



HYPERION DECIMUS

CRYPTO NEWSLETTER

POWERED BY WEEKLY CRYPTO BRIEF

8th February 2026

BITCOIN-RELATED



NYDIG: We believe the market is firmly in a cyclical drawdown consistent with Bitcoin's historical four-year cycle. Both the depth and duration of the decline support this view. With Bitcoin hitting \$60,000 on Coinbase, the drawdown has reached 52.5% and has lasted for 122 days. This now ranks as the seventh-largest and seventh-longest drawdown in Bitcoin's history. Historically, drawdowns of this magnitude fall into two categories: "sharp and shallow" pullbacks that occur as temporary interruptions within a broader uptrend, and cyclical drawdowns that are deeper and more prolonged, typically exceeding 70%. (Bitcoin bounced over 10% on Feb. 6 and was over \$70,000.)

Bernstein said crypto is likely still in a "short term crypto bear cycle," but expects it to reverse in 2026, likely in the first half of the year. The firm sees Bitcoin potentially "bottoming out around its last cycle highs ~60K range" before establishing a higher base. Analysts partly attribute recent weakness to Bitcoin underperforming gold, which has benefited from heavy central bank buying and a growing share of global reserves. Bernstein also said the past two years still marked an "institutional cycle" for Bitcoin, driven by ETF growth, corporate treasury adoption, and a stronger market structure than prior retail-driven cycles. With resilient institutional flows and potential policy tailwinds, the firm views the current drawdown as more likely a late-stage correction and says the next phase could be the "most consequential cycle" for Bitcoin.

Chile's President-elect José Antonio Kast posted in 2021: "What if we massively adopted Bitcoin in Chile? What do you think about what Nayib Bukele did in El Salvador?"

Virginia advanced a bill to establish a strategic Bitcoin and crypto reserve fund.

Binance transferred ~\$100 million worth of Bitcoin from a hot wallet to its Secure Asset Fund for Users (SAFU), part of its plan to restructure the user protection reserve. The on-chain transfer was direct, indicating an internal treasury reclassification.

Justin Sun plans to add \$50-\$100 million worth of Bitcoin to Tron's blockchain holdings.

Bitcoin treasury firm Strategy bought 855 BTC at an average price of \$87,974 each. Its total holdings now amount to 713,502 BTC, currently worth \$55.6 billion. (Strategy posted a net loss of \$12.6 billion for Q4, thanks to unrealized losses on plummeting Bitcoin. Chief Executive Phong Le, Strategy's, told investors that Bitcoin's price would need to drop to \$8,000 and remain at that level for five to six years before posing a threat to servicing its convertible debt.)

The merger between SpaceX and xAI brought attention to SpaceX's significant Bitcoin holdings, valued at ~\$650 million. This move could impact accounting, disclosure, and investor perception as SpaceX prepares for a potential IPO, unlike Tesla's handling of its BTC holdings.

GameStop's CEO hinted at a potential shift away from Bitcoin as the company explores transformative acquisitions, sparking speculation about the fate of its \$500 million Bitcoin treasury. Despite GameStop's recent transfer of its BTC holdings, the company has not sold any Bitcoin yet.

On Duelbits Predict, users are speculating on whether Mike Tirico or Cris Collinsworth will utter the word "Bitcoin" at any point from kickoff to the final whistle in the Super Bowl broadcast. Odds: Yes: 38%. The 38% implied probability suggests the market views a Bitcoin mention as unlikely but far from impossible.

South Korea-based crypto exchange Bithumb said it mistakenly sent excess Bitcoin to some users, triggering brief price dislocations after recipients reportedly sold the coins. The error stemmed from a promotional giveaway, with some users who were meant to receive 2,000 won instead allegedly receiving 2,000 BTC instead. The exchange said its internal control systems quickly detected the abnormal transfers and restricted affected accounts. South Korean regulators are investigating the matter.

In what is the largest publicly reported Lightning transaction to date, a \$1 million Lightning transfer between SDM and Kraken was used to test whether Bitcoin's main scaling layer could handle seven-figure, institutional-grade payments. The payment cleared in 0.43 seconds and was routed via Voltage's managed Lightning infrastructure.

INDUSTRY ADVANCES



CME Group is exploring deeper integration into digital assets by considering launching its own coin ("CME Coin") and moving its crypto products to 24/7 trading.

EDX Markets, a digital asset firm that combines an institutional-only trading venue with a central clearinghouse, announced the launch of EDX FlowConnect, a crypto-as-a-service offering that enables firms to quickly and securely launch crypto trading products.

BitMine Immersion Technologies has acquired 41,788 ETH worth \$96 million, increasing its holdings to 4,285,125 ETH valued at \$9.9 billion.

The Bank of England is considering expanding the range of assets that could be accepted as collateral in tokenized form.

Japanese tech firm Startale and financial giant SBI Holdings launched Strium, a new blockchain built for banks and institutions to trade currencies, synthetic stocks, and tokenized RWAs, starting with derivative-style products before moving to fully regulated onchain equities.

Bed Bath & Beyond announced the acquisition of Tokens.com to enhance its blockchain initiatives, focusing on tokenization for a new investment platform. The firm aims to utilize infrastructure from partners like Figure Technologies and tZERO for asset tokenization and liquidity solutions.

MetaMask, a leading self-custodial wallet, will integrate tokenized US stocks, ETFs, and commodities. The wallet will use Ondo Global Markets to bring tokenized RWA to eligible users.

ETHZilla, an Ethereum-focused treasury company whose crypto-heavy strategy backfired, pivoted toward real-world asset tokenization by buying a \$4.7 million portfolio of manufactured home loans it plans to turn into blockchain-based income tokens.

Level Markets and 21X are teaming up to offer tokenized capital markets trading.

Virtuals announced “60 Days:” a trial-style tokenization framework where founders build publicly for 60 days while users trade and capital forms. At Day 60, the founder must choose either: 1) Commit: token continues; founder access to funds unlocks over time or 2) Don’t commit: token winds down; raised funds are returned to token holders.

The US derivatives regulator scrapped a Biden-era effort to restrict political prediction markets, with new leadership reopening rulemaking to support platforms like Kalshi and Polymarket under a more permissive interpretation aimed at encouraging financial innovation.

Polymarket's parent company, Blockratize, filed trademark applications for “POLY” and “\$POLY” with the US Patent and Trademark Office, outlining plans for a native token.

Polymarket expanded onto Solana through an integration with Jupiter, a popular onchain trading app that aggregates exchanges, allowing users to trade event-based prediction contracts directly inside Jupiter.

Crypto.com launched OG, a standalone US-only prediction market app run through its regulated derivatives arm, after explosive growth in event-based trading convinced the exchange to spin the product out to compete in what it calls a multi-billion-dollar market.

Hyperliquid is adding general-purpose Outcome trading as an expansion to Hyperliquid’s in- progress HIP-4 update. The team said Outcomes can support prediction markets or limited-risk options, and other binary options markets.

Webull, an online investment platform offering sports prediction markets through its partnership with Kalshi, introduced \$0 commission trading on pro football “Big Game” prediction markets.

The Nevada Gaming Control Board took legal action against Coinbase Financial Markets for offering event-based contracts on sports and elections to Nevada residents without the required state gaming licenses.

MINING



The Himalayan kingdom of Bhutan has been seen selling off some of the Bitcoin it's been mining since 2019 (in periodic increments of \$50 million), according to Arkham Intelligence.

MARA Holdings moved 1,317 BTC worth ~\$87 million across multiple wallets and exchange-linked addresses as the crypto selloff deepened, onchain data shows. The transfers came as Bitcoin briefly slid to ~\$60,000 and MARA shares fell nearly 19%. Miner profitability continues to tighten, with daily Bitcoin mining revenue dropping sharply over the past two weeks amid falling prices and broader market stress.

Tether introduced MiningOS, an open-source operating system for Bitcoin mining, aiming to simplify infrastructure and reduce reliance on closed software. The system offers transparency, scalability, and peer-to-peer communication, allowing operators to manage mining without centralized services.

BitRiver, Russia's largest crypto mining firm, faces potential bankruptcy as insolvency proceedings are initiated against its controlling shareholder by a regional arbitration court. The founder, Igor Runets, is under house arrest for tax evasion charges.

ETPS (EXCHANGE-TRADED PRODUCTS), FUNDS & INDEXES



ING Deutschland, one of Germany's largest retail banks, has begun offering retail clients access to crypto-linked ETNs and products, allowing customers to gain exposure to Bitcoin and other crypto directly through their existing securities accounts.

Bitwise filed paperwork with US regulators to launch the first ETF tied to UNI, the governance token of Uniswap.

FUNDRAISING & OTHER FUNDING (\$5 MILLION OR MORE)



Crypto crime-fighting firm TRM Labs reached a \$1 billion valuation after raising \$70 million in new funding (led by Blockchain Capital). It plans to use the capital to expand its tools as AI-driven fraud and illicit crypto activity accelerate.

ZBD (formerly Zebedee), the New Jersey-based Fintech company has secured \$40 million in Series C funding. The startup aims to pivot growth across Bitcoin-native gaming and payment infrastructure.

Prometheum, a market infrastructure provider for digital assets, announced that it secured an additional \$23 million from a group of HNWIs and institutions.

IPOS, M&A, PARTNERSHIPS & DEALS



Crypto asset manager Bitwise agreed to acquire Chorus One, an institutional staking provider overseeing about \$2.2 billion in locked assets, as industry consolidation accelerates and staking becomes a core yield product for large investors.

