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STATE OF CRYPTO

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Market Outlook 2026





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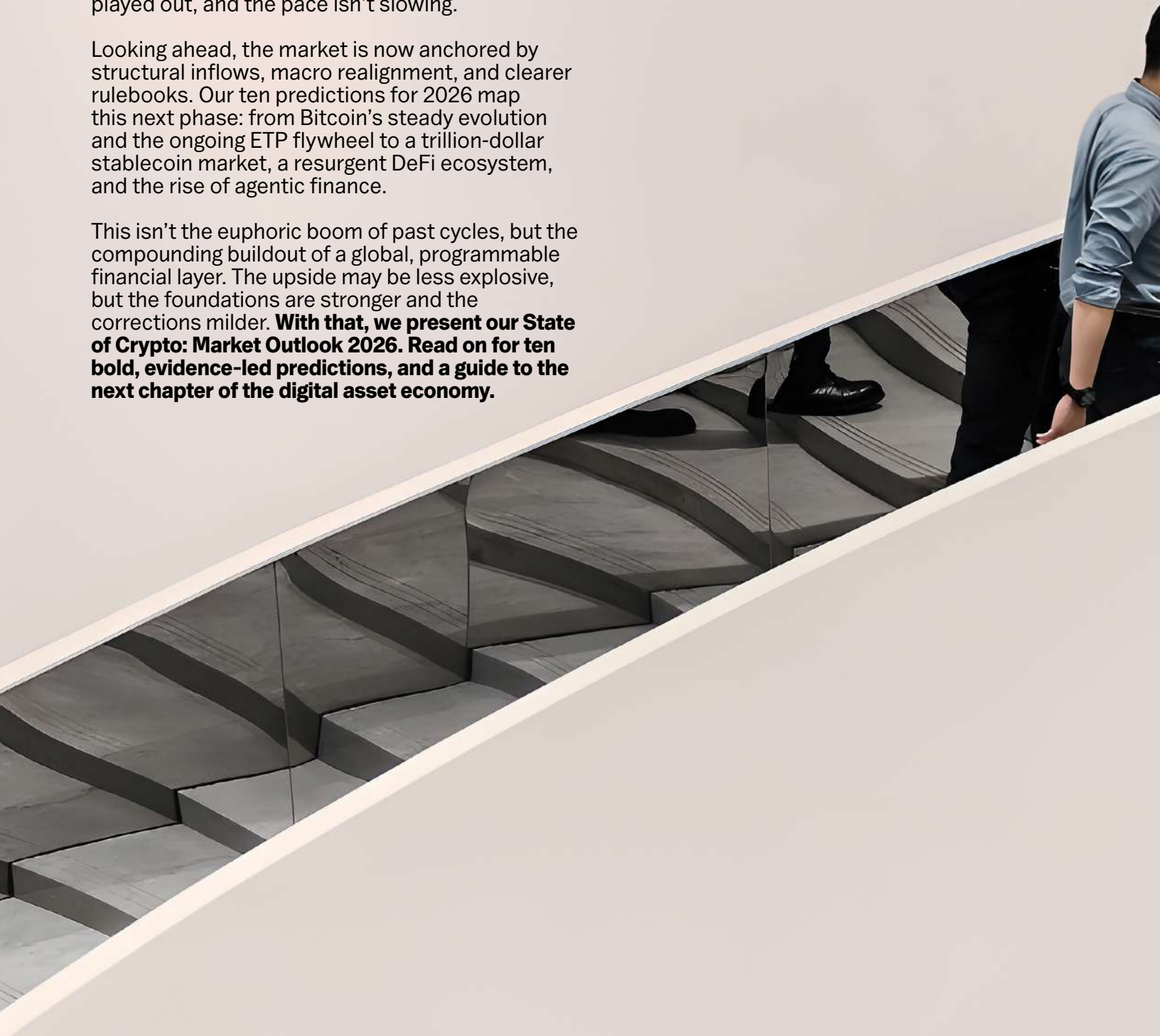
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INTRODUCTION

2025 was the year institutional adoption, regulatory clarity, and product innovation finally moved in sync. Spot ETFs absorbed significant inflows¹, corporates and sovereign allocators expanded² crypto treasuries, and tokenization advanced³ from concept to implementation. Several of the predictions we made for 2025 played out, and the pace isn't slowing.

Looking ahead, the market is now anchored by structural inflows, macro realignment, and clearer rulebooks. Our ten predictions for 2026 map this next phase: from Bitcoin's steady evolution and the ongoing ETP flywheel to a trillion-dollar stablecoin market, a resurgent DeFi ecosystem, and the rise of agentic finance.

This isn't the euphoric boom of past cycles, but the compounding buildout of a global, programmable financial layer. The upside may be less explosive, but the foundations are stronger and the corrections milder. **With that, we present our State of Crypto: Market Outlook 2026. Read on for ten bold, evidence-led predictions, and a guide to the next chapter of the digital asset economy.**





BITCOIN'S FOUR YEAR CYCLE IS BROKEN!

