



## Crypto Market Correction: Buy the Dip With This Ethereum ETF

### Description

Like many other risky asset classes, **Ethereum** had a rough start to 2022. The second-largest cryptocurrency by market cap fell from US \$3,767 on January 1 to a low of \$2,411 on January 22.

Since then, it has recovered to trade at around the \$2,7000 range, but remains significantly lower than its 52-week high of \$4,818. If you can stomach the volatility, the current low price could be an excellent buying opportunity.

### How do I buy the dip?

Traditionally, [Canadian investors bought Ethereum on coin exchanges](#) such as Binance, Shakepay, Newton, and now Wealthsimple Crypto, and either held it online in their “hot wallet” or offline in their “cold wallet.”

The problem with these methods is that every sale is a taxable event, meaning that when you sell your Ethereum (hopefully not at a loss), you pay capital gains tax, which could eat up your once juicy gains.

Currently, there is no way to hold actual Ethereum in a tax-advantaged account, such as a [Tax-Free Savings Account \(TFSA\)](#) or [Registered Retirement Savings Plan \(RRSP\)](#). That is unless you use an [exchange-traded fund \(ETF\)](#).

### My top Ethereum ETF Pick

These ETFs hold the underlying Ethereum in offline cold storage with a custodian, and divvy it up into shares, which are bought and sold on the stock market during normal trading hours.

Buying a share of these ETFs essentially gives you exposure to a proportionate amount of Ethereum. What’s cool is that these ETFs can be held in your TFSA or RRSP, meaning that when you sell, you pay zero income tax.

My pick here is the **CI Galaxy Ethereum ETF** ([TSX:ETHX.B](#)). ETHX.B currently has assets under management (AUM) of \$842 million and holds around 145,675 Ethereum, which works out to around 0.003681 Ethereum per share.

Holding this ETF will cost you a 0.40% management fee annually (taken out of the fund's overall performance), plus additional trading and tax costs.

## What are the risks?

Among the risks of the ETF, the underlying Ethereum being tracked is highly volatile. Intra-day losses of up to 10% are not uncommon and may not be suited to investors with a low risk tolerance.

Secondly, unlike Ethereum, ETHX.B does not trade 24/7. After-hour and weekend fluctuations in the underlying can leave you with sudden losses or gains at the opening bell.

Finally, ETHX.B is not currency hedged, meaning that fluctuations in the FX rate between CAD/USD can introduce additional volatility that alter your returns in the short term.

## The Foolish takeaway

ETHX.B offers numerous advantages over futures-based ETFs or close-ended funds, including less tracking error, fewer discrepancies between the market price and net asset value of the fund, and superior liquidity. It also comes with the potential for large tax-free gains, ease of buying/selling on an exchange, and diversification benefits.

### CATEGORY

1. Cryptocurrency
2. Investing

### TICKERS GLOBAL

1. TSX:ETHX.B (CI Galaxy Ethereum ETF)

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