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Pricing efficiency of Bitcoin Trusts

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ABSTRACT

This article examines the pricing efficiency of Bitcoin Investment Trust. We investigate the deviation between prices and net asset values and find that there is a significant and persistent premium with an average of 44%. Such evidence points to pricing inefficiency of the currently available trust and encourages practitioners to introduce better instruments such as Exchange Traded Funds as alternatives to investors interested in having exposure to bitcoins and the digital currencies market.

KEYWORDS:

Bitcoin | pricing efficiency | trusts | premium | cryptocurrency

JEL CLASSIFICATION:

G10 G12 G14

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Disclosure statement

No potential conflict of interest was reported by the author.

Notes

[1] http://www.marketwatch.com/story/heres-one-easy-way-to-get-exposure-to-bitcoin-ahead-of-the-winklevoss-etf-2016-08-29.

[2] http://grayscale.co/bitcoin-investment-trust/ .

[3] We thank the reviewer for this suggestion. , where is the coefficient when using one period leading benchmark values, is the coefficient using one period lagged benchmark values, is the coefficient using contemporaneous benchmark values and is the first-order autocorrelation coefficient.

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