For over a decade, crypto markets have pulsed to Bitcoin's halving rhythm: a programmed supply cut every four years, fueling rallies and cyclical corrections. As Figure 1 shows, we're again in that historical "peak window", but the metronome is off-beat. The halving still matters as Bitcoin's transparent monetary roadmap: issuance has now fallen below 1% annually⁴, less than gold's inflation rate⁵. **Yet each halving's marginal impact is diminishing, signaling Bitcoin's transition away from cyclical boom-busts toward maturity as a macro asset.**

The key factor is the debasement trade. In 2025, chronic fiscal deficits, rate cuts into above-target inflation, tariffs, and ongoing stress in sovereign debt markets have heightened fears of renewed inflation, reviving the hedge narrative. At its peak in 2025, **gold was up 55% with \$50B⁶ in net flows, nearly as much as the previous two decades combined, significantly expanding Bitcoin's addressable market. Bitcoin has seen \$20B of inflows, though prices remain muted. The BTC-to-Gold ratio is back to early-2025 levels, setting the stage for a potential catch-up in 2026.**

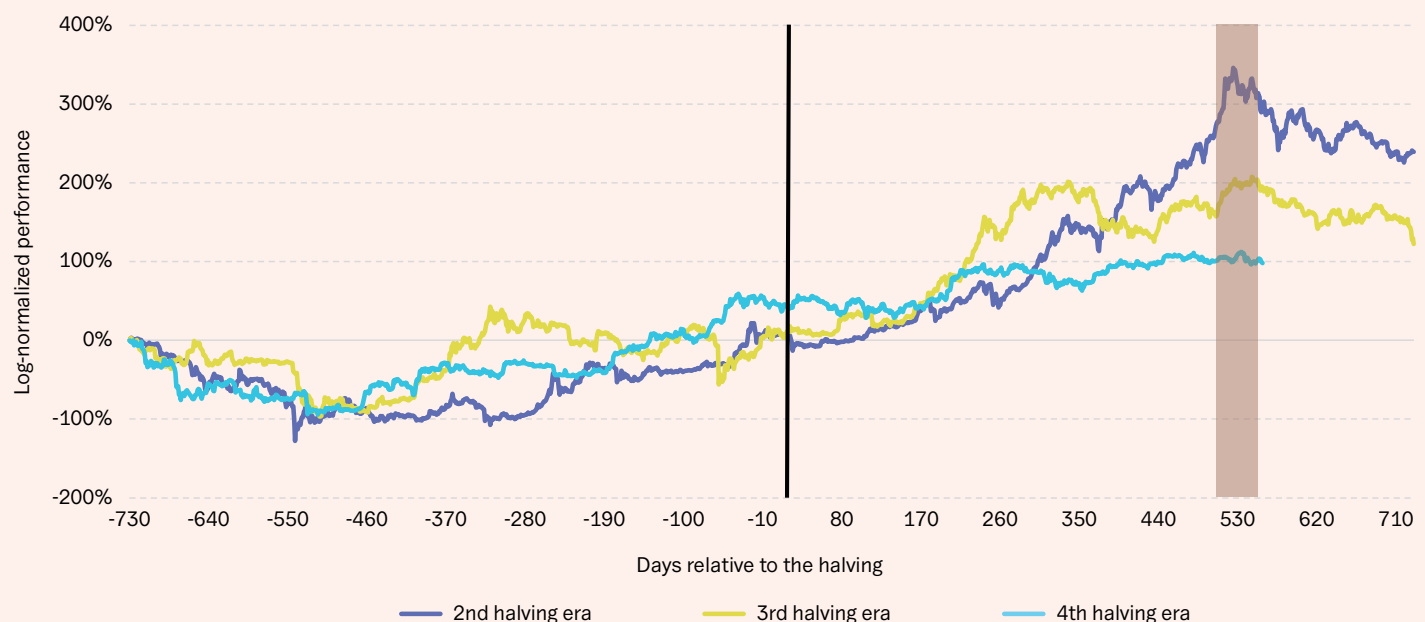
Market structure now reflects long-term conviction. ETFs, corporates, and sovereigns have absorbed over 6x⁷ the total amount of mined Bitcoin in 2025. This capital is patient. Volatility is compressing, drawdowns are shallower, and recoveries faster. Since 2024, Bitcoin's drawdown from all-time highs has never exceeded 30%, compared to 60%+ corrections in prior cycles (see chart below). All in all, Bitcoin is behaving less like a retail small cap trade, more like a global macro hedge.

Meanwhile, the AI capex boom continues to sustain liquidity and risk appetite across markets. Bitcoin captures the hedge bid, while the broader crypto stack benefits from abundant capital and policy tailwinds. Outside of Bitcoin and stablecoins, the market still trades near 2022 levels, with many altcoins down over 70% from previous highs, setting the stage for potential accumulation opportunities once the dust settles.

The four-year cycle no longer defines the tempo. Structural inflows, macro realignment, and regulatory clarity now anchor the market. **Even though market outcomes can differ materially from expectations, we believe Bitcoin could be positioned to reach new all-time highs in 2026, with broader markets potentially benefiting from improving liquidity and rising institutional participation. Each cycle now delivers less exponential returns, but also far milder corrections, reflecting Bitcoin's evolution. The halving may remain symbolic, but it is no longer the engine.**

