



Market Commentary: May 2021

In the month of May institutions abandon Bitcoin in favor of Ethereum, while Robinhood finally gets a run for its money as a new group of entrants attempts to steal market share away from the commission free brokerage firm in the retail crypto trading space. Bitcoin ETFs come back into vogue as an increasing number of institutions fight to issue the first bitcoin ETF in the US. Finally, the local top may be in for cryptocurrency markets as the market shows signs of “irrational exuberance”.

In the institutional crypto space, a recent report by the largest London based digital asset manager, CoinShares, has revealed that institutions have abandoned Bitcoin for Ethereum. In the beginning of May, Bitcoin saw a record \$98M worth of outflows, while Ethereum saw a respectable \$27M worth of inflows. Interestingly, CoinShares reported that outflows of this nature have marked “pivotal points in sentimental change” for digital assets ([Cryptoslate](#)). In the crypto hedge fund space, an analysis by PricewaterhouseCoopers, has revealed that crypto hedge funds nearly doubled their asset under management (AUM) from \$2B to \$3.9B between 2019 to 2020. Despite Coinshare’s bearish outlook on Bitcoin, PricewaterhouseCoopers also revealed that Bitcoin remained the most popular asset held among crypto hedge funds with 90% having exposure to the digital asset, while only 67% had exposure to Ethereum ([Decrypt](#)). In a collaboration between New Digital Investment Group (NYDIG) and Fidelity National Information Services (FIS), participating banks will now be able to offer crypto trading for their customers directly from their existing accounts. Patrick Sells, NYDIG Executive, has stated that traditional US banks have shown interest in the space and expects that the industry’s giants such as JPMorgan and Bank of America will provide offerings in the space once smaller banks begin to steal market share away from retail crypto trading platforms like Robinhood ([Bitcoin Insider](#)).

The race to become the first US regulatory approved Bitcoin ETF continues to heat up. The SEC is now reviewing Skybridge’s ETF application as well as Wise Origin’s Bitcoin Trust application. If Skybridges ETF gets approved it will trade on the New York Stock Exchange (NYSE), while if Wise Origin’s ETF gets approved, it will trade on CBOE’s BZX exchange. The two ETF application’s join 4 applications still under review by the SEC as well as 10 ETF applications that are still pending ([Coindesk](#)). Albert Isola, Gibraltar’s Minister for Digital and Financial Services, believes that the first US ETF will be approved this year, which will cause the US equities market to be flooded with Bitcoin ETFs. However, Isola cites concerns regarding the “supervision” of these funds. Nevertheless, with Canada’s recent approval of two Bitcoin ETF applications, the pressure is on to approve a Bitcoin ETF in the US in order to remain competitive within the global financial system ([Decrypt](#)). As Bitcoin ETF applications continue to be backlogged in the US, VanEck is seeking to expand their crypto offerings abroad by offering Bitcoin Exchange Traded Notes (ETNs) and Ethereum ETNs on the Dutch and French portions of Euronext. Martijn Rozemuller, CEO at VanEck Europe, believes his product offerings gives European investors an “interesting opportunity” to diversify their portfolio due to cryptocurrency’s low correlations with traditional assets ([The Block Crypto](#)).

The crypto market is showing signs of overheating. What many cryptocurrency traders refer to as a “Dinocoin” because of the crypto market’s diminishing interest in the project since the token’s launch during the 2017 bull run, Ethereum Classic, gained 300% in just one week of trading as a wave of retail investors accidentally bid up the token in place of Ethereum. As a result, the blunder caused Ethereum Classic’s market cap to swell as high as \$17B causing the token to become the 13th largest cryptocurrency by market cap ([Crypto-telegraphs](#)). Meanwhile, a collection of dog based meme coins are attempting to piggyback off of Dogecoin’s recent success among the retail crypto trading community. The most famous of the Dogecoin imitators, Shiba Inu (SHIB), a token based on the Japanese dog breed, surged 2500% in just its first three days of trading. This caused SHIB’s market cap



to hit an all-time high of \$13.5B. However, SHIB was just one of many Dogecoin mimics that showed astronomical gains in the month of May. LEASH, the sister token of SHIB, gained 2.5M% since the start of the month, while Dogelon Mars (ELON), a token meant to represent Elon Musk's affinity for Dogecoin, gained 220% in just 14 days of trading ([Cointelegraph](#)). Lastly, one of the most obvious signs pointing to the market's overheating is Ethereum's founder, Vitalik Buterin, recent remarks regarding the state of the current cryptocurrency market. Vitalik believes that the cryptocurrency market is in a bubble stating that the market has become too overstretched as "the technology just is not there yet". As a side note, despite Vitalik's bearish outlook on the cryptocurrency market, Vitalik believes that there is a "possibility" that Ethereum will eventually overtake bitcoin in terms of market cap in the future ([Cointelegraph](#)).