b>NA</b>	<b>-21.09%</b>
<i>Litecoin</i>	28.11%	37.81%	-26.92%	-19.54%	-19.54%	-19.54%
<b>BCHetc – ETC Group Physical Bitcoin Cash</b>	<b>18.82%</b>	<b>NA</b>	<b>NA</b>	<b>-19.61%</b>	<b>NA</b>	<b>NA</b>
<i>Bitcoin Cash</i>	18.55%	10.03%	-39.82%	-11.95%	-11.95%	-11.95%

Please note that all performance figures are showing net data. Source: Bloomberg / HANetf. Data as of 31/10/2021

Performance before inception is based on back tested data. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. Past performance for the index is in USD. Past performance is not an indicator for future results and should not be the sole factor of consideration when selecting a product. Investors should read the prospectus of the Issuer ("Prospectus") before investing and should refer to the section of the Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in this product.

## Product Details

Visit the [BTCE Fund Page](#) for more information.

Exchange	BBG Code	RIC	ISIN	Valoren	SEDOL	Currency	TER
Deutsche Boerse Xetra	BTCE GY	BTCE.DE	DE000A27Z304	-	BMWSLR9	EUR	2.00%
SIX Swiss Exchange	BTCE SW	TBC	DE000A27Z304	55503260	BLB3S55	USD	2.00%
SIX Swiss Exchange	BTCEGBP SW	TBC	DE000A27Z304	55503260	BLB3S66	GBP	2.00%
SIX Swiss Exchange	BTCECHF SW	TBC	DE000A27Z304	55503260	BLB3S77	CHF	2.00%

Visit the [ZETH Fund Page](#) for more information

Exchange	BBG Code	RIC	ISIN	SEDOL	Currency	TER
Deutsche Boerse Xetra	ZETH GY	ZETH.DE	DE000A3GMKD7	BMV2RQ3	EUR	1.49%

Visit the [ELTC Fund Page](#) for more information

Exchange	BBG Code	RIC	ISIN	SEDOL	Currency	TER
Deutsche Boerse Xetra	ELTC GY	ELTC.DE	DE000A3GN5J9	BMW2449	EUR	2.00%

Visit the [BTCH Fund Page](#) for more information

Exchange	BBG Code	RIC	ISIN	SEDOL	Currency	TER
Deutsche Boerse Xetra	BTCH GY	BTCH.DE	DE000A3GTBU5	A3GTBU	EUR	1.95%



## Bradley Duke

Co-Founder & CEO of ETC Group

Bradley has spent most of his career in regulated Financial Services as well as young technology companies. He worked for investment bank Jefferies at their offices in New York, Paris and London, and then at the trading powerhouse KCG in London where he headed the team at Knight Direct Europe.

Bradley co-founded fin-tech and payments company Zapper, and most recently was CEO of the UK branch of the investment bank BCS Global Markets. Bradley has always had a strong interest in nascent technology and his fascination with blockchain and crypto lead him to attend the Blockchain Strategy course at the University of Oxford - Said Business School, following which he became a founding member of the London Blockchain Foundation.

## Important Information

**Please note that all performance figures are showing net data.**

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