Figure 1

The end of an era: Bitcoin's four-year cycle will break



Source: Bitbo, 21shares. Data as of October 28, 2025

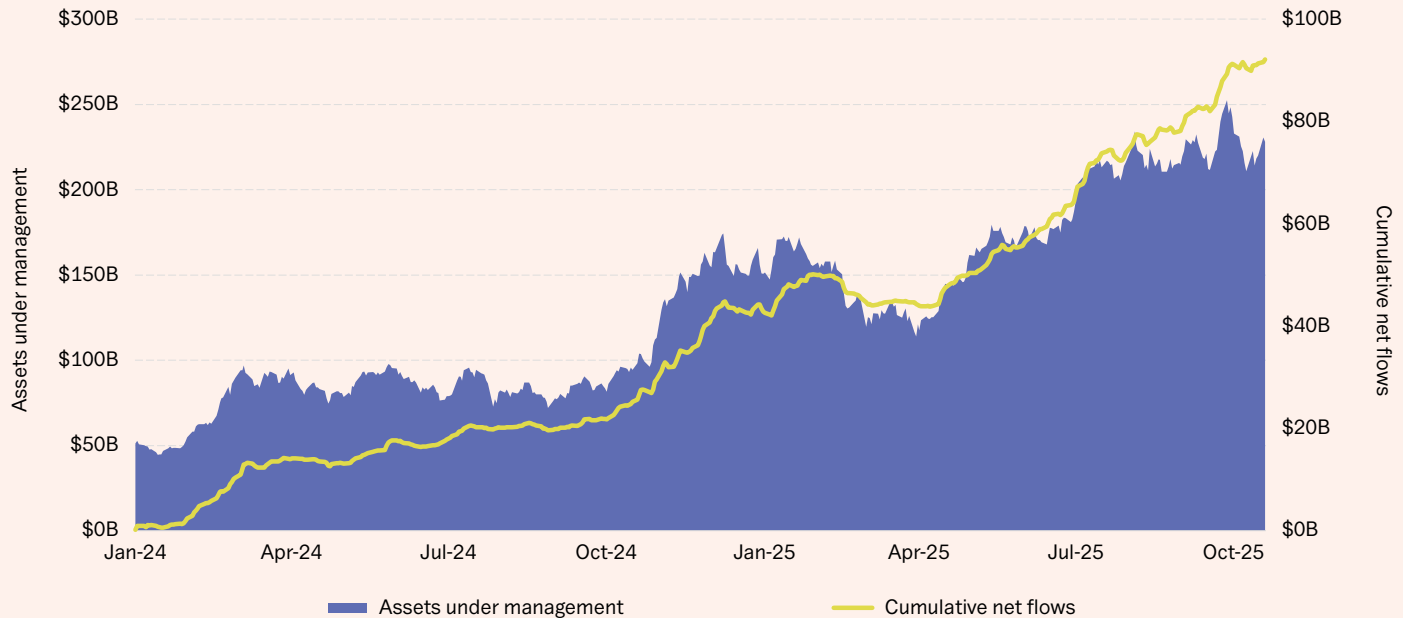


GLOBAL CRYPTO ETPS WILL SURPASS \$400B

Crypto ETPs have become the dominant gateway for traditional investors to get digital asset exposure. Last year, we predicted they'd surpass \$250B in assets under management (AUM) at its peak, a milestone already briefly hit. **This year, we expect this trajectory to accelerate, with global crypto ETPs on track to outpace the largest and most well-known Nasdaq-100 ETF (ticker: QQQ) \$400B by the end of 2026.**

Figure 2

The digital asset era's QQQ: crypto ETPs race toward \$400B+ AUM



Source: Bloomberg, 21shares. Data as of October 28, 2025.

Today, as shown by Figure 2, Bitcoin ETPs alone hold over \$140B, or 7% of total supply. These vehicles have become strategic allocation tools. Besides individual wallet holdings, ETFs and funds represent the largest share of held BTC, reflecting the rise of patient capital. Retail access is also growing: Morgan Stanley advisors can now recommend Bitcoin ETFs, and the \$9.3 trillion⁸ 401(k) market allows for Bitcoin and Ethereum allocations. U.S. 13F filings show non-institutional accounts currently hold 73%⁹ of BTC ETP shares vs 27% held by institutions - highlighting how early institutional penetration still is. This skew also reflects how retail-native these products are - low minimums, ticker access

in most major brokerages, availability in IRAs and potentially availability in 401(k)s, and one-click recurring buys have made crypto ETPs a default choice for everyday investors.

New approval processes for crypto investment vehicles are also removing structural barriers in the U.S. The SEC's new generic listing standards removed the need for individual filings - a breakthrough that opened the door for 10+ eligible assets, including Solana, XRP, and Dogecoin¹⁰. By late 2025, over 120 ETP applications were awaiting review in the U.S., positioning the market for significant inflows beyond Bitcoin and Ethereum as we enter the new year.

Globally, adoption is accelerating. The UK lifted its retail ban¹¹. Luxembourg's sovereign fund also made its first move, allocating 1%¹² of its \$764 million portfolio to Bitcoin ETFs. Pakistan¹³ and the Czech¹⁴ Republic are exploring national Bitcoin reserves. Across Asia and Latin America, regulatory frameworks are forming, making crypto ETPs the global standard for regulated access.

This sets the flywheel in motion: as AUM grows, spreads tighten, volatility falls, and liquidity deepens, attracting even more capital. If Bitcoin reaches a \$5-6T market cap, even a 10-15% allocation via ETPs would push total assets beyond \$400B.

