27 Oct 2026 22:35:19 ET | 15 pages

Digital Asset Monthly

Crypto settles into Holding Pattern



Alex Saunders[AC]

Vinh Vo[AC]

With thanks to
Jackson Becker
Thomas Han
Ernesto Garcia III

CITI'S TAKE

Crypto has recently settled into a holding pattern. Both BTC and ETH have drifted down since our last month update. Total crypto market capitalization followed, consistent with the broader cooling in risk appetite, though Bitcoin dominance has held broadly steady. ETF flows tell a split story: BTC is modestly positive for the year while ETH has slipped into net outflows, with both having faded from the resumption we highlighted in the last update. We stay importantly above the 200d MA where flows tend to be stronger. Correlations to equities have stayed high and within their recent range, while gold and the dollar remain the more influential macro anchors. The regulatory direction of travel is positive and unchanged, with continued agency rulemaking including the OCC's finalized stablecoin rules.

Bitcoin ETF flows have turned modestly positive for the year, a notable shift after the persistent outflows that followed the October 2025 liquidation event.

Ethereum's recovery is more fragile. ETH ETFs saw healthy inflows earlier in the year, but flows have reversed since the one-year mark of the October liquidation event leaving the year-to-date figure slightly negative and pointing to softer sentiment toward ETH than BTC.

The macro calendar is the main swing factor. With the Fed decision and US midterms ahead and ETH's Glamsterdam upgrade now delayed, near-term direction looks more tied to policy and macro than to crypto-specific catalysts.

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

Crypto Holding Pattern

Bitcoin has been gradually declining for the past several weeks, after the Summer jumps around debasement and US agency rulemaking, slipping just under $80,000 for the first time since August. Ethereum has been similarly contained, hovering just above $2300; both assets wait for clearer direction from the Fed's upcoming meeting, regulation and US midterms, and from Ethereum's activity and network upgrade progress.

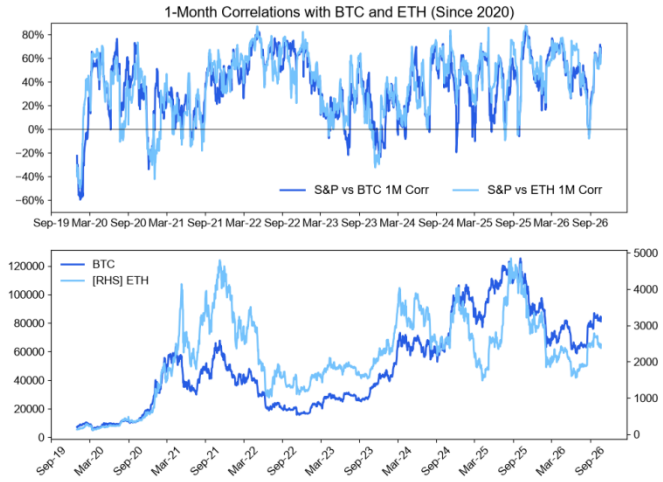
News to Muse

- **Glamsterdam Upgrade Delay**. The scheduled activation of the Glamsterdam upgrade on Hoodi was recently postponed with no new activation date announced (Binance, 25 Oct 2026).
- **OCC finalizes stablecoin rules** (effective Jan. 18): The OCC unveiled a final measure for payment stablecoin issuers. It includes a yield prohibition but removed a specific provision relating to the interest ban enforcement (OCC, 21 Oct 2026).
- **SEC and Cboe Clear the Way for Leveraged ETPs.** Regulators dropped the 2x leverage cap on crypto exchange traded products, opening the door to 3x leveraged offerings (SEC, 2 Oct 2026).

Macro Matters, Correlations, and Volatility

Crypto's relationship with traditional macro assets continues to shift with the prevailing narrative, and the Fed's upcoming rate decision looks set to be a driver over the short-term. Global bond yields have been fluctuating ahead of that decision, and digital assets have broadly taken a cautious, wait-and-see posture. The upcoming US midterms also feed into the lack of direction. One-month correlations between BTC, ETH, and the S&P 500 have increased significantly in the last month (Figure 1), but the three-month correlations are still within their normal range (Figure 2).

