



Bitcoin Soars to Record High, Gains 50% in the Last Month!

Description

The largest cryptocurrency in the world has reclaimed its record high at the time of writing. The price of one Bitcoin is currently trading at US\$66,704, which suggests it has returned 50% in the last month and over 450% since October 2020. Bitcoin is now valued at a market cap of \$1.25 trillion, which is higher than companies such as **Facebook** and **Tesla**.

The primary driver of Bitcoin's gain in recent days can be attributed to the launch of the first U.S. Bitcoin-linked exchange-traded fund, or ETF. **The ProShares Bitcoin Strategy ETF** (NYSE:BITO) allows investors to gain exposure to the returns of the digital asset "in a convenient, liquid and transparent way." Basically, the ETF provides capital appreciation through managed exposure to Bitcoin futures contracts. It does not directly invest in Bitcoin, and the price and performance of the underlying futures contracts will differ from spot prices.

The management fee of the ETF is 0.95%, which is the expense you pay each year as a percentage of the value of your total investment.

What are Bitcoin futures contracts?

Bitcoin is a digital asset, and its ownership is determined by market participants in an online network also known as the Bitcoin Network. This network connects computers that run open-source software and follows the rules associated with governing the Bitcoin Network, which is called the Bitcoin Protocol.

Bitcoin is not backed by any government, and the value of the cryptocurrency is determined on the basis of supply and demand in markets created to facilitate trading.

According to the ProShares prospectus, Bitcoin futures contracts are standardized, cash-settled contracts traded on commodity exchanges with the Commodity Futures Trading Commission.

The ETF aims to invest in cash-settled, first-month Bitcoin futures, which are contracts with the shortest time to maturity. It gains exposure by investing a portion of its assets in a wholly owned

subsidiary of the ETF and expects to invest 25% of the total assets in this subsidiary.

The ProShares Bitcoin Strategy ETF is up 9.3% in early market trading today, and analysts expect the fund to attract close to \$50 billion of inflows in the next 12 months. Further, according to a [Yahoo Finance report](#), Sean Farrell, Head of Digital Asset Strategy at Fundstrat, expects Bitcoin prices to touch US\$168,000 by the end of 2021.

What's next for investors?

We have seen that Bitcoin has [created massive wealth](#) for long-term investors. Despite wild fluctuations in prices, every investor has generated profits if they have held the digital asset for more than four years. The widespread adoption of Bitcoin will be a key driver of future price gains.

However, investors should also understand that investing in Bitcoin and other cryptocurrencies carries significant risks due to the lack of regulation of this asset class. If you aim to gain exposure to Bitcoin, it makes sense to allocate as much capital as you can afford to lose.

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