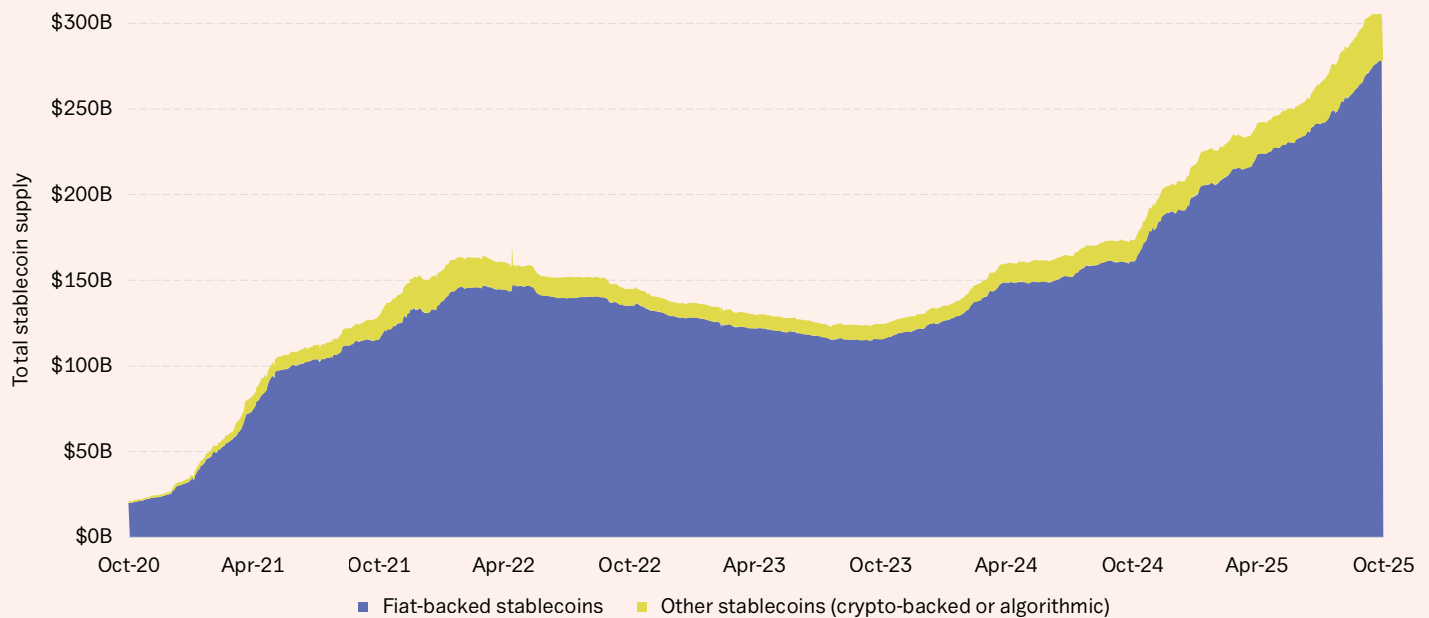


STABLECOIN SUPPLY WILL REACH \$1 TRILLION

As Figure 3 shows, stablecoin supply has already exceeded \$300 billion, up 10x over the last five years. **We believe circulation will reach \$1 trillion by the end of 2026, a 3.3x increase from current levels.**

Figure 3

The future of money: stablecoins surge past \$300B



Source: DeFiLlama, 21shares. Data as of October 31, 2025.

Regulation is the key catalyst. In the U.S., the Genius Act is setting standardized rules, establishing a legal runway for compliant issuance. In Europe, MiCA has triggered a wave of euro stablecoins, including a nine-bank consortium led by ING and UniCredit, with euro-denominated stablecoin supply more than doubling since its implementation to over \$510 million in circulation. As the regulatory fog lifts, institutions are entering in force, and U.S. Treasury Secretary, Scott Bessent, now projects dollar stablecoins alone could top \$2T by 2028.

Adoption is surging globally. In Brazil, over 90% of \$318B in crypto inflows last year involved stablecoins used for remittances and payroll¹⁵. Japan's first regulated stablecoin, JPYC, is already being integrated across corporate networks¹⁶. These regional trends underscore a broader shift: stablecoins are evolving from trading tools into core payment infrastructure.

Traditional payment giants are rapidly embracing stablecoins, mirroring a wider corporate shift, with 90%¹⁷ of institutions now taking concrete steps toward stablecoin adoption.

Visa¹⁸ expanded USDC settlement to Avalanche and Stellar, while Mastercard¹⁹ is piloting stablecoin payments with Paxos and Circle and exploring a Zero Hash²⁰ acquisition to strengthen its crypto compliance and infrastructure stack. Fintech giant Stripe²¹ reintroduced USDC payouts and acquired Bridge for embedded stablecoin infrastructure, while Western Union's²² upcoming USDPT on Solana shows stablecoins are becoming core to global financial plumbing.

Despite lower interest rates, yield-bearing stablecoins are poised to more than triple to over \$50B next year, drawing income from DeFi and tokenized real-world assets (RWAs) rather than Treasuries alone. Assets like USDe, USDY, and USDai provide dollar exposure with embedded yield. If this category captures even 10–15% of a \$1T market it could grow significantly more, and exceed \$100–150B in value.

The trajectory is clear, stablecoins are becoming the connective tissue between TradFi and DeFi, powering everything from onchain treasuries to cross-border commerce.



DECENTRALIZED FINANCE TO REACH \$300B IN TOTAL VALUE LOCKED

By 2026, we project that decentralized finance (DeFi) will exceed \$300B in total value locked (TVL), up over 130% from today's \$130B. DeFi is evolving from experimental infrastructure into a core pillar of global capital markets, driven by institutional liquidity, tokenized assets, and emerging sectors such as prediction markets. Falling interest rates, expanding stablecoin supply, and the rise of perpetual markets will further accelerate adoption.