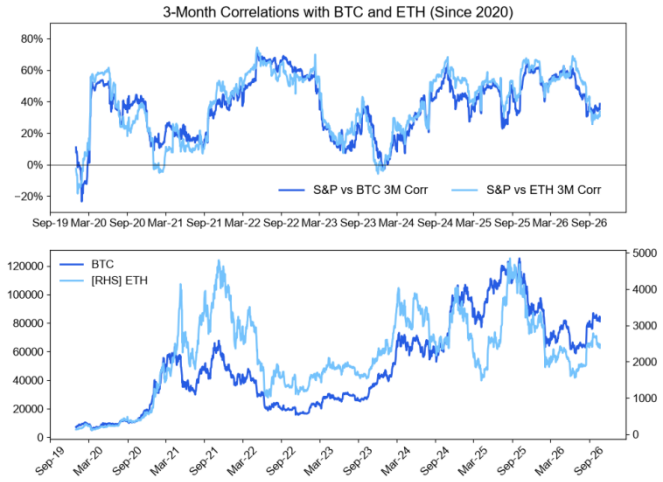
Figure 1. One-month BTC and ETH correlations spike.



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Citi Research, Bloomberg

Figure 2. Three-month correlations stay within normal range.

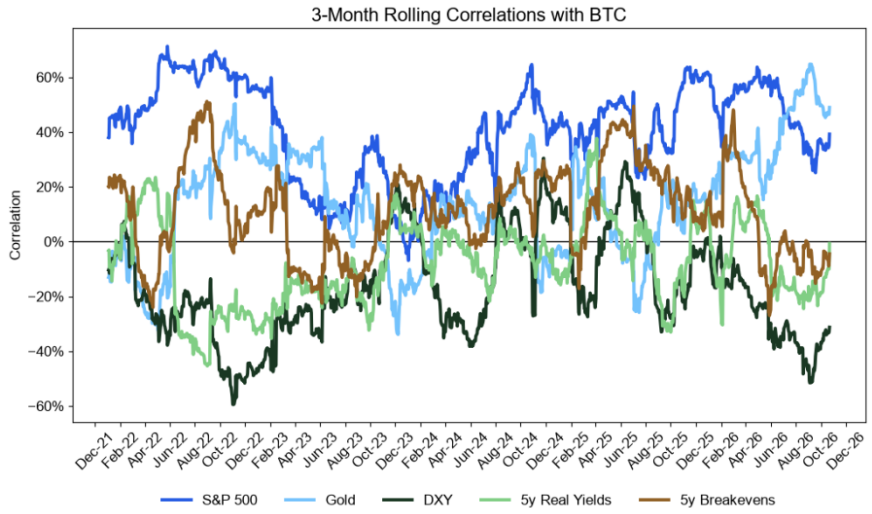


© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.

Source: Citi Research, Bloomberg

Looking across the broader macro complex, gold and the US dollar have remained the more influential anchors for Bitcoin's three-month rolling correlation, with the relationship to real yields and breakevens relatively small (Figure 3). That ordering has not changed meaningfully since our last update, and it continues to argue for watching the dollar and rates path, rather than equities alone, for a cross asset read into crypto.

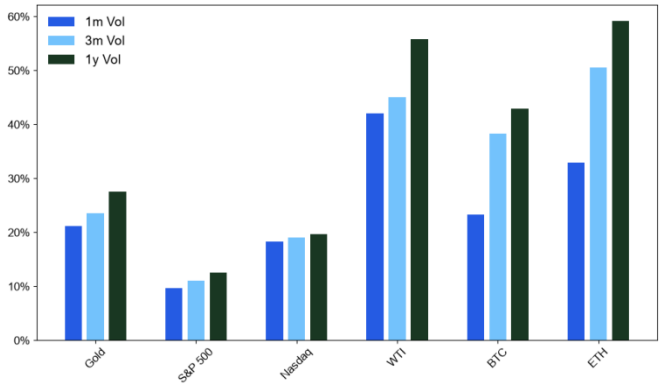
Figure 3. Gold and the Dollar Remain the More Influential Macro Anchors for BTC



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

Crypto volatility remains below its longer-term averages, with short-term readings for both BTC and ETH declining further over the past month. We show in Figure 4 that 1m and 3m volatility for both assets remain below their 1y averages. Figure 5 shows that BTC and ETH three-month volatility has held fairly stable over the same period, with ETH volatility continuing to run above BTC's.