Pump.fun, a Solana-based memecoin launchpad, acquired Vyper, a lesser-known high-speed trading terminal, folding its technology and team into Pump.fun's multichain "Terminal" product to improve cross-chain and Ethereum-compatible trading as memecoin activity cools.

An investment vehicle backed by Emirati sheikh Tahnoon bin Zayed Al Nahyan acquired a 49% stake in the Trump family's crypto company World Liberty Financial for \$500 million in the week before President Trump's January 2025 inauguration, according to a WSJ investigation. (The report has US House investigators probing World Liberty Financial, while President Trump denied knowing about the deal.)

Tether bought a 12% stake in Gold.com for \$150 million to expand global access to tokenized gold, betting that rising demand for blockchain-based precious metals will drive growth in its gold-backed token XAUT.

Anchorage Digital announced a \$100 million strategic investment from Tether, implying a valuation of \$4.2 billion.

Propy, a tech company using AI and blockchain to automate real estate closings, secured a \$100 million credit facility from Metropolitan Partners Group.

Jupiter said it secured a \$35 million strategic investment from ParaFi Capital, marking the first time the Solana-based onchain trading and liquidity aggregation protocol has taken outside capital after years of bootstrapped growth.

Blockchain developer Startale Group secured an additional \$13 million investment from Sony Innovation Fund, deepening a partnership focused on building blockchain infrastructure for entertainment, IP, and AI applications.

Popular trading platform Crypto.com partnered up with payment orchestration business Yuno to facilitate the acceptance of cryptocurrencies globally among merchants. Crypto.com's "Pay" service will be integrated across Yuno's payment network, which offers users 1,000+ ways to make transactions.

DEFI



Ripple integrated Hyperliquid into Ripple Prime, marking the prime brokerage platform's first direct DeFi venue connection for institutional clients.

The Flare blockchain introduced lending and borrowing for XRP-linked assets through an integration with Morpho, a crypto lending protocol that runs across multiple Ethereum compatible chains.

Aave Labs shut down its Avara umbrella brand and Family wallet to concentrate fully on decentralized lending, a move that also reignited debate with the Aave DAO over who ultimately controls the protocol's direction.

Lido rolled out its stVaults feature on Ethereum's main network, turning the liquid staking giant into a modular infrastructure provider by letting institutions, data firms, and L2 networks like Linea create customized staking setups while still tapping into stETH liquidity.

Safe, a widely used non-custodial wallet for DAOs and institutions, grew revenue more than fivefold to over \$10 million in 2025 after processing \$600 billion in transactions, though the nonprofit foundation still hasn't reached break-even profitability.

CBDcs & STABLECOINS



Tether reported record growth across nearly every USDT metric in Q4 2025, even as crypto markets reeled from October's liquidation cascade. According to its latest quarterly report, USDT's market capitalization rose by \$12.4 billion during the quarter to a new high of \$187.3 billion, extending its lead over rival stablecoins that saw flat or sharply negative growth. Tether estimated it added 35.2 million new users in Q4, bringing total global users to 534.5 million, the eighth straight quarter with more than 30 million new users. On the balance sheet, Tether's total reserves grew \$11.7 billion to \$192.9 billion.

Hong Kong will begin issuing its first stablecoin licenses in March, with regulators planning to approve only a handful of issuers at first while prioritizing strong safeguards, clean reserves, and AML controls as digital tokens grow into a major global payments tool.

Brazil advanced legislation that would effectively ban algorithmic stablecoins by requiring all digital currencies pegged to cash to be fully backed by reserves, tightening rules after past crypto collapses and placing heavy compliance responsibility on exchanges.

Fidelity has launched its US dollar-backed stablecoin FIDC for both retail and institutional clients, enabling direct purchase and redemption across its platforms.

BBVA, Spain's second-largest bank, joined Qivalis – a consortium of major European lenders – to help launch a regulated euro-pegged stablecoin aimed at reducing reliance on US dollar tokens that dominate the global stablecoin market.

Portuguese private bank Bison Bank plans to launch a stablecoin in 2026, becoming the first banking institution in Portugal to issue the digital asset.

Y Combinator will allow startups in its Spring 2026 batch to receive funding in USDC, giving founders a faster and cheaper alternative to bank wires as the accelerator leans into blockchain payments beyond crypto-native companies.

Dakota launched a stablecoin infrastructure platform that packages licensing, compliance, custody, and global money movement as managed services for fintech builders. The platform aims to compress the traditional 12-18 month, multi-million-dollar product launch timeline by abstracting regulatory and operational complexity into reusable infrastructure.

NFTS, BLOCKCHAIN GAMING & METaverse



Pop music icon Justin Bieber paid \$1.3 million worth of ETH for a Bored Ape Yacht Club NFT in 2022. The NFT now is worth less than 6 ETH, or ~\$12,000, as NFTs and Ethereum have fallen in value.

JOB MOVEMENT



Gemini is set to slash its workforce by 25% as it shutters EU, UK and Australia accounts, citing the impact of AI on software engineering jobs and a pivot towards prediction markets.

Kyle Samani stepped down as managing director of crypto investment firm Multicoon Capital after nearly a decade, choosing to explore other areas of technology, while remaining personally invested in crypto and optimistic that new US laws could drive major adoption.

Solidus Labs launches an industry-first digital asset compliance job board and 2026 talent & salary guide to empower the next generation of 'hybrid' compliance leaders.

Elon Musk's AI company xAI is recruiting a crypto quantitative expert.

ClearToken, the digital financial market infrastructure firm, announced it has made two senior appointments to its leadership team: Mark Williamson was appointed Chief Commercial Officer and Chris Smith was named Chief Operating Officer.

REGULATIONS, RULINGS & COMMENTARY



After weeks of stalled negotiations, the push to pass a sweeping US crypto market structure bill may not be dead after all. Democratic staffers described a recent meeting as “positive” and “arguably the most productive Democratic meeting to date.” The effort, which many thought was on life support just weeks ago, is now seen as very much back in play. Behind the scenes, crypto firms are reportedly adjusting their strategy, floating new compromises aimed at breaking the Senate deadlock, particularly around stablecoins. Proposals include giving community banks a larger role by allowing them to hold stablecoin reserves or issue tokens through partnerships. While no agreement has been reached, both sides remain at the table, and lawmakers say talks are ongoing.

Senator Lummis will meet with Treasury Secretary Scott Bessent's office to discuss a potential de minimis tax exemption for Bitcoin and capital gains clarity.

CFTC Chair Mike Selig will speak at the world's largest Bitcoin conference in Las Vegas this April.

China tightened curbs on cryptos and tokenized real-world assets, barring domestic entities from issuing digital tokens overseas without approval and banning the offshore issuance of yuan-linked stablecoins, citing risks to monetary sovereignty. Basically, China is trying to stop Chinese-linked companies from creating crypto tokens outside China to dodge domestic rules.

Canada's CRO regulator introduced new rules for digital asset custody. Under the new provisions, custodial platforms will be split into four tiers that determine the levels of client assets they're allowed to hold (from 40% to 100%). The goal is to create fail-safes against massive deposit losses from fraud, theft and business collapses.

The Australian Securities and Investments Commission flagged digital assets and AI risks in its latest annual report.

Vietnam is preparing to introduce a tax framework for crypto transactions that would align digital assets with securities trading. Its Ministry of Finance proposed a 0.1% tax on crypto transfers, 20% corporate tax on profits, and tough licensing standards for digital asset exchanges.

BUGS, OUTAGES, HACKS, SCAMS, ALLEGATIONS, INVESTIGATIONS, ENFORCEMENTS & WRONGDOINGS

The US has placed sanctions on two UK-registered crypto exchanges for processing transactions linked to the Iranian regime. Exchanges Zedcex and Zedxion are alleged to have processed \$1 billion of transactions linked to the Islamic Revolutionary Guard Corps.

Arizona's Attorney General Kris Mayes issued a warning about the rise in crypto ATM scams targeting consumers, resulting in over \$177 million in losses in 2024.

Step Finance, a Solana-based portfolio tracking and DeFi analytics platform, is investigating a breach that drained ~\$29 million worth of SOL from its treasury wallets, triggering a sharp selloff in its token while leaving unanswered whether any user funds were affected.

An Ethereum investor lost 4,556 sETH, worth ~\$12.4 million, due to an address poisoning scam.

Three teenagers were jailed for a "wrench attack" that resulted in the theft of \$4.3 million in crypto at knife point. The suspects were identified through social media footage and vehicle tracking after stealing the victim's car, with the crypto being recovered within 72 hours.

CrossCurve, a cross-chain trading and liquidity protocol backed by Curve Finance's founder, was hit by a ~\$3 million exploit after attackers spoofed cross-chain messages to unlock funds, exposing flaws in a bridge design meant to prevent exactly that kind of failure.

US Treasury investigators are increasingly scrutinizing crypto exchanges and payment infrastructure for helping Iran bypass sanctions, after analytics firm TRM Labs flagged exchange-linked systems as repeat access points moving billions tied to sanctioned networks.

The latest US Justice Department release of files related to Jeffrey Epstein has revealed ties

between the world of crypto and the disgraced financier and sex offender. Prominent investor Peter Thiel, Strategy's Michael Saylor, Blockstream's Adam Back & Austin Hill, Bitcoin developers Gavin Andresen & Jeremy Rubin, Coinbase's Fred Ehrsam, Tether's Brock Pierce, Donald Trump's Federal Reserve Chair nominee Kevin Warsh, and Tesla billionaire Elon Musk were all been named in the latest Epstein files. (Epstein also invested ~\$3 million in Coinbase's 2014 Series C round after being introduced to the deal.)

Tron founder Justin Sun faces fresh market-manipulation allegations after a woman claiming to be

his former partner accused him of coordinating trades through multiple Binance accounts to inflate TRX prices in 2017-2018, saying she holds messages and internal records she is willing to share with US regulators.

Rui-Siang Lin, also known as "Pharoah," was sentenced to 30 years in federal prison for operating

the Incognito Market, a dark web platform that facilitated 640,000+ narcotics transactions.

A ransom note was reportedly discovered demanding a large Bitcoin payment for the release of

Nancy Guthrie, Savannah Guthrie's mother. Authorities are treating the case as a suspected abduction, with the note including a deadline and an implied threat against Guthrie.

MISCELLANEOUS

JPMorgan Private Bank's 2026 Global Family Office Report reveals that 89% of family offices do not

have exposure to cryptocurrencies in their portfolios. Despite geopolitical risks, most family offices opt for traditional hedges like gold over digital assets.

Galaxy Digital posted a ~\$482 million quarterly loss during the late-2025 crypto selloff as falling

digital asset prices and weaker trading activity outweighed growth in its fast-expanding AI data-center business, sending shares down about 20% despite strong asset-management inflows. (The company also announced that its Board of Directors approved a share repurchase program with authorization to purchase up to \$200 million of Galaxy's Class A common stock.)

Bullish, the parent company of CoinDesk, reported Q4 earnings on Feb. 5. The company posted

\$92.5 million in adjusted revenue in Q4 and adjusted EPS of \$0.19, both ahead of Wall Street forecasts, but it posted a GAAP loss on digital asset write-downs.

Vitalik Buterin said Ethereum's rollup-centric roadmap, which he previously championed, no longer

makes sense, arguing Layer 2s have decentralized far more slowly than expected while the base layer has continued to scale.

MegaETH's public mainnet will launch on Feb. 9.

Aerodrome Foundation is launching the Momentum Fund, an algorithmic buyback engine to acquire

AERO tokens based on market volatility rather than fixed schedules or discretionary decisions.

Zama launched its ZAMA token, claiming the first production-scale deployment of fully

homomorphic encryption on the Ethereum mainnet. The launch introduced a privacy metric, Total Value Shielded, after more than \$121 million in value was encrypted during Zama's sealed-bid token auction.

Harmonic, a math-focused AI startup co-founded by Robinhood CEO Vlad Tenev, awarded a research sponsorship to former Eclipse founder Neel Somani, who resigned from his blockchain firm in 2024 following misconduct allegations he has denied.

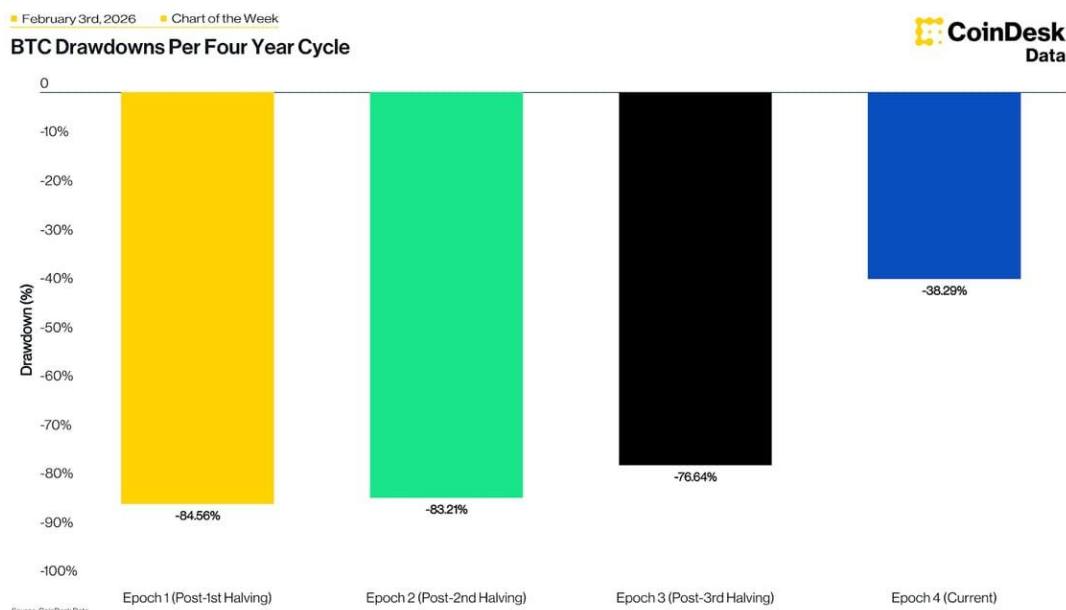
Aave founder Stani Kulechov bought a £22 million (\$30 million) five-story Victorian mansion in London, marking one of the city's priciest deals in the past year despite a broader luxury housing slump.

CHARTS, TABLES, QUOTES, COMMENTARY & OTHER IMAGES

The Crypto Fear & Greed Index dropped to 5 out of 100, its lowest reading since the Terra meltdown...



CoinDesk: Bitcoin's peak-to-trough drawdowns have steadily compressed over time, moving from -84% in the first epoch (post-1st halving) to a current cycle maximum of -38% as of early 2026. This persistent reduction in "peak pain" suggests a structural shift toward market maturity, as institutional capital and spot ETFs establish a more stable price floor compared to the retail-driven 80%+ crashes of previous eras. Historically, Bitcoin has taken roughly 2-3 years (about 700-1,000 days) to fully recover from major cycle bottoms to new highs, though recovery speed has recently increased, with Epoch 3 reclaiming its peak in only 469 days.



Bitwise launched “Model Portfolio Solutions for Digital Assets.” The new model portfolios – now available on multiple billion-dollar-plus advisory platforms – give financial advisors a thoughtfully designed framework for accessing diversified digital asset exposure in client portfolios.

More details:

- The offering consists of seven models, including “Core” portfolios that provide broad exposure to the crypto ecosystem, and “Thematic” models that emphasize themes (like stablecoins or tokenization).
- Models are monitored and rebalanced systematically by Bitwise to mitigate portfolio drift.
- Options include crypto asset models, crypto equity models, and models that blend both assets and equities.
- The models leverage Bitwise’s eight-year track record in helping institutions and professional investors access crypto.

Conclusion from Coin Metrics’ “State of The Network” weekly report from 2/3/26. (Read the full report, [here](#).)

The post-Fusaka surge in Ethereum activity is real, but the findings reveal a portion tied to address poisoning rather than purely organic growth. This presents a nuanced tradeoff, where lower fees can reduce barriers to entry, not only for users but also for dust attacks.

Common habits like copying addresses from transaction history or verifying only the first and last few characters carry more risk when mass dust distribution is economically viable. Wallet interfaces that display full addresses, flag suspicious low-value transfers, and de-emphasize dust could help reduce user exposure to these attacks. While dust transfers are real onchain activity, they don’t represent genuine economic usage, highlighting the value of adjusted metrics that filter for economic relevance.

While this analysis focused on USDC and USDT on Ethereum, the dynamic may extend to other tokens and low-fee chains, making dust activity an increasingly relevant consideration for security practices and onchain analysis going forward.

Conclusion from Glassnode’s “The Week On-Chain” from 2/4/26. (Read the full report, [here](#).)

Bitcoin has shifted deeper into a defensive regime, with both on-chain and off-chain indicators aligning around a bearish bias. The ongoing compression in profitability metrics highlights that unrealized gains have been heavily eroded, while realized losses continue to mount as investors derisk into weakness. This is compounded by thin spot liquidity, where participation remains muted and rallies struggle to attract sustained demand.

Across derivatives markets, the selling impulse has become increasingly disorderly, with large long liquidation events confirming that leverage is being forcibly reset. While this deleveraging can remove excess speculative froth, it does not by itself establish a durable floor. Options markets reflect this uncertainty, with downside skew steepening and implied volatility remaining elevated, signaling that traders continue to position for further turbulence.

From here, the key variable remains spot demand. Without a clear expansion in spot participation and consistent inflows returning, the market remains vulnerable to downside continuation and sharp, unstable rebounds. Until conditions improve, the balance of risk remains skewed lower, and any recovery is likely to require time, absorption, and a meaningful return of conviction from buyers.

Highlights from Travis Kling's (CIO – Ikigai Asset Management) monthly commentary...

Opening Remarks

January was a really crazy month. Kinda crazy in crypto. But honestly more crazy in macro events, geopolitical, etc. As I sit down to write this, I am now realizing how LONG January has felt. Maduro was captured January 3rd! That feels like three months ago to me, just because of everything else that has happened since then.

So you can see the crypto-specific highlights in their usual bullet points further below. And there are some significant ones. But before that I'll just do a list here of the big non-crypto events that happened in January –

- Kevin Warsh nominated for Fed Chair (Druck mentioned in fourth line of the announcement tweet)
- Gold and Silver spike and partially collapse on last day of the month (one of the largest single day declines ever)
- Maduro is captured in VZ by Delta Force (a historic show of force)
- Trump gave a speech at Davos (it may end up being famous)
- Enormous Somali fraud found in Minnesota (NY and CA next and it will be massive)
- Minnesota ICE shooting (likely justified but still obviously not good)
- War with Iran may start any minute (Feb 28 is trading 51c on Polymarket; Trump demands regime change)
- President Xi experiences some kind of attempted internal coup, two of his top officials were “purged” (hard to tell how serious this is, at least so far)
- A huge amount of Epstein files were released, implicating dozens of well-known people (here is a 1,000 word Grok summary as of Sat afternoon)
- Trump and other senior admin made very real statements about buying or somehow taking over Greenland (Trump will likely settle somewhere in the middle, imagine that)
- The FBI raided Fulton County Election Office over 2020 election fraud (there's a good chance they will prove Trump won Georgia)
- Trump and other senior admin making credible threats of regime change in Cuba (seems like there's a real chance this happens, Monroe Doctrine 2.0)
- SCOTUS continues to decline to rule on tariffs, timing on ruling unclear (could be weeks, could be months)
- US withdraws from the World Health Organization (US not doing favors for free anymore)

Yeah, that's a lot. Not all of it was immediately market-moving, although some was (we will dive into Warsh and Druck in more detail below). There were VERY significant geopolitical events that happened. All of it can be described as Monroe Doctrine 2.0, or as some have come to call it, “The Donroe Doctrine.” Lmao.

But it is serious and has major implications that could significantly reorient the entire planet. You should watch Trump's Davos speech. You can skip the intro and the Q&A at the end. His “prepared” remarks last an hour. The Trump admin is attempting to reorient the world's relationship with the United States. A lot of it he can do without controlling both houses, so he has another few years to make progress on this Donroe Doctrine. And if R's win in 28 (they could run Rubio/Vance) that will be a continuation of this expression of MAGA.

And then there were more cultural events that nevertheless had a profound impact on many people's psyche. The Minnesota ICE shooting was certainly one of those. The Epstein files were significant. The Minnesota Somali fraud was significant, and what's probably coming in other states will be even more significant. The Fulton County FBI raid could end up being enormously significant.

That list is too extensive, too diverse, and too new to do a full-blown synthesis and conclusion of it all. I just wanted to lay it all out there for you so you can appreciate the quantity and scale. Some of these will likely be central topics for months or years to come.

Asset Class	Jan	Q4-25	Q3-25	Q2-25	Q1-25	2025	2024	2023	Instrument
Bitcoin	-10%	-23%	6%	30%	-12%	-6%	121%	155%	BTC
NASDAQ	1%	2%	9%	18%	-8%	20%	25%	54%	QQQ
S&P 500	1%	2%	8%	11%	-5%	16%	23%	24%	SPX
Total World Equities	3%	2%	8%	10%	-1%	20%	14%	19%	VT
Emerging Market Equity	8%	2%	11%	10%	4%	31%	4%	6%	EEM
Gold	12%	11%	16%	6%	19%	64%	27%	13%	GLD
High Yield	1%	-1%	0%	3%	0%	3%	2%	5%	HYG
Emerging Market Debt	0%	1%	3%	2%	2%	8%	0%	5%	EMB
Bank Debt	-1%	0%	0%	1%	-2%	0%	-1%	3%	BKLN
Industrial Metals	5%	12%	4%	3%	2%	22%	3%	-6%	DBB
USD	-1%	0%	1%	-7%	-4%	-9%	7%	-2%	DXY
Volatility Index	17%	-8%	-4%	-24%	28%	-14%	39%	-43%	VIX
Oil	15%	-6%	1%	-5%	2%	-8%	13%	-5%	USO

Source: TradingView, as of 1/31/26

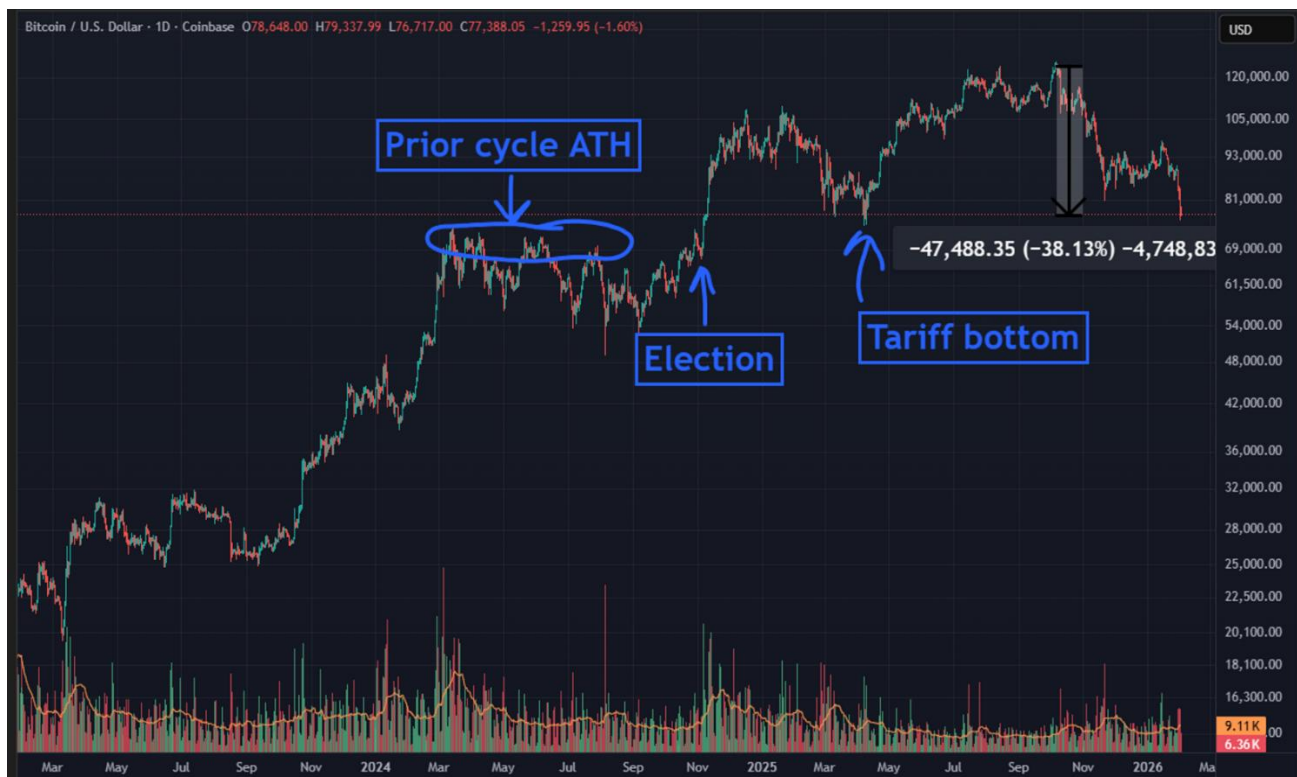
Market Update – Liquid Crypto Asset Investing

	Jan	Q4-25	Q3-25	Q2-25	Q1-25	2025	2024	2023
BTC	-10%	-23%	6%	30%	-12%	-6%	121%	155%
ETH	-18%	-28%	67%	36%	-45%	-11%	46%	91%
XRP	-11%	-35%	27%	7%	0%	-12%	238%	81%
BCH*	-15%	6%	10%	59%	-31%	27%	36%	157%
EOS	-43%	-60%	-31%	-8%	-20%	-80%	-8%	-2%
BNB	-10%	-14%	53%	9%	-14%	23%	124%	27%
XTZ	-6%	-26%	24%	-18%	-49%	-61%	28%	39%
XLM	-10%	-44%	51%	-10%	-20%	-39%	157%	81%
LTC	-23%	-28%	24%	4%	-19%	-26%	42%	4%
TRX	1%	-15%	19%	17%	-6%	12%	136%	98%
Aggregate Mkt Cap	-10%	-24%	16%	24%	-19%	-11%	96%	119%
Aggregate DeFi*	10%	-37%	40%	20%	-19%	-15%	50%	132%
Aggr Alts Mkt Cap	-17%	-24%	34%	25%	-34%	-16%	72%	90%

Source: CoinMarketCap and Coingecko, as of 1/31/26 (BCH includes SV)

Crypto prices crashed the last few days of January. After trading very poorly in Q4-25, many market participants were expecting a bounce in January, as year-end tax loss and fund redemption selling abated. We didn't get that. BTC couldn't even sniff \$100k – it was rejected at \$97k on 1/14 and then slid the rest of the month, with a significant acceleration occurring the last few days of the month.

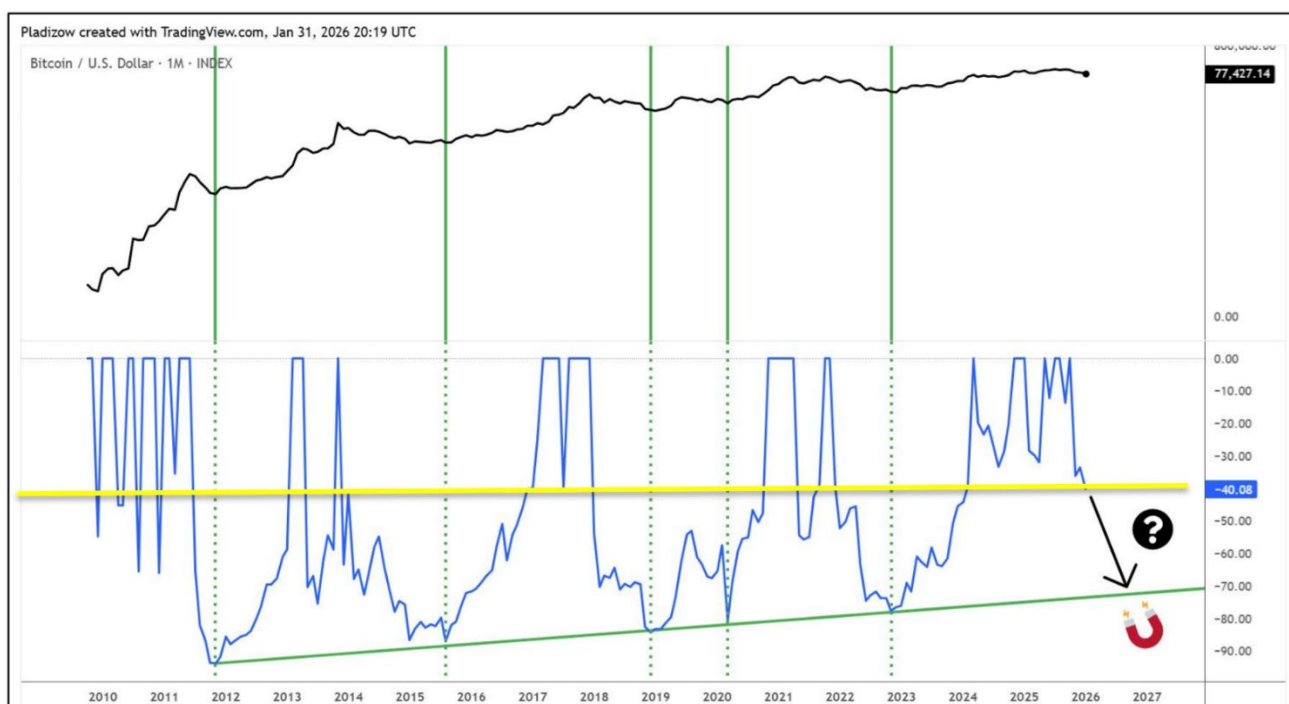
So, the current picture for BTC looks like this –



Source: TradingView, as of 2/1/26

BTC is currently 38% off the top from early Oct and sitting exactly at the tariff fear lows from last April. This level is ~6ish% above prior cycle ATHs and about 12% above where BTC was trading immediately before the 2024 election. So those are the levels immediately under us currently.

That 38% is now the deepest pullback we've had since the FTX collapse. And it is noteworthy that when BTC pulls back 38%, it usually goes down considerably more. This point is show below in blue –



In past monthly letters, I have expressed doubt about whether BTC would see the dramatic 75-85% drawdowns that we've seen every other cycle in BTC's history. I have mentioned new types of market participants - deep-pocketed institutions, less leverage-driven retail madness. In recent letters, I have mentioned the quantum risk for BTC that has been getting increasingly more airtime. Well, after watching BTC trade this month and continuing to think about how this quantum risk for BTC might unfold, I think I need to readjust my expectations. I am no longer particularly confident that BTC won't do another -75% off the top in the coming quarters (down 75% would be ~\$31k).

BTC traded MUCH worse than I would have imagined in January and I think a very significant reason is the quantum risk, which is not being addressed at all by BTC Core Devs. In fact, a meaningful portion of BTC Core Devs apparently do not see quantum as a risk whatsoever. This is now a major problem for BTC's price for calendar year 2026 and beyond. It is a problem today. It was a problem in Jan.

Watching how weak the price action was for BTC in Jan, I am reminded how "bidless" BTC can get. Enough institutions are now fearful of the quantum risk, that much of the dip buyers we thought would be there on BTC are probably not going to be there at all, or will be there much lower. Quantum risk is the perfect boogeyman – no one really understands it, but everyone understands it enough to be really scared of it. And it has the perfect nightmare scenario for the ultimate FUD – you wake up one morning, maybe a year from now, maybe a decade from now – and Satoshi's coins have moved. And the price goes down 75% in a day. This is a VISCERAL FUD. And now it's firmly in price action, and will likely remain in price action until Core Devs take concerted action towards a real solution. I am not confident this will occur in 2026 without much lower prices.

It is worth pointing out that BTC is quite oversold here. Weekly RSI show below-



Source: TradingView, as of 2/1/26

The last time the weekly RSI was lower was when 3AC collapsed in June 2022. That period is circled in blue. Note that the weekly RSI chopped at these low levels from June – November 2022, punctuated by the collapse of FTX, which sent prices lower but also served as the cyclical bottom. Perhaps we have

something similar play out in 2026, and whenever BTC Core Devs finally get their act together on quantum, we get a cyclical bottom.

Some have said that this quantum risk serves as an opportunity for ETH and SOL, which have cultures that promote regular protocol changes, and thus they are likely to address quantum risks much faster than BTC. In fact on Jan 23rd, the Ethereum Foundation formally elevated quantum risk to a top strategic priority. Additionally, on Dec 16th, the Solana Foundation announced a partnership with Project Eleven to address quantum risks head-on. Some have said this could lead to ETHBTC and SOLBTC outperforming in the coming months, as BTC protocol changes move at a glacial/nearly non-existent pace.

While it's possible, I struggle to have significant ETHBTC and SOLBTC outperformance as my base case. If you're worried enough about quantum risk for BTC that you're selling BTC (or at least not buying dips), I'm not sure you're going to shove those dollars into ETH or SOL. You're probably going to put them somewhere outside of crypto entirely.

ETH in particular, at \$283bn market cap, is also just not at all "cheap" in any traditional sense of the word. In fact, ETH could get cut in half from here, and be trading \$140bn, and still would not be cheap by any stretch.

ETHBTC looks vulnerable to me here –



Source: TradingView, as of 2/1/26

SOLBTC also looks vulnerable to me –



Source: TradingView, as of 2/1/26

Neither of these charts look like they're at cyclical bottoms to me right now. They're both pretty oversold at the moment, so maybe we get some kind of near-term bounce. But I doubt the lows are in here. Both frankly look like they could go retest prior cycle lows, which is down 40-50% from current levels. If that occurs WHILE BTC price is also going down, you are looking at MUCH lower prices for ETH and SOL.

I'm not going to spend any more time here today discussing other cryptos. There is no bidder for any of this stuff and many, many sellers that want out. For the most part, it's been a bad month and a bad year. I think it gets worse before it gets better.

Closing Remarks

A massive month for global current events and a painful month for crypto. That's what we got in January. Crypto sentiment and overall activity levels were already quite washed out going into January, due to the painful year that was 2025. So, this really was kicking a man while he's down. Unfortunately, it does not feel like the bottom here. I struggle to imagine a scenario where we don't see lower crypto prices in 2026. Current prices have not declined enough from the top to draw in dip buyers to a significant enough degree that they overwhelm the selling that is occurring and will continue to occur.

The crypto ecosystem continues to march onwards towards a scenario I have been discussing for years here – the slow, painful, grind down, washout of an industry overrun with overvalued scams, grift, vaporware and solutions looking for problems. Eventually, if you get enough of a washout in terms of time, price and market participants, crypto will find firmer footing. That might be in 2028, and it might be at an aggregate market cap of $\frac{1}{4}$ the current size, but eventually you would get an industry that is less fugazi, less of a mirage. This would be a good thing. Painful in the interim, but directionally a good thing.

As for BTC, for years I have thought about and talked about BTC as being separate from all this, but now BTC has a quantum problem that is as big of a problem as any of these other cryptos face. BTC had

product-market-fit as an alternative store of value, but quantum now calls that value proposition into question. IBIT has a \$68bn AUM. FBTC has \$17bn. That's a lot of BTC that could come out. Now eventually, the quantum risk will likely be resolved. TBD on timing and how much pain will get in the interim, but eventually should get sorted out, and that will open the door to much higher prices, \$200k and beyond. A move from \$20k to \$200k is a 10x! BTC might give you a shot at that in the years to come.

Wish I had better news for you, but I don't. If you were looking to deploy additional capital into crypto in the near term, I'd wait for lower prices. I really doubt this thing runs away from you.

Matt Hougan's (Bitwise) Weekly CIO Memo: "The Depths of Crypto Winter – The Bad News: We Have Been in a Crypto Winter Since January 2025. The Good News: Chances Are, We're Closer to the End Than the Beginning."

I want to say something obvious because I think it will help you profitably navigate the months ahead: We are in a full-blown crypto winter.

I don't see a lot of people talking about this online or in the mainstream media, but it's unequivocally true. Bitcoin is down 39% from its all-time high in October 2025, Ethereum is down 53%, and many other crypto assets are down worse.

It's important to call this what it is. This is not a "bull market correction" or "a dip." It is a full-bore, 2022-like, Leonardo-DiCaprio-in-The-Revenant-style crypto winter – set into motion by factors ranging from excess leverage to widespread profit-taking by OGs.

For me, recognizing and accepting this has been incredibly clarifying.

Why are crypto prices falling despite the rush of good news about adoption, regulation, and other areas of progress? Because we are in the depths of crypto winter. Why is the Crypto Fear and Greed Index near all-time high levels of fear when the new Fed chair is a Bitcoin fan? Because we are in a crypto winter.

