

Bitcoin closed in the red for the second week and was the direct cause of the recent market correction

In the past 2 months, GBTC has sold up to 50% of the total funds under management, so this process cannot continue and affect the market in the long term.



After continuously setting new historical highs, the price of the cryptocurrency Bitcoin encountered a correction and had its second trading week closing in the red. At the present time, Bitcoin price has recovered to above the \$67,000 mark, and recorded a slight decrease of more than 1% over the past 7 days. According to experts, it is very normal for an asset to adjust after a period of hot growth. Not only that, the adjustment process can also help the market grow more sustainably, because it is an opportunity for investors to take profits on part of their assets as well as reduce leveraged positions.

Historically, it can be seen that Bitcoin has undergone corrections before and after it established a new peak. For example, in the period 2016 - 2017, Bitcoin price had correction periods of up to 30% - 40%. During the period of 2020 - 2021, the market will experience about 5 corrections, ranging from 15% to nearly 30%. Meanwhile, since the beginning of 2024, Bitcoin price has corrected about 15%. It can be seen that as the value of Bitcoin increases over time, corrections have also decreased.



Although at the present time, the rate of profitable Bitcoin circulating in the market has decreased to more than 93%, JPMorgan experts still believe that the cryptocurrency is still in the overbought zone and has The risk continues to decline. The main reason given is that capital flows into spot Bitcoin ETFs are showing signs of slowing down in recent times.

Looking at the capital flow statistics from Farside's Bitcoin ETF funds, we can see that from March 18 to March 22, all were negative cash flows. Although large funds such as IBIT and FBTC still maintain cash flow into the market, the selling force from GBTC is so large that the cash flow cannot be balanced.

So what is GBTC and why is it selling so much?

Grayscale Bitcoin Trust (GBTC) is a Bitcoin investment fund managed by Grayscale Investments. Previously, GBTC was the world's largest publicly traded Bitcoin trust allowing investors to buy and sell stocks backed by Bitcoin. In addition, Grayscale also offers trust funds with a basket of other crypto assets such as Ethereum, Litecoin, Filecoin,.

With a net asset value of about \$30 billion, the fund's landscape changed on January 10, 2024 when the SEC approved the conversion of GBTC into an ETF. One of the reasons a fund like GBTC would want to convert to an ETF is to reduce the price difference between the price of the fund's shares and the fund's net asset value (NAV). ETFs often have a creation and redemption process and structure that allows ETF share prices to trade closer to the fund's NAV than other listed funds. This process helps ensure that the ETF's share price does not deviate too far from the underlying asset value. In addition, becoming an ETF is also an opportunity for GBTC shares to be traded on major US stock exchanges, thereby accessing more cash flow from investment organizations as well as investors. individual.

However, things did not go as scripted. Since being converted into an ETF, the GBTC fund has had to continuously transfer Bitcoin to exchanges, mainly Coinbase Prime due to pressure from investors. They may be people who held GBTC shares throughout the downtrend period from 2021-2023. Besides the ability to take profits, many investors also want to swap their investment portfolios to other Bitcoin ETFs to avoid the industry's highest management fees (up to 1.5%; about 5 or 6 times higher than with other funds) from Grayscale.

Additionally, GBTC was under selling pressure from Genesis Global Capital, a cryptocurrency lending company that filed for bankruptcy in early 2024. According to Genesis' court filing, the company requested to approved the sale of its trust assets, including nearly \$1.4 billion in GBTC shares.

According to experts, although the selling force from GBTC is large, this cannot last forever. Over the past 2 months, according to GBTC's report, the fund has seen an average daily outflow of about 277 million USD, equivalent to 4,140 Bitcoin per day. Currently, the GBTC fund is holding about 350,252 Bitcoin (equivalent to

23 billion USD in the market). On the other hand, the IBIT fund managed by BlackRock is holding about 238,500 Bitcoin (worth about 15.5 billion USD) with an average inflow of about 274 million USD, equivalent to 4,120 Bitcoin per day.

With the current inflow/outflow process, the IBIT fund could surpass GBTC in Bitcoin holdings by April 11. Even if the average capital flow of the IBIT fund is as strong as last week (about 7,200 Bitcoin/day), the reversal process will happen even faster and is estimated within the next 10 days.

Eric Balchunas, senior market analyst at Bloomberg, said that one should not worry too much about the flow of money from GBTC because it will only cause the market to fluctuate in a short time and will probably end within a few days. next week.

You finished reading the article "**Bitcoin closed in the red for the second week and was the direct cause of the recent market correction**" edited by the [TipsMake](#) team. We hope this article has provided you with many useful tech tips and tricks. You can search for similar articles on tips and guides. Thank you for reading and for following us regularly.