Figure 4. Short-Term Volatility Still Trails Its One-Year Average



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

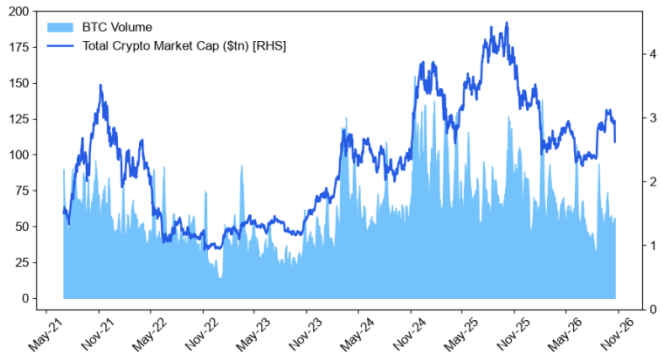
Figure 5. BTC and ETH Three-Month Volatility



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

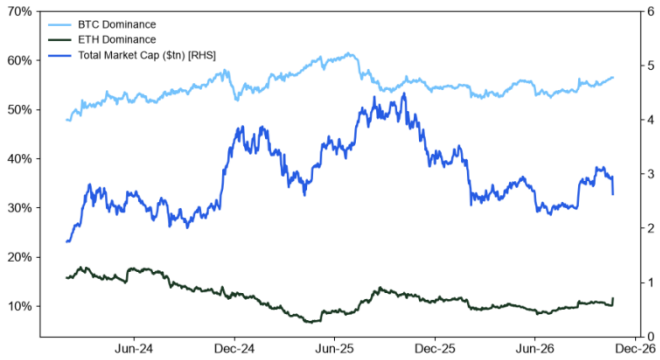
Total crypto market capitalization is down since the start of the year (Figure 6). Bitcoin trading volumes have also cooled noticeably this year after rising through 2025, a combination that points to a market still working through the aftereffects of last October's liquidation event even as price action has stabilized more recently. Bitcoin dominance has held broadly steady through the drawdown, even as total market capitalization has slipped (Figure 7).

Figure 6. BTC Volume Has Cooled Down



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, CoinMarketCap, CoinMetrics

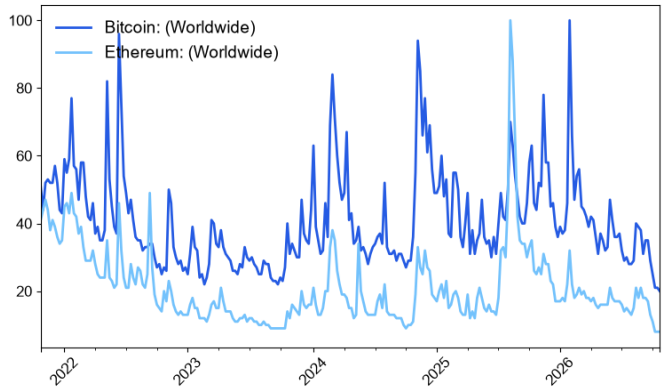
Figure 7. BTC Dominance Holds Steady as Total Market Cap Slips



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, CoinMetrics

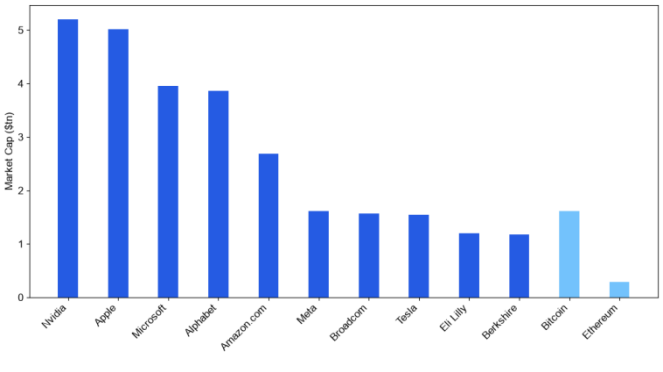
For context, gold's market capitalization sits near $28tn, which continues to dwarf total crypto market value of roughly $2.3tn. That gap is a useful reminder of how much room remains for digital assets to grow into a larger allocation within diversified portfolios, even as the near-term macro backdrop stays uncertain. The relatively minor search interest in both Bitcoin and Ethereum this month, still well-off prior cycle extremes (Figure 8), suggests retail attention has cooled alongside price action. Despite that, Bitcoin's market value still rivals several of the largest names in the S&P 500, a reminder of how large the asset class has grown (Figure 9).