A new catalyst may come from corporate treasuries. Companies holding Bitcoin, Ethereum, and Solana are starting to deploy idle assets into lending and staking - Sharplink Gaming is an example of this, as they have already earned²³ over 6,500 ETH from their over \$2.5B of staked ETH and plan to deploy an additional \$200M into DeFi protocols on Linea²⁴, an Ethereum L2. With over \$25B²⁵ in non-Bitcoin treasuries, around 8% of DeFi's current TVL, even small allocations could meaningfully amplify liquidity and yield generation across protocols.

At the same time, ease of use and vertically-integrated products into DeFi applications

is a strategic focus to attract more users. Platforms like Plasma, EtherFi, MetaMask, and GnosisPay are removing barriers such as gas fees and private key management, while offering stablecoin yields up to 10%, zero-fee transfers, and cashback incentives - with these features converging into superapps, one-stop shops for DeFi. Combined with the Fed now beginning its rate-cutting cycle and falling government bond yields, users will increasingly look to DeFi in search of higher returns. With monthly stablecoin volumes surpassing \$710B, there is a liquidity rail and dry powder for this rotation, positioning DeFi as an alternative for payments, savings, and yield.

Key growth sectors include lending, perpetual futures, and tokenized assets. Hyperliquid has already processed over \$3.1T in cumulative volume, and generated \$1.2B in annualized revenue, without token incentives.²⁶

Alongside the tokenization of bonds, equities, and money markets, DeFi is converging into a programmable, unified financial system, forming the next layer of global capital markets.

Figure 4
DeFi ascends: total value locked set to cross \$300B



Source: DeFiLlama, 21shares. Data as of October 31, 2025.



DIGITAL ASSET TREASURIES TO EXCEED \$250B IN ASSETS, BUT ONLY A FEW WILL SURVIVE

Digital Asset Treasury companies (DATs) have emerged as one of 2025's defining trends. **By the end of 2026, these firms are expected to hold more than \$250B in crypto assets, up around 130% from roughly \$110B at the end of 2025.** Having surpassed one million Bitcoin in combined holdings, DATs are becoming an institutional gateway, offering investors regulated equity exposure to digital assets.

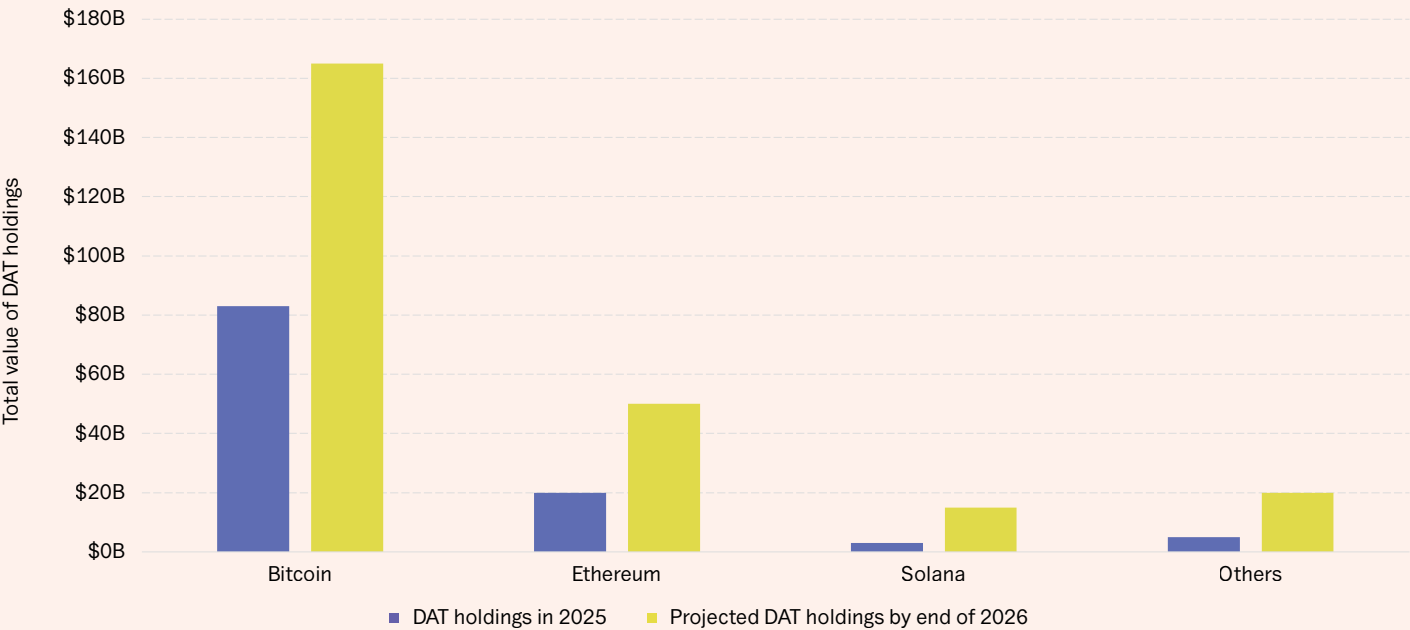
The model is evolving rapidly. As seen in figure 5, non-Bitcoin DATs now represent over 22% of the total DAT market value, at more than \$25B, with treasuries expanding into yield-generating altcoins and proof-of-stake networks such as Ethereum and Solana. These firms are no longer passive holders, they earn onchain income through staking, restaking, and lending.

Rapid growth will bring challenges. Market downturns, higher debt costs, or uneven yield generation could pressure smaller players, leading

to consolidation. Namely, small tier DATs will get absorbed by larger players when they trade below NAV for an extended period of time. Not all DATs have the right capital structure, buying strategy, or the company champions like Michael Saylor or Tom Lee to sustain the narrative required to keep raising.