Those of you who followed crypto during past winters – either 2018 or 2022 – will remember that good news doesn't matter in the depths of winter. We're not going to rally because Wall Street is hiring aggressively or Morgan Stanley is ramping up on crypto. That will matter in the long term, but not now. Crypto winters don't end in excitement; they end in exhaustion.

So, when will the end come?

Here's the good news: I think we're close.

The History of Crypto Winters

Crypto winters typically last about 13 months. For instance, Bitcoin peaked in December 2017 and bottomed in December 2018. It peaked again in October 2021 and bottomed in November 2022.

By that measure, we're in for a rough stretch. After all, Bitcoin peaked in October 2025. Should we go away until next November?

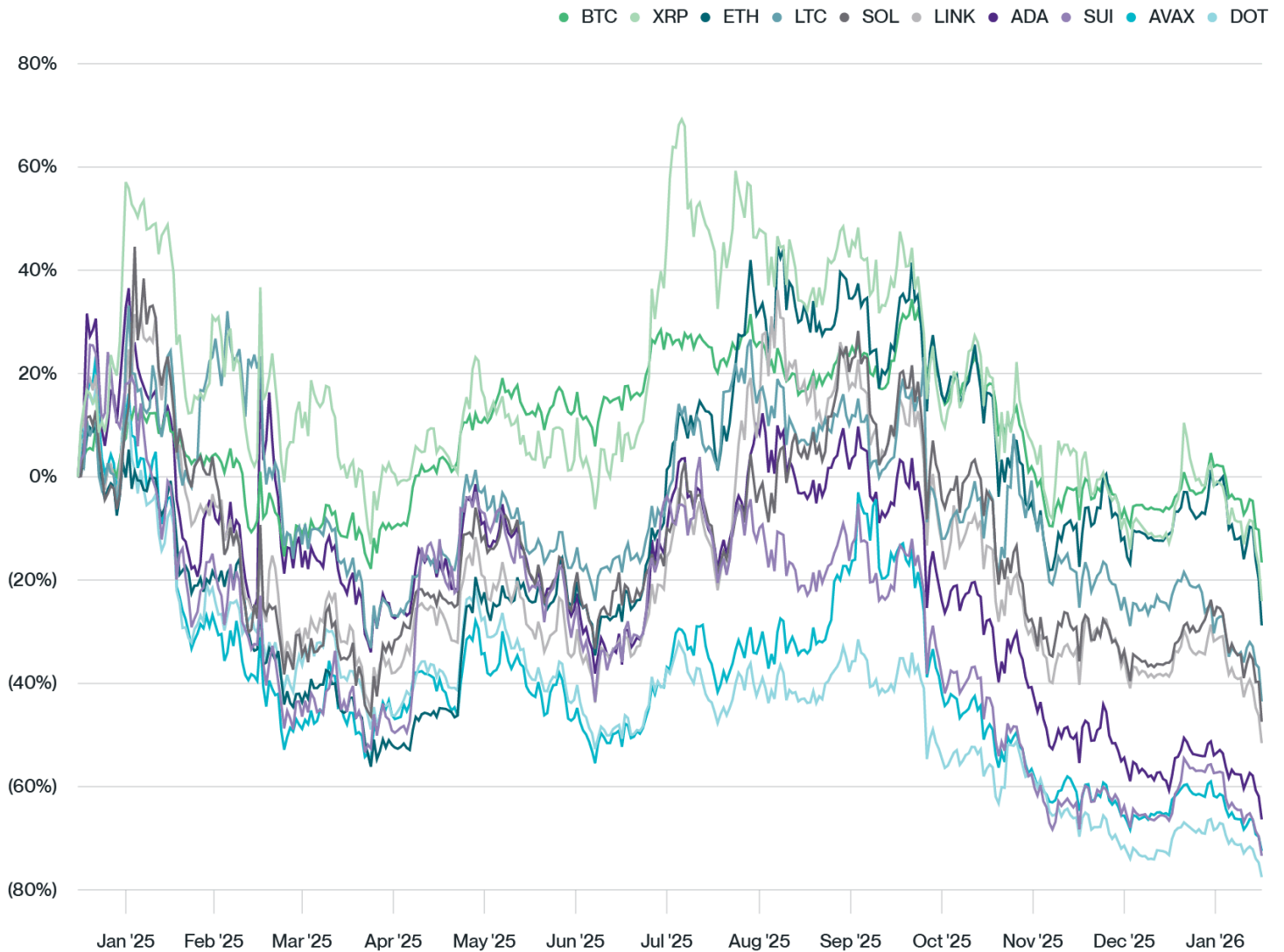
I don't think so.

The more time I've spent analyzing the current "winter" the more I've realized it started back in January 2025. We just couldn't see it because flows from ETFs and Digital Asset Treasuries (DATs) obscured the picture.

ETF and DAT Flows Papered Over the 2025 Winter

Look closely at this chart of the Bitwise 10 Large Cap Crypto Index constituents since January 1, 2025.

Bitwise 10 Large Cap Crypto Index Constituent Returns: 2025 to Today



Source: Bitwise Asset Management. Data from January 1, 2025 to January 26, 2026.

It breaks down cleanly into three groups. Group 1 assets (BTC, ETH, XRP) did okay, falling 10.3% to 19.9%. Group 2 assets (SOL, LTC, LINK) endured a standard bear market, falling 36.9% to 46.2%. But Group 3 assets (ADA, AVAX, SUI, DOT) got slaughtered, falling 61.9% to 74.7%.

The thing that separates the three groups is basically whether or not institutions had the ability to invest in them. Group 1 assets benefitted from massive ETF/DAT support throughout the year; Group 2 assets got ETFs approved during 2025. Group 3 assets never got them.

The scale of the institutional support is significant. For instance, ETFs and DATs bought 744,417 Bitcoin during the period shown on this chart, worth somewhere around \$75 billion. Imagine where Bitcoin would have been without this \$75 billion of support. My guess is down ~60%.

Retail crypto has been in a brutal winter since January 2025. Institutions just papered over that truth for certain assets for a while.

It's Always Darkest Before the Dawn

The thing to remember right now is that there really is a lot of good news in crypto. Regulatory progress is real. Institutional adoption is real. Stablecoins and tokenization are real. Wall Street's embrace is real.

Good news gets ignored in bear markets, but it doesn't go away. It gets stored as potential energy. And when the clouds clear and sentiment normalizes, that stored-up energy can return with a vengeance. What could cause the clouds to dissipate? Strong economic growth that sparks an aggressive risk-on rally, a positive surprise on the Clarity Act, signs of sovereign adoption for Bitcoin, or just the passage of time.

As a veteran of multiple crypto winters, I can tell you that the end of those crypto winters feel a lot like now: despair, desperation, and malaise. But there is nothing about the current market pullback that's changed anything fundamental about crypto.

I think we're going to come roaring back sooner rather than later. Heck, it's been winter since January 2025. Spring is surely coming soon.

*** Hougan followed up with a second memo on Feb. 6 since it was an extremely volatile week: Matt Hougan's (Bitwise) Weekly CIO Memo: "Why Crypto Is Down and When It Might Bottom – Addressing Three Big Questions on the Recent Market Pullback."**

Bitcoin fell 14% yesterday and 25% in the past week. It is now 54% below its all-time high, set just four months ago. Other crypto assets have followed. Many of you have written with three big questions:

1. Why is the market down?
2. Could it fall further?
3. When will it bottom, and what could help it recover?

I will do my best to answer them here.

1. Why Is the Market Down?

There is never a single reason why the crypto market falls. Markets are complex, and there are always multiple factors at work. In past bear markets, I've found that listing all the contributing factors in black and white has helped me understand what was really happening.

In this case, I think there are six big ones:

Factor 1: Front-Running the Four-Year Cycle

The biggest reason is also the simplest: Long-term crypto investors have been selling to front-run the four-year cycle.

As readers of this memo know, crypto has historically moved in four-year cycles, with three big up years followed by a pullback. We had these down years in 2014, 2018, 2022, and ... well ... you can do the math.

It sounds too simple, and it is a self-fulfilling prophecy, but one of the major reasons for the current pullback is that long-term crypto investors have been worried the cycle would repeat. Rather than stand firm, many of these investors decided to take gains. While measurements are imperfect, I estimate these investors sold well north of \$100 billion of bitcoin last year.

Factor 2: The Loss of the “Attention Investor” to AI and Metals

Crypto has benefited in recent years from being the most exciting, dynamic, and volatile segment of the market. This has attracted significant retail participation. But today, crypto is not the only hot thing. AI stocks—and, more recently, precious metals—have stolen some of the spotlight. “Attention investors” can be fickle, and may yet turn their attention back to crypto—but for now, they are a source of capital that has partially withdrawn from the crypto ecosystem.

Factor 3: The October 10 Leverage Liquidation Event

Crypto experienced the largest leveraged blowout in its history on October 10. It happened after President Trump announced a surprise 100% tariff on all Chinese goods at 5:30 p.m. ET on a Friday. With most financial markets closed, traders reached for crypto to express their displeasure.

Factor 4: Concerns About Kevin Warsh as Fed Chair

On January 30, President Trump nominated Kevin Warsh to be the next chairman of the Federal Reserve. While I personally believe Warsh will prove an excellent choice, he was seen as the most hawkish of the four candidates.

Factor 5: Quantum Fears

Over the past few months, there has been rising concern among bitcoin advocates—including high-profile thought leaders like Nic Carter and Willy Woo—that the community is not doing enough to address the future risk of quantum computing.

I believe that quantum is both a long-term risk and a solvable problem for bitcoin. But it doesn’t matter what I believe. Until we see concrete steps on quantum from the bitcoin development community, a portion of the OG crypto investment community is going to remain stuck on the sidelines.

Factor 6: Macro Risk-Off Sentiment

Bitcoin has suffered from the broader market’s risk-off shift. Yesterday, bitcoin wasn’t the only thing that was down: Gold fell 4%, silver tumbled 20%, and tech blue-chips like Microsoft, Palantir, and Amazon were down significantly as well.

The good news: Some of these factors show signs of exhausting themselves. According to onchain data, long-term holders have stopped selling aggressively, and some are beginning to nibble around the edges. Open interest on bitcoin derivatives exchanges has fallen to levels last seen in 2024. And rate cut expectations are now increasing, according to CME futures traders.

With crypto market sentiment near historic lows—and around the levels where crypto bottomed in 2018 and 2022—it feels like much of the bad news is already priced in.

2. Could It Fall Further?

Yes, it’s possible, if history is any guide.

Previous drawdowns have been significantly larger than the current 54% fall from the peak. Bitcoin fell 86% in the 2014 drawdown, 84% in 2018, and 77% in the 2022 post-FTX collapse. And prior crypto downturns have tended to last 12-13 months, meaning this one could have a ways to go. Our internal “market bottom” models suggest the probability of a bottom is increasing, but it’s not a surety.

Big picture: My view is that crypto is a more mature asset class than it was in the past, and we are unlikely to see a 77% drawdown again. But it could go lower from here.

3. When Will It Bottom, and What Could Help It Recover?

This is the most important question.

Bitwise has been around for eight years, and we have lived through multiple bear markets. We were here in 2018, when bitcoin fell 84%, and in 2022, when it tumbled 77%. And today feels a lot like those moments.

That anxious feeling in your stomach? It was there in 2018. The worry that the pullback wouldn’t stop? We had that in 2022.

In hindsight, those were incredible buying opportunities. An investor who “bought the dip” in 2018 is up ~2,000% since. The 2022 investor is up ~300% in a little over three years.

For those with a long-term horizon, the current moment is a similar opportunity. All of the good news we’ve highlighted about crypto in the past year is still true. The world is increasingly digital. It increasingly demands non-fiat currencies. We’re seeing regulatory progress. Stablecoins are ascendant. Tokenization is taking off. New use cases, like prediction markets and so-called “AiFi,” are emerging. Wall Street is building on blockchains. Right now, the prices don’t reflect that progress. But fundamentals are what drive things over the long term.

What could be the catalyst that turns things around? More often than not, it’s simply time. Crypto bear markets tend to end in exhaustion, not excitement.

But there are a few specific events to look forward to, like the potential passage of the Clarity Act, a shift back to risk-on markets, progress on quantum, rising rate-cut expectations, AI-linked crypto breakthroughs, and more.

If we get a positive shock, great. If not, we’ll grind out a bottom. In the meantime, I’d prescribe two things: patience and an eye on the destination.

Arca: Rethinking “Defensive” Sectors in Crypto...

The Market Puke and the Search for New “Safe Havens”

Total liquidations of crypto assets exceeded \$5 billion over the last 4 days, marking the largest wave of liquidations since October 10th. For context, \$1.2 billion in liquidations occurred during the Covid crash of March 2020, and \$1.6 billion in liquidations happened during the FTX crash in November 2022. This weekend, on a random and seemingly quiet Saturday (from a news standpoint), \$2.5 billion was liquidated, suggesting this was not a normal sell-off.



Source: Coinglass

The week-over-week charts for most digital assets look pretty ugly. I say most because, once again, it is foolish to lump all assets together just because they are wrapped by a digital token. When folks in this industry talk about “crypto” price action, they tend to generalize based on how BTC, ETH, XRP and SOL perform, as these have been proclaimed as the “benchmarks” of digital assets due to their size (collectively, these four assets make up ~80% of the overall token market cap), and because market makers tend to move every other asset up or down in line with these four assets. This past week, these four assets were down -11%, -19%, -12%, and -14%, respectively.

Now, let’s say, for example, that Nvidia, Google, Microsoft, and Apple stocks were all down big in a given week (the 4 largest stocks in the US), but there were a few big stocks in defensive sectors that made large gains. Would the story just be about those 4 assets, or would financial advisors, brokers, and the media try to focus attention on the assets that bucked the trend?

- Hyperliquid (HYPE) gained +42% last week
- Canton Coin (CC) gained +23% last week
- Pump.fun (PUMP) gained +1% last week

What is unique about these 3 assets?

- Hyperliquid made \$23 million in revenue last week, with some of the biggest revenue days on record happening during the worst of the selloff. That means 99% of that revenue was used to buy back the HYPE token on the open market. The growth of this revenue is not just coming from

trading BTC, ETH, and SOL, but rather, from HIP-3 markets that allow traders to trade Gold, Silver, and other tokenized stocks.

- Canton, one of the leading L1s for tokenized RWAs, supposedly burned more tokens than it minted last week, as the Canton network skyrocketed past other chains in terms of usage and TVL.
- Pump.fun made \$13 million in revenue last week, and also used 99% of its revenue to buy back tokens on the open market.

All 3 of these companies earn real revenue, have tokens aligned with the growth of their businesses, and have diversified earnings streams that are independent (or at least less dependent) on BTC, ETH, SOL, and XRP.



Source: X/Twitter

How many stories did you hear about these 3 assets this week? My guess is zero.

In fact, as I'm writing this, I received a call from the Wall Street Journal asking me to opine on the following:

- 1) How bad do you think this crypto selloff could get? How much further could prices fall and why?
- 2) Could the price declines force crypto treasury firms like Strategy and BitMine to sell their holdings?
- 3) Any other implications of this selloff on the market?

Of course, I answered that this is a ridiculous question. I said it is dangerous and misleading to use the term "crypto" to refer to all blockchain-based tokens. Asking "how low can crypto go?" is equivalent to asking "how low can ETFs go?" That question, of course, makes no sense because the ETF is just a wrapper, and what is inside the wrapper matters more than the wrapper itself. In the same vein, not all "crypto" tokens can be lumped together—there are different sectors and different asset types that behave differently. Stablecoins are part of crypto, and they aren't moving lower at all because many are backed by US Treasuries. Hyperliquid (HYPE) is part of crypto, but its token is actually higher because it is a DeFi-based Perp DEX that is generating a lot of revenue from liquidations and trading fees.

I doubt my quotes will be included in their story.

Perhaps a better way to frame this is by discussing “defensive sectors.” In the US corporate bond and equity markets, it has been pretty well defined over the years that consumer staples, utilities, healthcare, defense, and a handful of other sectors are “defensive.” Similarly, investment-grade bonds are more defensive than high-yield bonds, which are more defensive than distressed bonds.

Did these assets and sectors become defensive because their prices performed better than cyclical assets during bear markets? Or did certain assets become defensive because of the market leaders that guided investors towards these sectors during bad times?

The former is more likely, but the latter matters too. These assets/sectors were classified as defensive due to their fundamental characteristics, which lead to stable demand and higher earnings/cash flows, and thus better relative price performance (lower declines, sometimes outperformance, or positive returns) during bear markets, recessions, and economic downturns. Analysts, strategists, and the media recommend rotating to defensives (or IG bonds) when recession/bear signals appear, and inflows follow as investors seek safety.

This seems to be a pretty important part of the corporate investing world, and quite frankly, common sense. Rotation into defensive areas is an important part of investing.

Well, here you go crypto industry. HYPE, PUMP, CC, and a host of other DEXs and lend/borrow platforms seem to kill it fundamentally during market routs. Below are the last 30-day revenues from top crypto companies and platforms. Notice a trend?

- Stablecoin issuers (i.e., Tether, Circle)
- DEXs (i.e., Hyperliquid, Jupiter, Aerodrome, Lighter, PancakeSwap)
- Lend/borrow platforms (i.e., Sky, Aave)
- Wallets (i.e., MetaMask, Phantom)
- Launchpads (i.e., Pump)

In my opinion, these are the more defensive sectors in digital assets.

			defillama.com		
Name		Revenue 30d ▾	Name		Revenue 30d ▾
1 Tether	1 chain	\$492.62m	14 four.meme	1 chain	\$10.32m
2 Circle	1 chain	\$190.68m	15 Bags	1 chain	\$9.53m
> 3 Hyperliquid	1 chain	\$67.88m	> 16 Aave	17 chains	\$8.45m
> 4 Pump	1 chain	\$46.25m	> 17 Aerodrome	1 chain	\$7.19m
5 Tron	1 chain	\$28.41m	18 Lido	1 chain	\$6.24m
6 Grayscale	1 chain	\$25.16m	19 Fragment	1 chain	\$6.03m
7 edgeX	1 chain	\$20.23m	20 OPINION	1 chain	\$5.84m
8 Sky	1 chain	\$19.12m	21 Lighter	1 chain	\$5.61m
9 GMGN	2 chains	\$16.21m	> 22 MetaMask	8 chains	\$5.61m
> 10 Axiom Pro	2 chains	\$15.25m	23 Base	1 chain	\$5.56m
> 11 Phantom	5 chains	\$14.9m	24 AntFun	1 chain	\$4.84m
> 12 Meteora	1 chain	\$14m	25 ORE Protocol	1 chain	\$4.83m
> 13 Jupiter	1 chain	\$12.21m	> 26 PancakeSwap	11 chains	\$4.52m

Source: DeFiLlama

Some of the founders of these companies are trying to highlight this. Aave announced that it liquidated over \$140 million of collateral across multiple networks without any issues, in a fully automated fashion, demonstrating (yet again) that DeFi works and it is the market leader in protocol resiliency. Maple Finance similarly announced the success it is having in this market downturn. But it's not enough to hear it from the horse's mouth. We need the platforms that talk to investors to shout this from the rooftops, too.

The numbers are obvious and transparent. These businesses seem to print money. But for some reason, the industry leaders (exchanges, brokers, research firms, asset management firms, media) don't seem to want to separate the wheat from the chaff. Worse, these same industry leaders want to try to convince you that "big" equals "defensive", as if hiding out in the biggest assets should keep you safe, even though the biggest assets are the LEAST defensive businesses in all of crypto. They either make no money (BTC), have massively reflexive downside usage (SOL, ETH), or are a flat-out joke (XRP, which is the exact opposite of HYPE—they dump billions of dollars of tokens on their users every quarter, and use the

proceeds to buy back their stock). There is simply nothing defensive about a made-up currency with no cash flows, or a few L1s with cyclical usage.

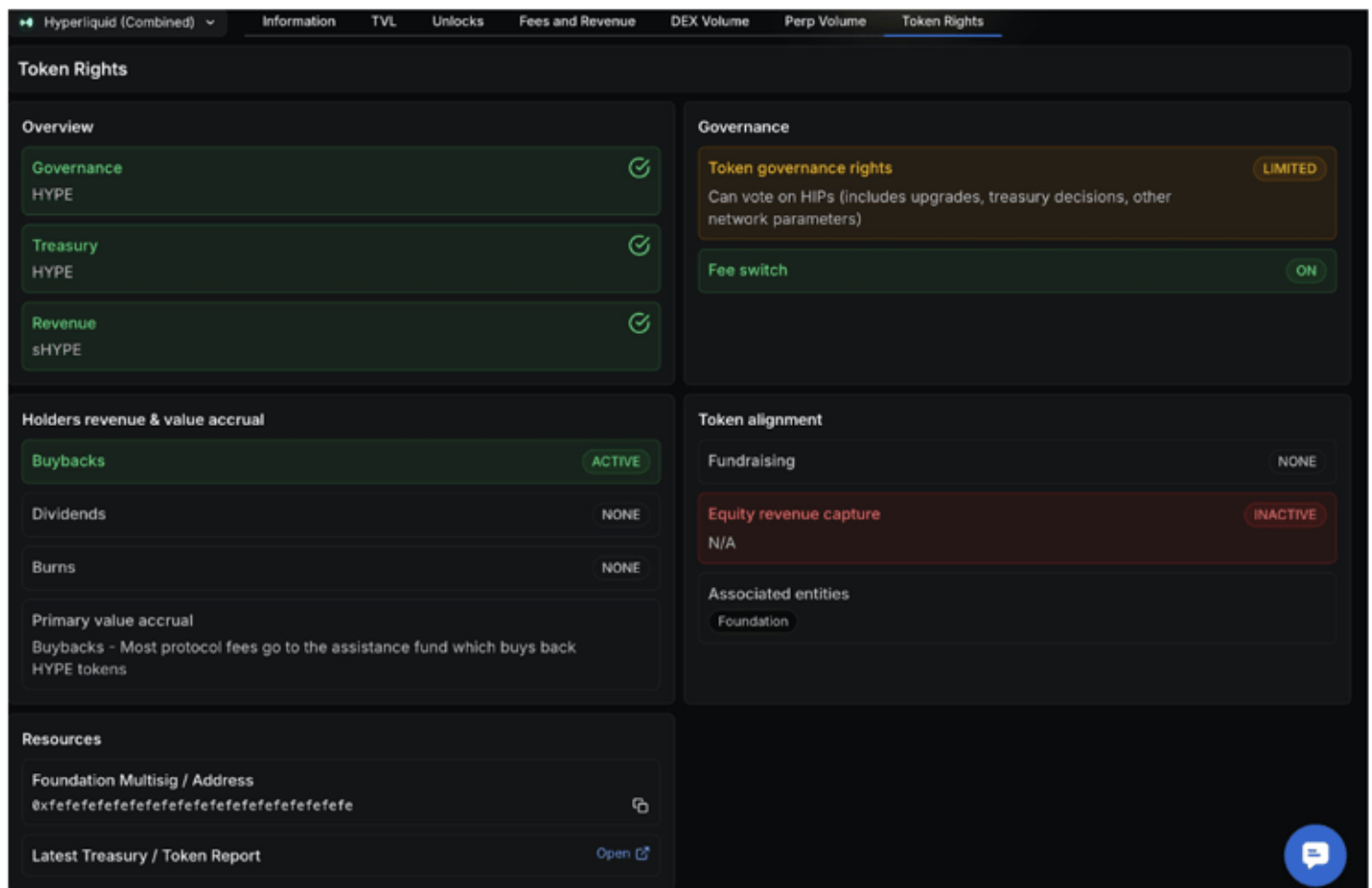
Fortunately, we're starting to see some progress on the education and differentiation front. DeFiLlama wants you to know what a token actually does before investing. What a brilliant concept!

Does the token control governance?

Does it have any claim on the treasury?

Does it receive protocol revenue via buybacks or dividends?

DeFiLlama recently launched “Token Rights.” Token Rights gives you a clear, standardized view of what a token entitles holders to: revenue, treasury, governance, or none of the above.



Source: DeFiLlama

This is fantastic. Every crypto broker and data source provider should integrate this ASAP. This industry simply cannot grow without proper education.

Not all tokens are created equally!

So let's stop pitching them as one giant macro trade, and instead start celebrating their nuances. And in a tough market environment like today, long live defensive tokens!

Grayscale Research published “January 2026: Bitcoin and the Debasement Trade.” (See key takeaways below. View the full article, [here](#).)

- The debasement trade – the depreciation of fiat currencies against scarce assets – moved into high gear in January, but Bitcoin’s price declined. We think the disconnect reflects setbacks on crypto legislation and renewed discussion about the risk to blockchains from quantum computers. In our view, the asset class will see net new capital inflows when these sources of uncertainty abate.
- Compared to other debasement trade assets, Bitcoin has been less tightly correlated with month-to-month Dollar weakness but has a high “downside capture ratio.” Bitcoin’s correlations with other macro assets have historically been moderate.
- Efforts around tokenization continued apace, including a new project announced by the NYSE.
- Judging by options markets and other indicators, crypto investor sentiment appears low, yet we continue to see a bright outlook for the industry and asset class over the intermediate and long term.

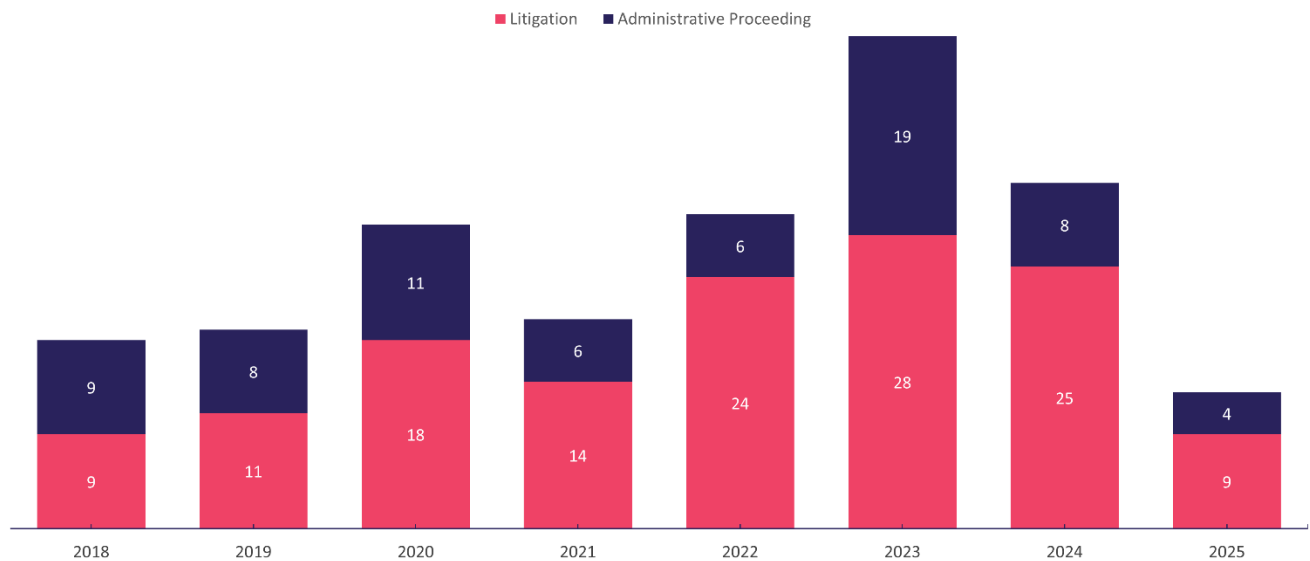
US crypto enforcement actions have cooled off under the current SEC regime...

LAYER ONE



SEC Crypto Enforcement Actions Peak in 2023 Before Sharp 2025 Decline

Agency filed 47 cases against crypto firms in 2023, more than triple the 13 actions recorded in 2025



Data as of: December 31, 2025
Source: SEC.gov