Figure 8. Search Interest Stays Well Off Prior Cycle Extremes



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

Figure 9. Bitcoin's Market Value Still Rivals the Largest S&P 500 Names

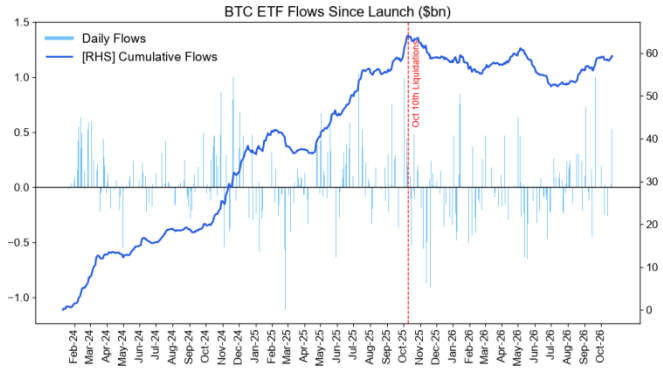


© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

ETF Fund Flows and Futures Positioning

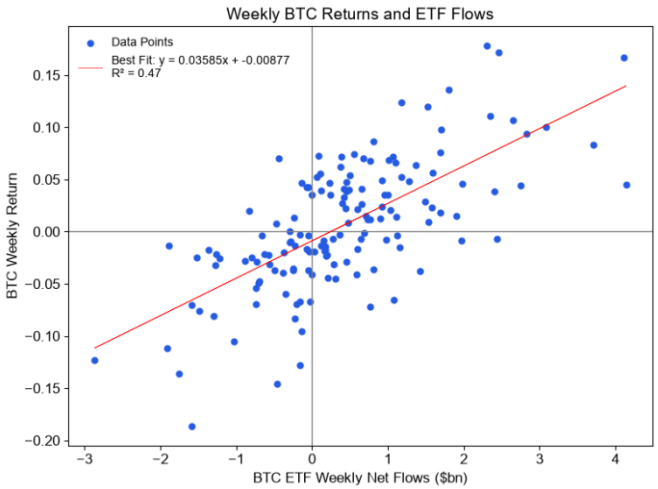
Bitcoin ETF flows have turned a corner, though the improvement is still modest. Since the sharp reversal that followed last October's liquidation event, Bitcoin ETFs saw persistent outflows for much of this year. More recently, flows have recovered to a modest net positive year-to-date figure, with cumulative inflows since launch near $59bn (Figure 10). Bitcoin being above the 200d MA has typically been an environment of positive flows. That flow / return relationship has remained one of the more consistent relationships in the asset class, with weekly ETF flows continuing to track closely with weekly BTC performance (Figure 11).

Figure 10. BTC ETF flows turn modestly positive for the year.



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

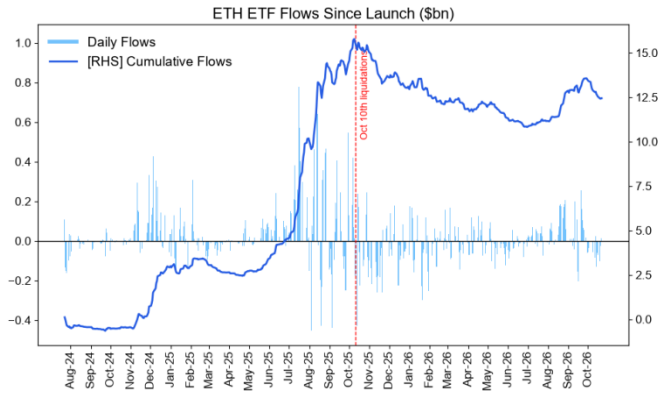
Figure 11. ETF flows have been the main driver of Bitcoin returns since ETFs launched.