We believe many DATs will fail in the long run and the result will be a smaller group of dominant, well-capitalized DATs managing diversified treasuries and bridging traditional capital to the crypto economy.

Figure 5
The rise of digital asset treasuries: On track to surpass \$250B in assets



Source: Bitcoin treasuries, strategic reserves, Blockworks, 21shares. Data as of October 31, 2025.



PREDICTION MARKETS WILL BRING MILLIONS OF USERS ONCHAIN, REACHING \$100B IN YEARLY TRADED VOLUME

Prediction markets became one of crypto's breakout sectors this year and will continue to establish itself next year, transforming global uncertainty into one of the crypto industry's largest use cases since Bitcoin, stablecoins, and DeFi. **By 2026, prediction markets such as Polymarket and Kalshi are expected to surpass \$100B in annual traded volume, onboarding millions of users as real-world events in geopolitics, sports and beyond are monitored, traded and registered onchain.**

Perpetual futures gave crypto continuous exposure to future asset prices, prediction markets extend that logic to events themselves, allowing traders to bet on whether something happens, not just what happens. These markets bring the language of derivatives to every aspect of uncertainty.

Three forces are the driving factors.

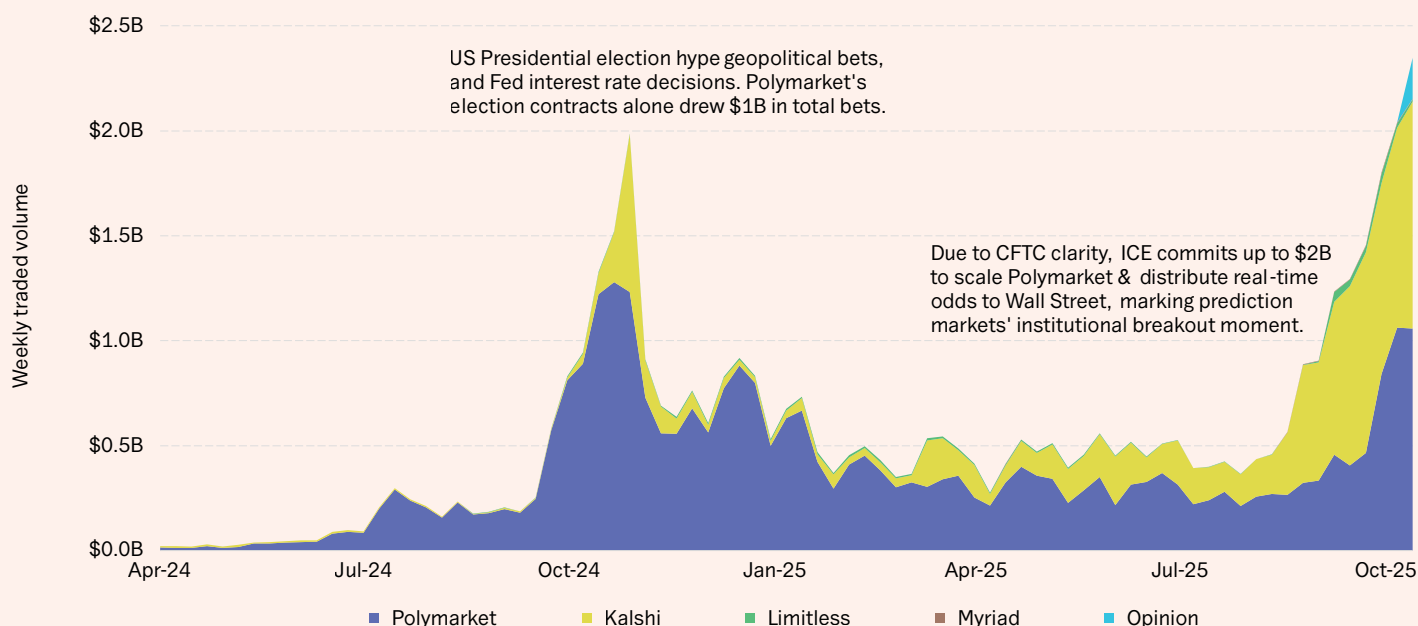
1. 2026 has the potential to become a historic year of political, macro, and technological volatility - fuel for continuous event trading. For example, the U.S. midterm elections are already seeing heavy betting, with Democrats currently priced at 76% to win control of the House and Republicans at 65% for the Senate.
2. Crypto infrastructure is ready for prime time: stablecoins, oracles, and high-throughput chains now enable instant, global settlement. Namely, blockchains processed over 3.4K²⁷ transactions per second vs 2.4K transactions per second traded on Nasdaq. Platforms like Polymarket²⁸ already process over \$1.4B monthly.
3. Regulatory and institutional alignment is arriving: the CFTC²⁹ ended probes into Polymarket and Kalshi, PredictIt³⁰ won its court case, and ICE³¹ committed \$2B to expand Polymarket and distribute real-time event data.

Prediction markets are evolving from speculation to forecasting infrastructure. X³² and Google³³ plan to integrate Polymarket and Kalshi; wallets like Rabby³⁴ and MetaMask,³⁵ plus DraftKings³⁶, are embedding in-app event trading. In essence, we believe three new user cohorts will drive growth past 25 billion dollars in monthly volume: retail traders via social platforms, corporates hedging real-world exposures, and media or data firms integrating live odds into broadcasts and

terminals. Plus, Polymarket's anticipated token launch will further align incentives, mirroring how synergistic DeFi tokens supercharged the industry's growth this year. What began with Augur a decade ago is now maturing into a global layer of financial intelligence. **With regulation stabilizing and liquidity deepening, prediction markets may rival traditional derivatives as the gauge of real-time global sentiment.**

Figure 6

Prediction markets go primetime: \$100B in annual volume next year



Source: Dune, 21shares. Data as of October 27, 2025.



THE AGENTIC ECONOMY COMES TO LIFE IN 2026

Imagine financial services such as payments, lending, and trading on autopilot. Instead of manually hopping between applications, an AI assistant can optimize strategies based on risk profiles and investment style. **This vision defines the agentic economy, where AI agents interact directly with blockchain-based applications to manage yield, automate payments, and optimize liquidity with minimal human intervention, outside providing instructions.**

DeFi agents are already removing friction from financial interactions. AI agent infrastructure company INFINIT, with over half a million wallets, lets users run multi-step strategies via simple language prompts like “bridge ETH to Base and lend it”³⁷. A similar competitor of INFINIT, Giza, automates fixed-yield ETH positions once managed manually on Pendle³⁸. Another example is Almanak, managing over \$150M which offers AI-run vaults with quant-style strategies previously reserved for institutions³⁹. Together, these platforms show how agent-driven automation is scaling DeFi, cutting operational costs, and creating new efficiency for both retail and institutional capital.

Infrastructure is catching up fast. Google’s Agent-to-Agent protocol allows AI systems to collaborate across networks. Coinbase’s X402⁴⁰ revives the HTTP “Payment Required” standard to enable seamless and account-free crypto payments and help establish the machine-to-machine transactional economy. Ethereum’s ERC-8004⁴¹ adds identity and reputation registries for secure agent transactions, while Eigen Cloud powers decentralized AI compute.

Early use cases like payments, yield optimization and liquidity management will come to the foreground through 2026, paving the way for

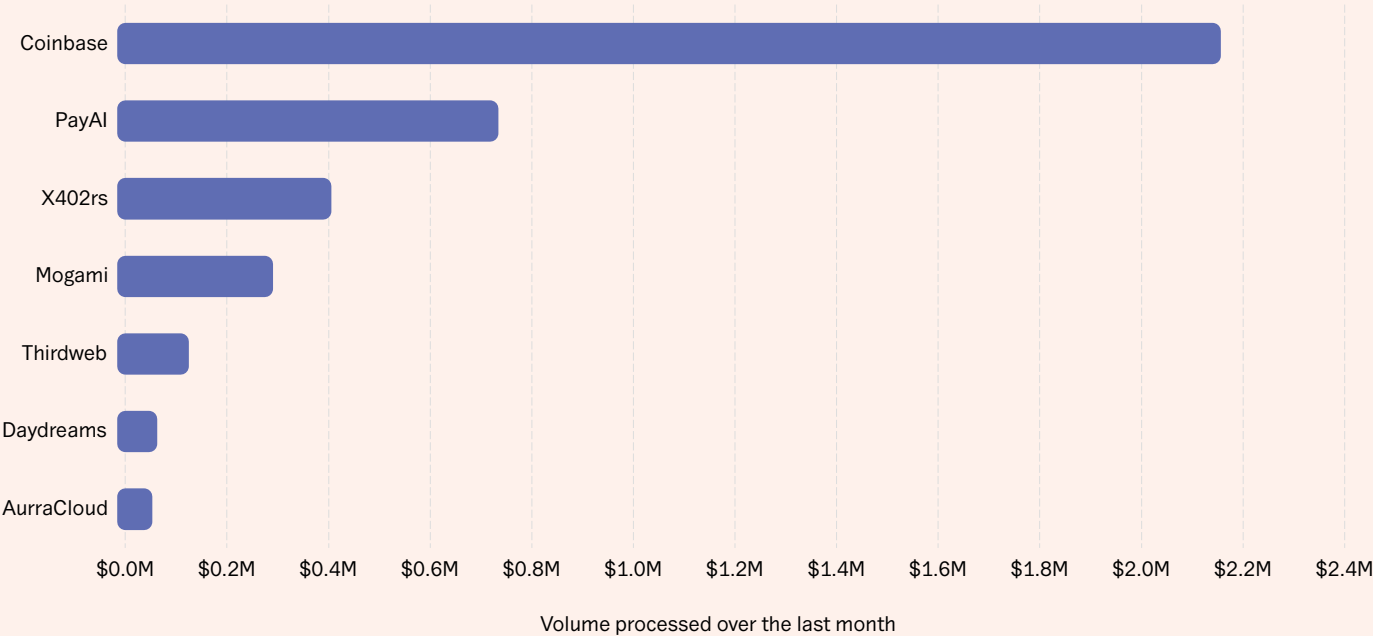
autonomous trading, composable portfolios, and global payments across blockchains. Blockchains like Ethereum, Base and Solana stand to capture more transaction fees, while lending applications, Aave, and trading platform, Pendle, benefit from agents executing trades with ease of use.

For investors, the agentic economy is already investable. Tokens like INFINIT’s IN and Giza’s GIZA provide direct exposure to AI-driven DeFi by sharing protocol fees, offering staking rewards, and granting governance over autonomous agent operations. Meanwhile, on the consumer side, Coinbase’s Base network hosts platforms such as Virtuals and Bankr, which are developing AI assistants to automate trading, yield generation, and portfolio management. Together, these projects give investors early access to both the infrastructure and applications driving the next wave of AI-integrated finance, offering some of the most direct exposure to the convergence of AI and DeFi heading into 2026.

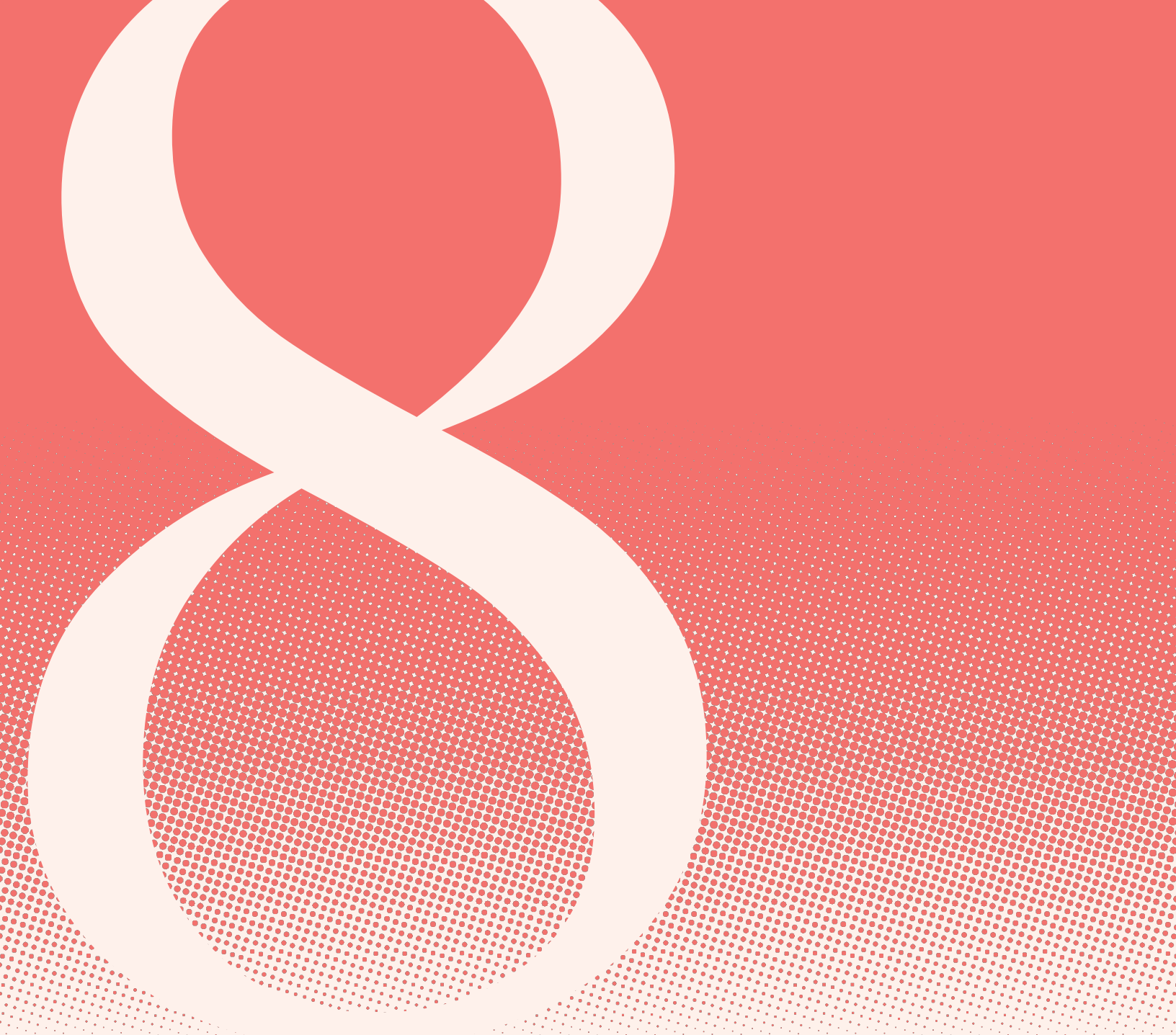
If even 1% of global fund assets adopted agentic strategies, that would represent over \$1 trillion in AI-managed capital. AI agents are transforming crypto from programmable money to programmable intelligence, unlocking new revenue, efficiency, and growth across the decentralized economy.

Figure 7

Agentic finance takes flight: x402 drives transaction surge



Source: x402scan, 21shares. Data as of October 28, 2025.



MOST ETHEREUM SCALING SOLUTIONS WON'T SURVIVE 2026

The Ethereum scaling solution ecosystem, often dubbed layer 2s, is entering a decisive phase. **After two years of proliferation and fragmentation, signs point to a wave of consolidation and saturation in 2026.** More than 50 scaling solutions now compete for users, liquidity, and developer mindshare, but market share is rapidly concentrating. By late 2025, Base, Arbitrum, and Optimism processed nearly 90% of all L2 transactions, with Base alone exceeding 60%⁴².

The rest of the ecosystem is struggling. Kinto shut down entirely, Loopring ended its wallet service, and Blast's TVL collapsed 97%. Even major DeFi projects like Aave⁴³ and Synthetix⁴⁴ have scaled back deployments, citing weak liquidity and poor returns. The Dencun upgrade lowered fees by roughly 90%⁴⁵, but that affordability triggered a fee war, compressing margins and pushing most rollups deep into losses. Only Base⁴⁶ turned a profit, earning around \$55M this year.

L2 activity has dropped 61%⁴⁷ since June, leaving many smaller networks as “zombie chains” with minimal usage. Much of this lost liquidity hasn’t disappeared, it’s simply migrated. