

Bitcoin's next block

By Senior investment analyst, [Mick Comiskey, CAIA](#)

The landscape for Bitcoin is rapidly evolving, driven by two transformative developments: the introduction of Exchange Traded Products (ETPs) and the enactment of the GENIUS Act. Together, these milestones have not only expanded access for investors but also established a clearer regulatory framework for digital assets. As Bitcoin continues to move toward mainstream acceptance, it is an opportune moment to revisit its investment case, assess its role in diversified portfolios, and consider how these changes may shape the future of digital assets.

History and updates

Bitcoin was launched in 2009 as an electronic medium of exchange by a pseudonymous individual or group known as Satoshi Nakamoto. Initially, it was used to make small, experimental purchases on online marketplaces. One famous example is that of a software developer who used 10,000 Bitcoins to purchase two pizzas in May 2010—a testament to Bitcoin's early use in real-world transactions. Around the same time, the first online cryptocurrency exchange opened, and trading activity quickly followed.

Today, there are more than 23,000 different cryptocurrencies, with Bitcoin remaining by far the largest, boasting a total market value exceeding \$2.25 trillion.¹ Bitcoin has become synonymous with cryptocurrency and serves as the benchmark for all other digital assets. It is best defined as a decentralized digital currency that operates without government or bank involvement, using peer-to-peer technology to facilitate fund transfers directly between parties.

Every Bitcoin transaction is recorded on a public electronic ledger—the Bitcoin blockchain—which is permanent, irreversible, transparent, and viewable by anyone. This blockchain provides a complete, secure history of transactions, linking individuals and companies to Bitcoin purchases and ownership. Transactions are processed and verified by independent parties, known as miners.

ETPs: Growth and adoption

Exchange Traded Products (ETPs) holding actual Bitcoin (spot, not futures) began trading on January 11, 2024. For the first time, investors could buy and sell Bitcoin in traditional custodial accounts, just like any other security. Sponsored by large institutional asset managers, these products brought both credibility and broad distribution. In less than two years since launch, total spot Bitcoin exchange traded product assets under management (AUM) have surpassed \$150 billion.² Despite this rapid growth, Bitcoin held by these ETFs still represents less than 7% of Bitcoin's total market capitalization.

This ease of access has contributed to a significant increase in adoption by financial advisors. At the end of 2024, 22% of respondents to a Bitwise/VettaFi survey reported allocating to cryptocurrencies—a 100% increase from the previous year and an all-time high.³ Among advisors not yet allocating to cryptocurrencies, 50% noted 'regulatory concerns' as the primary hurdle.

The GENIUS Act: A shift from re-active to pro-active regulation

Regulation has long been a significant headwind in the digital asset space, as reflected in the aforementioned survey responses. Historically, cryptocurrencies were regulated mainly through enforcement, with rules established only after legal cases were tried. The GENIUS Act (Guidelines for the Enhanced Navigation and Integration of Unregulated Securities), passed in July 2025, represents a significant overhaul in digital asset regulation, providing a legal framework for the issuance, trading, and management of cryptocurrencies and tokenized securities—digital representations of traditional financial assets, such as stocks or bonds, that are issued and traded using blockchain technology.

Exhibit 1: Key changes in regulation

Aspect	Previous regulation (Pre-2025)	GENIUS Act of 2025
Legal clarity	Fragmented, unclear definitions; regulatory gray areas	Clear definitions for digital assets, tokens, and stablecoins (defined in below paragraph)
Registration	Many assets unregistered or ambiguously classified	Mandatory registration with the SEC or CFTC, depending on classification
Custody & safekeeping	Limited guidance ; unclear standards	Explicit custody standards, including insurance and asset segregation.
Investor protections	Patchwork protections; limited recourse	Enhanced disclosure requirements, anti-fraud provisions, and investor recourse
Tax treatment	Unclear or inconsistent guidance	Standardized tax reporting and treatment
AML/KYC	Varying, often less stringent requirements	Uniform, stricter AML/KYC for all digital asset service providers

AML = Anti-money laundering; KYC = Know your customer; SEC = Securities and Exchange Commission; CFTC = Commodity Futures Trading Commission.

The Act particularly focuses on privately issued stablecoins—cryptocurrencies designed to maintain a stable value by being pegged to assets like the US dollar, euro, or commodities such as gold. They achieve stability through reserves or algorithms, making them less volatile than traditional cryptocurrencies. Stablecoins are important in digital asset investing because they offer a safe way to store value, enable quick transfers between exchanges, and bridge traditional finance with the crypto market.

Stablecoins serve as a practical on- and off-ramp between traditional finance and cryptocurrencies by offering a stable, fiat-linked gateway. Fiat refers to government-issued currency, like the US dollar, that is not backed by a physical commodity but by the government's authority. As an on-ramp, investors can convert US dollars into stablecoins to purchase digital assets without relying on slow or costly wire transfers. Conversely, as an off-ramp, stablecoins allow investors to move profits or holdings from volatile cryptocurrencies into a stable, dollar-equivalent assets, which can be redeemed for fiat currency through exchanges or financial platforms. This makes stablecoins a trusted middle layer, combining the speed and efficiency of blockchain with the stability and familiarity of traditional money, facilitating seamless movement between financial systems.

The investment case: Speculation or opportunity?

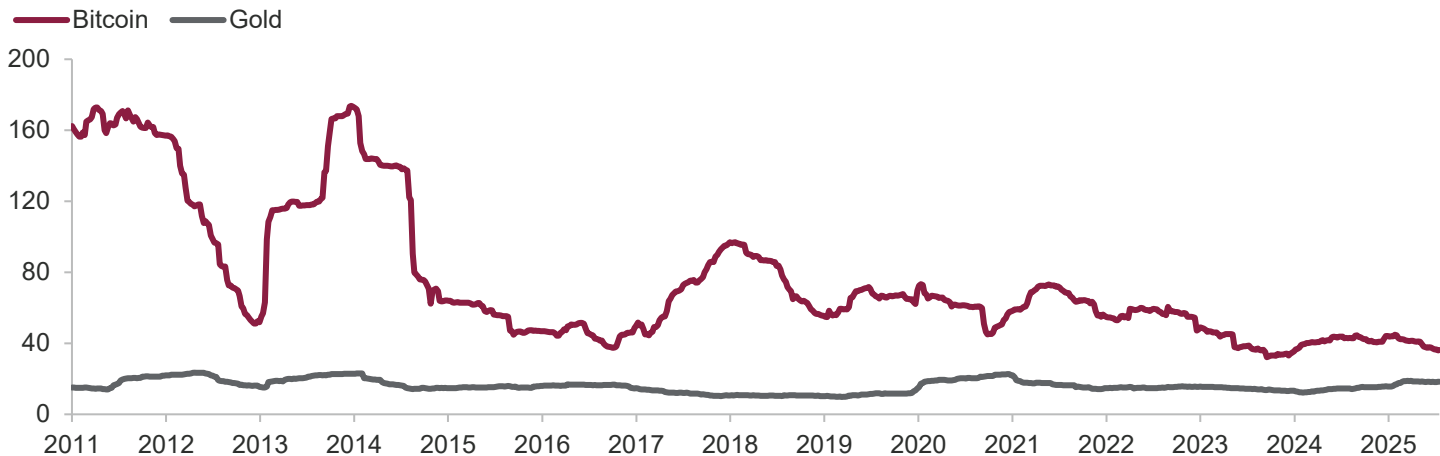
Despite recent advancements, we believe Bitcoin remains a speculative investment rather than a long-term “buy-and-hold” asset. Its future is uncertain—it could either appreciate significantly or lose value entirely. While a speculative investment is not inherently negative if portfolio risks are properly managed, Bitcoin does not generate cash flow; profits are realized only by selling at a higher price, which requires precise timing to avoid significant losses.

A store of value?

Bitcoin is often referred to as “digital gold,” but it has not yet established itself as a true store of value—an asset that reliably retains its purchasing power over time.⁴ While its price has climbed from zero to over \$100,000 per coin in roughly 15 years, traditional assets like gold have proven themselves over centuries—not just decades. Bitcoin's inherent volatility further challenges its role as a store of value, having experienced two drawdowns of more than 50% and two of more than 75% over the past decade. For context, the largest two US equity market drawdowns in the last 150 years were 50% during the Great Financial Crisis and approximately 84% during the Great Depression.⁵

While Bitcoin's price rise has been spectacular, persistent price swings are likely to dissuade a broad swath of investors seeking stability. By comparison, gold's price fluctuations are far less severe. Although the volatility gap between Bitcoin and gold has narrowed over the last several years, it remains significant, as seen in Exhibit 2

Exhibit 2: Bitcoin vs. gold—volatility vs. stability



Source: Bloomberg as of September 30, 2025. Trailing 260-day volatility. Gold: GC1 commodity, Bitcoin: XBTUSD BGN Currency.

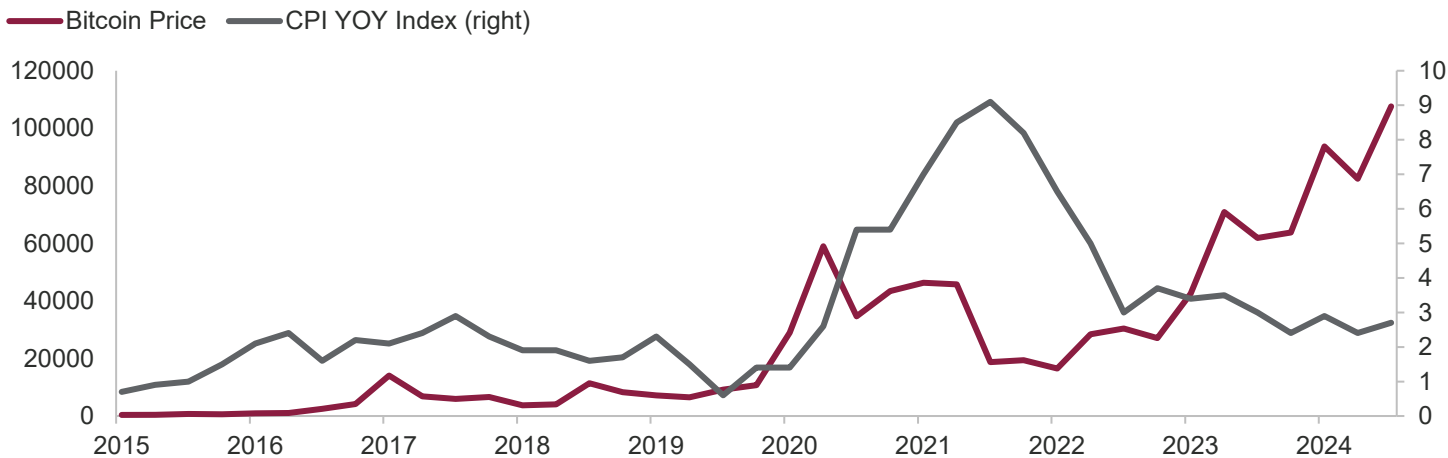
As the largest, oldest, and most liquid cryptocurrency, Bitcoin is generally considered the most stable among its peers. However, its stability is undermined by the interconnectedness of the broader cryptocurrency universe, where negative events—such as the collapse of Terra Blockchain, the bankruptcy of Celsius, and the failure of FTX—can significantly impact Bitcoin’s price. This contagion risk, coupled with the absence of a tangible underlying asset, differentiates Bitcoin from traditional stores of value like gold or art, which offer additional societal or practical benefits.

An inflation hedge?

Unlike gold, which has a long history of providing both value stability and practical uses, Bitcoin remains primarily a digital phenomenon with speculative appeal. Its long-term value may ultimately depend on its adoption as a widely used means of transaction, but this outcome remains uncertain. Nevertheless, despite this extreme volatility, Bitcoin continues to attract attention and raises the question of whether it should play a permanent role in investor portfolios.

While Bitcoin’s limited supply of 21 million coins is often cited as a compelling feature for hedging against inflation and currency debasement, its performance during recent inflationary periods has yet to validate this role. For US investors, an asset that fully hedges against inflation would have a correlation of 1 with an inflation measure such as the Consumer Price Index (CPI). Over the long term, the correlation between Bitcoin and CPI is approximately 0.3. In recent years, when inflation became a major concern, Bitcoin actually exhibited a significant negative correlation to CPI. As shown in Exhibit 3, while CPI was rising, the price of Bitcoin was falling. This lack of positive correlation caused Bitcoin to behave more like other risk assets during a period when inflation was a substantial headwind.

Exhibit 3: Bitcoin price moves compared to CPI changes year over year



Source: Bloomberg, as of June 30, 2025.

Adoption = demand

However, the supply scarcity remains a cornerstone of Bitcoin's long-term value proposition; from a supply-demand perspective, any increase in demand could drive prices higher. Several promising trends suggest that demand for Bitcoin could accelerate in the coming years. Investment advisors are increasingly viewing Bitcoin as a viable asset class, which could introduce significant new capital into the market. At the same time, greater regulatory clarity is reducing uncertainty and enabling both institutional and retail investors to participate with greater confidence. The proliferation of ETPs is further improving access, broadening Bitcoin's potential investor base.

Taken together, these factors create a cautiously optimistic outlook for Bitcoin's future. While its risks and volatility remain, the combination of rising demand and fixed supply positions Bitcoin as a unique and evolving asset—one that continues to warrant close attention as the digital asset landscape matures.

*We will continue to monitor and keep you apprised of the adoption of Bitcoin and other cryptocurrency.
If you have any questions, please reach out to a member of your CIBC Private Wealth team.*

1. <https://coinmarketcap.com/all/views/all/>
2. <https://blockworks.com/analytics/bitcoin-etf/tracker>
3. <https://s3.us-east-1.amazonaws.com/static.bitwiseinvestments.com/Research/The-Bitwise-VettaFi-2025-Benchmark-Survey.pdf>
4. <https://corporatefinanceinstitute.com/resources/knowledge/valuation/store-of-value/>
5. <https://seekingalpha.com/article/4348894-profiling-s-and-p-500-drawdowns-since-1871>

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