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

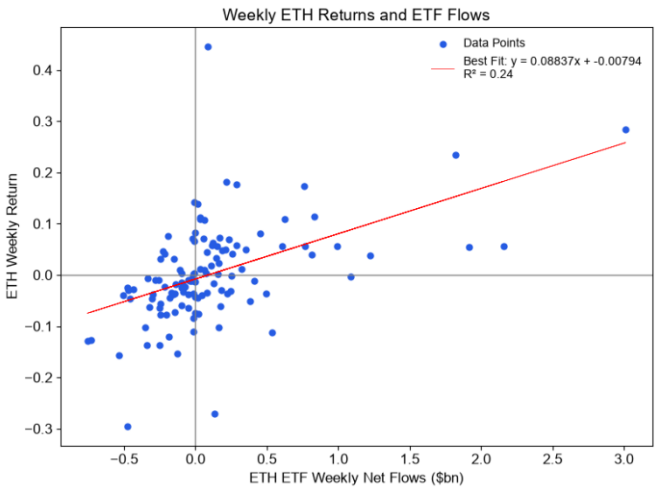
Ethereum ETF flows tell a more uneven story. Inflows were strong earlier in the year, but the period since the anniversary of last October's liquidation event has seen a meaningful reversal, pulling the year-to-date figure back to a modest net outflow even though cumulative inflows since launch remain above $12bn. (Figure 12). The same flow to return relationship we see in Bitcoin also holds for Ethereum, reinforcing that ETF demand, not just spot trading, has become a key swing factor for both assets (Figure 13). Activity remains an important driver in our view. We would therefore watch whether Ethereum's upcoming Glamsterdam testnet milestones and broader enterprise adoption headlines can help stabilize sentiment and flows in the coming weeks.

Figure 12. ETH ETF flows reverse last month uptick



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

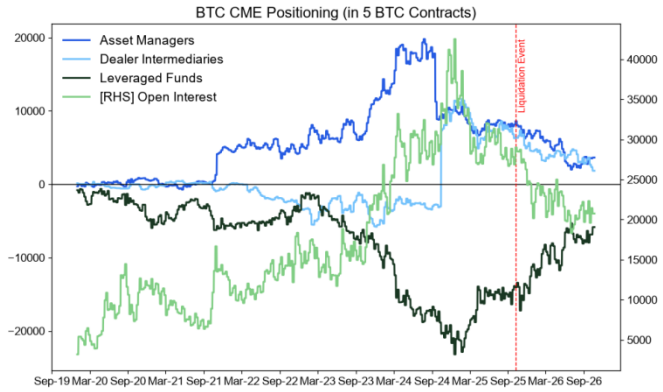
Figure 13. The flow to return relationship holds for ETH as well



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

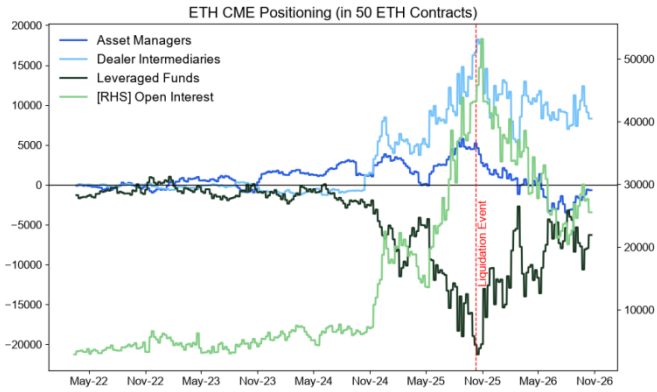
Futures positioning is consistent with that same cautious backdrop. Asset managers have been rebuilding Bitcoin exposure even as leveraged funds have stayed net short, a split that has persisted through most of the year (Figure 14). Ethereum's positioning has followed a comparable pattern, though the recovery in both exposure and open interest has been more modest relative to its own history (Figure 15).

