

# Bitcoin in the financial markets: what you need to know



The news that **Bitcoin** can now be purchased through **index funds** means that it can now be considered a **real investment**, said [Tec de Monterrey](#) professor Francisco Orozco.

This January 10, the **U.S. Securities and Exchange Commission (SEC)** approved the operation of the **first ETF (Exchange Trade Fund) related to Bitcoin**.

*“(This means) there will be an opportunity, when it is on the stock exchange, to buy Bitcoin through these ETFs,”* said Orozco, who also runs the Tec’s Center for Financial Access, Inclusion, and Research (FAIR) in Monterrey.

[CONECTA](#) shares his explanation in **detail** so that you can **better understand** this news.

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## What is the cryptocurrency Bitcoin?

Orozco explained that in the wake of the 2008 crisis, the financial system developed credibility problems, which triggered **the rise of Bitcoin**.

*“Out there, someone or something called **Satoshi Nakamoto**, because it’s not yet known if it’s a person or a community, produced Blockchain, the data chain this cryptocurrency is based on.”*

A cryptocurrency is a digital currency that is not reliant on any government or central bank.

It is based on **Blockchain technology**, which is a decentralized record-keeping system that uses cryptography to secure transactions.

*“This data has decentralized validation, which generated the currency that **evolved as a means of payment**,” he said.*

Orozco pointed out that it is not the only cryptocurrency, as there are others, such as Ethereum.

## Bitcoin as a speculative asset

Orozco said that as time went by, the vision of Bitcoin being used as a means of payment was lost to being used as a **means of speculation**.

*“The price of bitcoin was set based on **supply and demand**, unlike a stock, which is based on future flow generation, sales analysis, expectations, and more.*

*“(Bitcoin) **is totally speculative**. No matter how many models are created to project or forecast Bitcoin values, it’s impossible. In the end, it’s very unpredictable, there’s a lot of uncertainty and it’s very volatile.”*

In 2017, it was worth 400,000 pesos. 2 years later, it reached 1 million pesos, then the value dropped to 300,000 pesos, he said.

*“**This approval is significant, as it offers investors a more regulated and accessible way to gain exposure to Bitcoin.**”*

### **What is an ETF or index fund? Explanation in detail**

Orozco **described an ETF**, or Exchange Traded Fund **as if it were a basket of fruit for didactic purposes.**

*“Imagine that the **basket represents the ETF** and each type of fruit inside the basket is a different investment, such as company stocks, bonds or commodities.”*

He added that just as a fruit basket offers a variety of **pears, apples, grapes**, and more, **an ETF contains a variety of financial assets.**

*“For example, let’s say you have a **fruit basket (ETF)** that **specializes in red fruits**. This basket will include red apples, strawberries, cherries, and more.*

*“In the same way, a technology ETF would include **shares of several technology companies** such as Apple, Microsoft, and Google.”*

Orozco said that by buying a portion of the ETF you are buying a small portion of all the fruit (shares) within the basket, which allows you to **diversify your investments** and **reduce risk.**

*“In the same way you can buy and sell fruit in a market, **you can buy and sell ETF shares** in the stock market,” he said.*

Orozco said that as of now, **ETFs containing Bitcoin have been created on the U.S. stock exchange.**



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### **What does it mean that Bitcoin can be bought on the stock exchange?**

According to Orozco, this news is a way to regulate Bitcoin so that more people will adopt it.

***“This approval is significant, as it offers investors a more regulated and accessible way to gain exposure for Bitcoin, which could lead to increased adoption and greater stability in the cryptocurrency market.”***

He said that previously, **Wallets** were used to purchase a Bitcoin, whether centralized or decentralized, as well as authorized or unauthorized.

**Finally, the professor pointed out that Bitcoin is a new way of investing.**

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