



The TSX's 1st Crypto ETF Lost \$500 Million in 1 Day

Description

The violent downturn of **Bitcoin** and cryptocurrencies in general sends a strong signal that the crypto space is in a danger zone. China has taken the lead in warning investors that the price of the top crypto is heading to zero. Beijing, through its news media outlet Economic Daily, said, "Bitcoin is nothing more than a string of digital codes, and its returns mainly come from buying low and selling high."

Tom DeMark, founder and CEO of market analysis firm DeMark Analytics, believes the cryptocurrency market faces prolonged price reduction, given Bitcoin's meltdown from its US\$67,566.83 peak on November 8, 2022. Meanwhile, crypto [exchange-traded funds](#) (ETFs) can't escape the carnage of risky assets.

Purpose Bitcoin ETF ([TSX:BTCC.B](#)), **CI Galaxy Ethereum**, and **Evolve Cryptocurrencies ETF** are in a free fall like Bitcoin. The fund providers launched their ETFs as safer alternatives to owning cryptocurrencies. Unfortunately, their recoveries hinge on Bitcoin's bounce back, if ever it happens.

Who will survive?

The Bank of England (BOE) isn't issuing a warning but instead maintains the position that there's upside potential of building wealth in the crypto space during a bear market. According to Jon Cunliffe, BOE's deputy governor, crypto firms that manage to stay afloat during the current downturn could be the dominant industry players when things turn around.

Cunliffe said, "Whatever happens over the next few months to crypto assets, I expect crypto technology and finance to continue. It has the possibility of huge efficiencies and changes in market structure." However, DeMark doubts a recovery anytime soon. He said, "Such breakdowns bespeak a high probability that recovery to the all-time Bitcoin highs will require many years, if not decades, to accomplish."

Massive one-day outflow

Purpose Bitcoin ETF lost half or 50% of the value of its Bitcoin holdings in one day. As of June 22, 2022, BTCC trades at \$3.99 per share, which represents a year-to-date loss of 57.5%. Its price soared to as high as \$13.83 in November last year — at the same time Bitcoin registered an all-time low.

Now, the massive outflow or withdrawal is a concrete sign that buying sentiment for the ETF has nearly diminished. Even the most seasoned crypto investors are turning away. Based on published reports, the fund's holdings went down to US\$23,307 on June 17, 2022, from US\$47,818 on the previous day.

While Bitcoin rose above US\$20,000 on June 23, 2022, crypto investors think more forced selling is coming. For Paweł Jaskarzewski, co-CEO at Synapse Network, the biggest issue against cryptos is a global recession. If Bitcoin drops below US\$20,000 again, analysts think the next support level is US\$17,000 to US\$18,000.

Purpose Bitcoin ETF is the TSX's first crypto ETF. Before the largest redemption ever on June 17, 2022, it was also the largest Bitcoin-focused exchange-traded product. Some analysts estimate the one-day outflow to be US\$500 million. Arthur Hayes, co-founder of crypto exchange 100x, said, "Smells like a forced seller triggered a run on stops."

Bull trap

Avoid Purpose Bitcoin ETF until the mystery behind the massive outflow is revealed. Peter Schiff, a Bitcoin critic, warned investors, "Don't get excited about Bitcoin being back above \$20K. 20 is the new 30. This is just another bull trap."

CATEGORY

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