Figure 14. Asset managers rebuild BTC exposure as leveraged funds stay short.



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

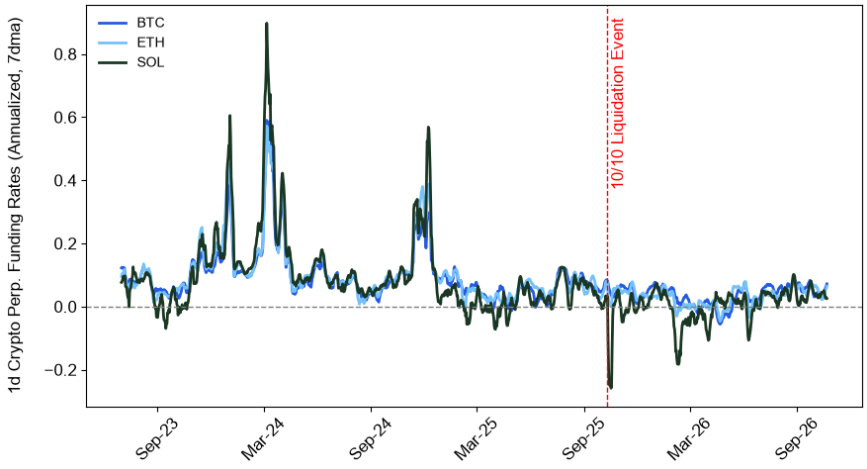
Figure 15. ETH positioning shows a more modest recovery.



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

Futures funding rates remain little changed from our last update: still slightly positive across BTC, ETH, and SOL, and still well off their prior cycle peaks following the October 2025 liquidation event. SOL's funding rate continues to be the most volatile of the three, consistent with the pattern we have flagged since the liquidation event (Figure 16).

Figure 16. Funding rates stay well off prior cycle peaks across BTC, ETH, and SOL



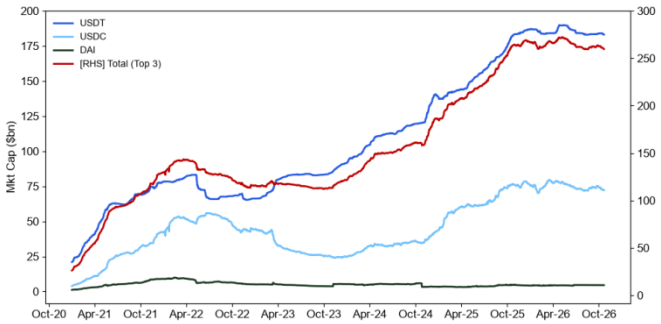
© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

On-Chain Activity

Stablecoin market capitalization has held broadly steady since our last publication (Figure 17). We view stablecoin supply as a measure of money moving into and out of the crypto ecosystem, so a flat trajectory points to little net capital entering or leaving. However, stablecoin market capitalization over the long term continues showing a clear upward trend.

The number of large Bitcoin wallets, those holding 1,000 or more BTC, increased slightly but remains relatively low (Figure 18). Small Bitcoin wallets also increased slightly, but as we have noted previously, some of the appetite among smaller holders is likely to show up through spot ETFs rather than direct coin ownership.

Figure 17. Stablecoin Market Cap Holds Steady Through the Drawdown



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

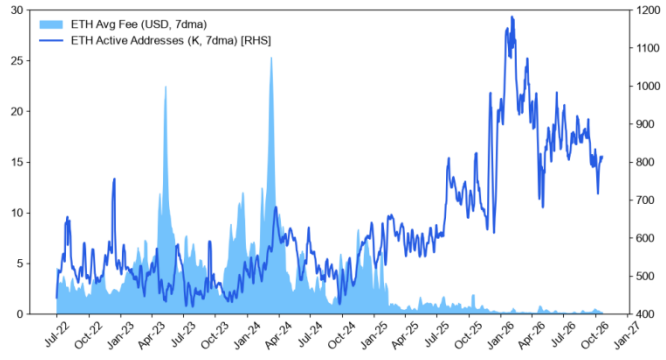
Figure 18. Large BTC Wallets Stay Scarce as Smaller Wallets Pull Back



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

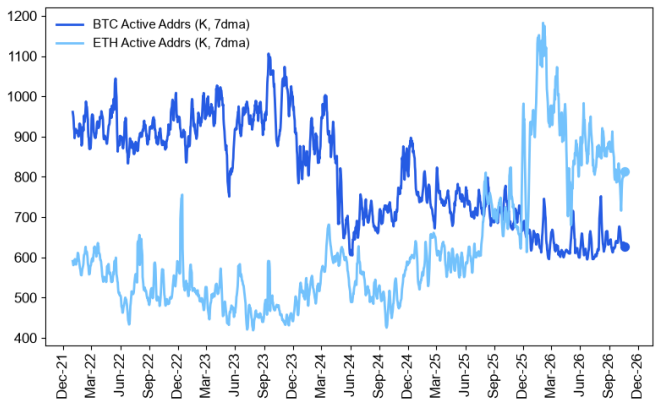
Network activity diverged notably between BTC and ETH earlier this year due to address-poisoning attacks, boosting ETH activity with transactions worth less than $1. Since our last update, both BTC and ETH activity have declined slightly, but there has been no meaningful relative change. (Figure 20). The average fee for ETH transactions has also been compressed significantly (Figure 19).

Figure 19. ETH Active Addresses Stay Elevated as Average Fees Stay Low



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

Figure 20. ETH Activity Remains Elevated Compared to BTC



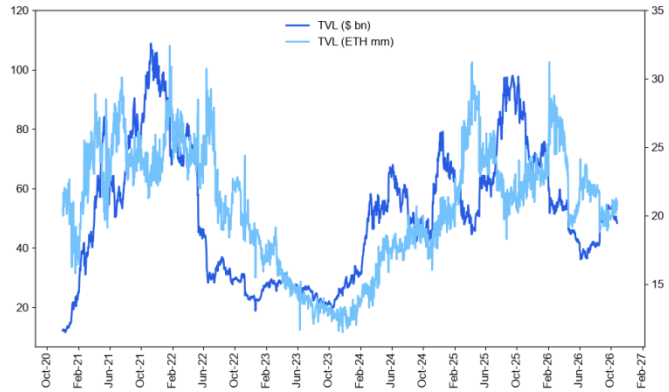
© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

DeFi Corner

Total value locked continues to show the familiar split between its ETH denominated and dollar denominated measures (Figure 21). The amount of ETH committed to DeFi has held up relatively well, while the dollar value of that same collateral has recovered only part of what was lost since last October. As we have noted before, this divergence mostly reflects Ethereum's own price weakness rather than capital leaving DeFi protocols.

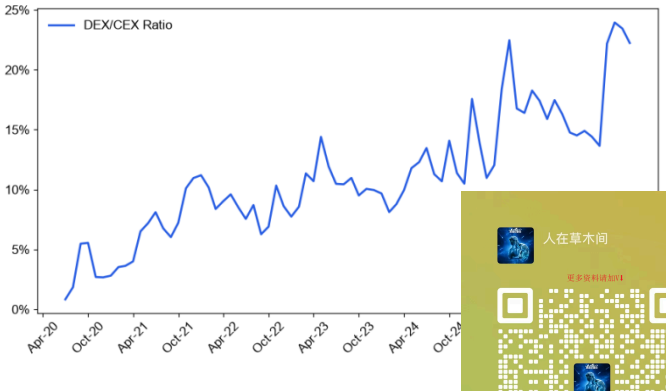
Decentralized exchange volume, measured as a share of total spot volume, declined slightly but remains near an all-time high (Figure 22). This extends the multi-year trend of decentralized venues gradually taking share as on-chain trading infrastructure matures.

Figure 21. TVL in Dollar Terms Lags Its ETH Denominated Recovery



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

Figure 22. DEX Share of Spot Volume Declines Slightly But Remains Elevated.

