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Crypto mid-year 2026: Market correction despite growing adoption

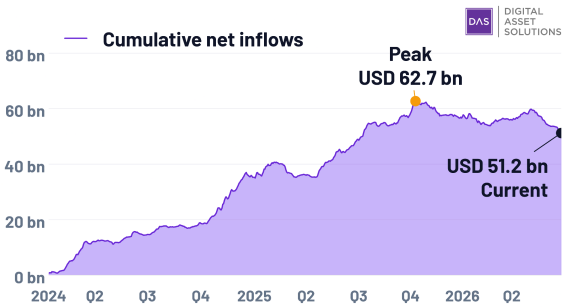
The first half of 2026 reveals an unusual dichotomy in the crypto market. Bitcoin and large segments of the altcoin universe are under pressure, while stablecoins, tokenized assets, and select on-chain protocols continue to grow. This shifts the key question for investors: Not every token automatically benefits from the institutional adoption of digital assets. The decisive factor will be which networks can demonstrate real-world use, transaction fees, and regulatory compliance.

Bitcoin remained the most important indicator of risk appetite in the crypto market during the first half of 2026 as well. Following its October 2025 high, a significant correction set in. In early June, Bitcoin briefly fell below $60,000 and traded at around 50% below its previous year's high. Ether and Solana were also well below their all-time highs. It is noteworthy that these highs were not reached simultaneously: Solana hit its peak as early as the beginning of 2025, Ether in August, and Bitcoin only in October. The subsequent correction therefore did not strike the market from a uniform starting point, but rather from an already increasingly fragmented structure.

Market pressure without a single trigger

No single crypto-specific event explains the weakness. Rather, several factors weighed on the market simultaneously: declining ETF demand, weaker demand from large institutional investors, macroeconomic uncertainty, and a shift of capital into other speculative sectors such as artificial intelligence, including the SpaceX IPO. While Bitcoin benefited greatly from institutional inflows during the ETF-driven rally through October 2025, it was precisely this marginal demand that was missing in June.

U.S. spot Bitcoin ETFs were the most important channel for institutional demand during the previous rally. In the first half of 2026, their role changed. Following a period of strong inflows, a prolonged series of outflows began in mid-May. This made it clear that ETF products not only generate structural demand but also contribute to short-term selling pressure during periods of stress. The ETF channel remains structurally important but has noticeably lost its supportive power since the peak at the end of 2025: Cumulative net inflows fell from $62.7 billion to the current $51.7 billion.



Cumulative net inflows into U.S. spot Bitcoin funds since inception, in billions of USD / Source: Issuer data, Chart: DAS

In addition to ETFs, publicly traded crypto investment funds also came more into focus. The most prominent player remains Strategy, by far the largest corporate holder of Bitcoin. Starting in late May, Strategy began selling Bitcoin again for the first time to finance dividends on preferred shares and build liquidity reserves. Relative to its total holdings

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of over 840,000 BTC, the volume of sales remained limited through the end of June. The signal was nonetheless significant: the previous "never sell" narrative was put into perspective. As a result, the market no longer views such balance sheet models solely as a permanent source of demand, but also as a potential source of additional volatility.

Sector overview highlights selective strength

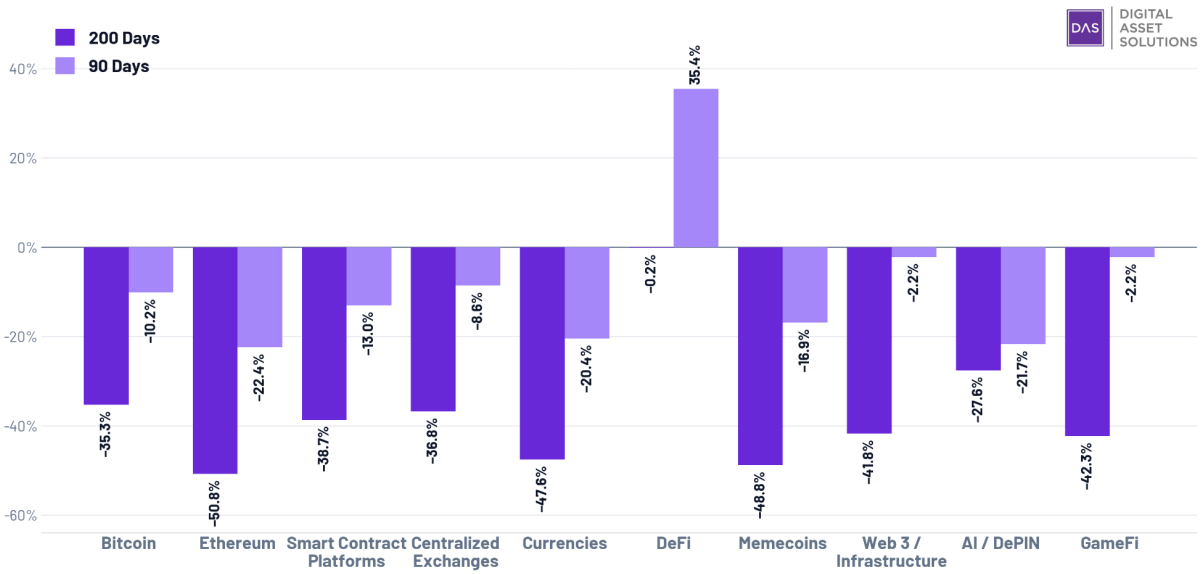
Beneath the surface, market movements were significantly more nuanced. Bitcoin dominance remained elevated throughout the entire rally and generally hovered near 60% during the first half of 2026 as well. This was well above the levels seen during earlier phases of broad altcoin strength, when it occasionally fell into the high 30s. Consequently, the altcoin market suffered more severely from the decline in risk appetite. Segments that had benefited heavily in previous cycles from narratives, short-term liquidity, and a steady supply of new tokens were particularly hard hit.

Sector performance underscores this shift. Over a 200-day period, nearly all crypto subcategories were significantly in the red. The weakness was particularly pronounced among smart contract platforms - led by Ether - as well as exchange tokens, Web3 infrastructure, and GameFi. Bitcoin held up relatively better, reflecting its continued defensive positioning within the crypto market. Over a 90-day period, the picture brightened only selectively. DeFi was the only sector to stand out clearly in positive territory, while most other segments remained in negative territory despite short-term stabilization. Strongly retail-driven high-beta sectors such as memecoins remain, above all, an indicator of a lack of speculative risk appetite.

At the same time, individual tokens with measurable economic activity are beginning to stand out from the weak overall market. The best-known example is Hyperliquid: high trading volumes, recurring fees, and a buyback mechanism directly link usage to token demand. However, such movements remain exceptions and are only partially visible in broad sector aggregates. What matters most, therefore, is not so much the short-term price strength of individual tokens as whether a protocol can demonstrate recurring usage, liquidity, and fee quality.

Infrastructure grows despite weak prices

The relative strength of DeFi fits into a broader pattern: While the token market as a whole is under pressure, the use of digital infrastructure continues to grow in areas where trading volume, settlement, and institutional connectivity are already taking shape.



Performance of selected crypto subsectors over 90 and 200 days / Data: CoinMarketCap, CoinGecko; Chart: DAS

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Stablecoins remain the clearest real-world use case in the crypto market. They are increasingly being used for trading, settlement, cross-border payments, and digital dollar infrastructure. The OpenUSD announcement by a consortium led by Visa, Mastercard, and Coinbase reinforced this picture at the end of the first half of the year.

Tokenized assets are also gaining importance. BlackRock's tokenized money market fund, BUIDL, is now one of the largest products in this sector, with assets of $2.3 billion. In addition to BUIDL, Securitize's initial public offering (IPO), which was approved at the end of the first half of the year, demonstrated that tokenization is increasingly being recognized as a distinct capital market theme. The key point is not that every tokenization initiative immediately creates liquid secondary markets. What matters is that digital settlement is increasingly being integrated into existing financial market infrastructure.

Total value in tokenized assets (RWAs) / Data: DeFi Llama, Chart: DAS

From a regulatory perspective, the CLARITY Act remains the most important outstanding issue regarding U.S. market structure for the second half of the year. In the short term, the narrow legislative window creates uncertainty; in the medium term, a clearer framework for digital commodities, trading venues, and DeFi-related infrastructure could improve institutional connectivity. At the same time, 24/7 trading, perpetual derivatives, and blockchain-based settlement are coming under increased scrutiny from regulators. This affects not only individual protocols such as Hyperliquid but also the question of how far digital market infrastructure can extend into regulated capital markets.

The next cycle will be more selective

The integration of digital market infrastructure, which was evident in the first half of the year, is likely to continue. Stablecoins, tokenized assets, round-the-clock trading, and prediction markets show that blockchain infrastructure is increasingly merging with traditional financial markets. The market correction does little to change this. Rather, it increases the pressure to distinguish between tradable tokens and infrastructure that is actually being used.

For altcoins, this means that a broad recovery remains unlikely as long as no new application area with a clear use case emerges. Capital is likely to remain concentrated in a few areas where economic activity is already visible. These include DeFi, trading infrastructure, and select smart contract platforms that support stablecoins, tokenized assets, or other productive applications. Projects lacking liquidity, users, or economic substance, on the other hand, remain vulnerable to further consolidation.

Bitcoin should be considered separately. As the most liquid core of the sector, the dominant cryptocurrency is likely to be the first to benefit from a return of institutional demand. At the same time, capitulation data and the sharp correction point to an advanced level of stress, but not necessarily to an immediate turning point. For the second half of the year, ETF inflows and Strategy's behavior remain key market signals. Furthermore, Bitcoin faces another hurdle in the medium term: The debate over quantum risks is not an acute security problem, but it will test whether the network can reach sufficient consensus in time to make an orderly adjustment to its security architecture.

Necessary cleansing for the next phase

Overall, the current market phase points more toward selective accumulation than toward a broad recovery of the entire crypto market. The market structure has already shifted in favor of those areas where liquidity, usage, and institutional interoperability are evident: Bitcoin as the liquid core, DeFi as the trading and settlement

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infrastructure, and select smart contract platforms as the technical foundation for stablecoins, tokenized assets, and new on-chain applications.

Bitcoin governance as a point of institutional observation

Quantum risks are not an immediate reason to sell Bitcoin in the short term. For institutional investors, however, the debate is still relevant because it tests the network's governance capabilities. In a worst-case scenario, what would be crucial is not just a technical solution, but its broad acceptance, implementation, and activation within a decentralized ecosystem. This makes governance a long-term risk factor: Bitcoin must not only be secure, but also remain capable of being updated in an orderly manner in the event of technological disruptions.

The first half of 2026 was therefore less of a classic crypto crisis and more of a necessary market correction. Capital is increasingly concentrated in segments with demonstrable demand, while projects lacking utility and economic substance continue to lose significance. For investors, this development is fundamentally healthy: the market is becoming narrower but more fundamental, and the next phase is likely to be shaped more by resilient business models, liquidity, and institutional market structure than by pure narratives.

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