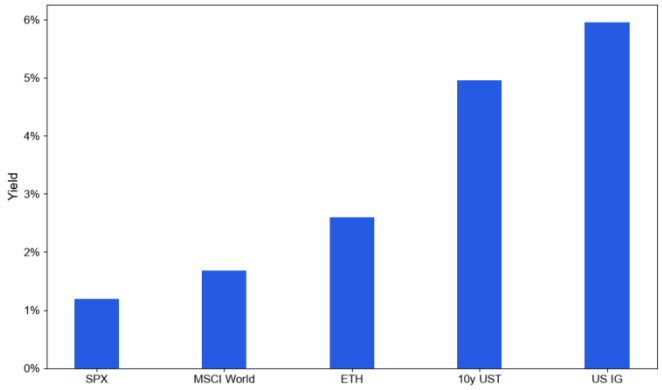


© 2026 Citigroup Inc. No redistribution without Citigroup's written p
Source: Citi Research, Bloomberg

人在草木间

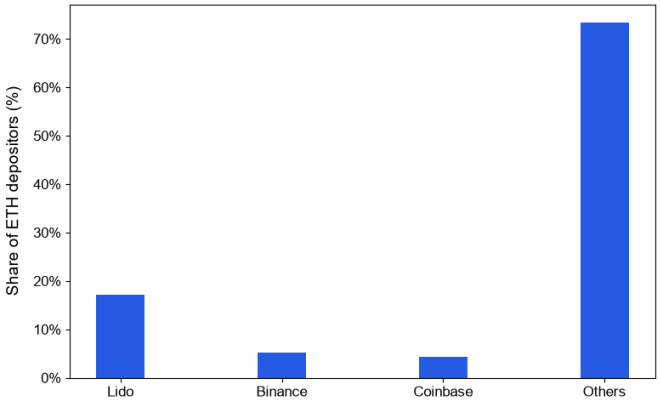
Ethereum staking yields remain well below traditional fixed income (Figure 23). In the mid-2% area, ETH staking yields sit under both the 10-year Treasury, near 5%, and US investment grade credit, near 6%, which continues to limit staking's appeal as a standalone yield play. On the supply side, Lido remains the single largest depositor on the Beacon Chain but is still short of a majority, with the rest spread across a range of smaller providers (Figure 24).

Figure 23. ETH Staking Yield Still Trails Fixed Income Alternatives



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

Figure 24. Lido Leads Beacon Chain Deposits, But No Provider Holds a Majority

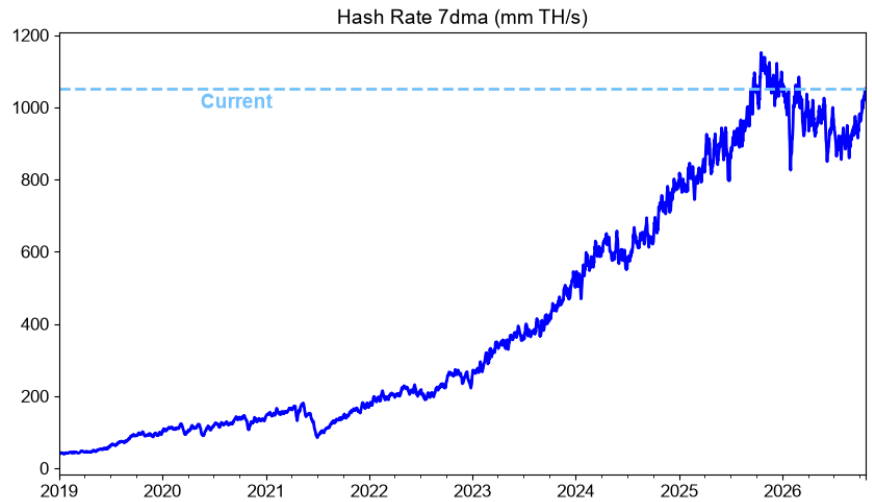


© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, Bloomberg

Miners

Bitcoin's hash rate has remained volatile but broadly resilient, sitting modestly below its recent all-time high (Figure 25). We continue to monitor the hash rate as a gauge of network security and miner participation, and at current levels it points to a network that remains well-secured despite the short-term holding pattern described above.

Figure 25. Hash Rate Holds Just Below Its Cycle High



© 2026 Citigroup Inc. No redistribution without Citigroup's written permission.
Source: Citi Research, CoinMetrics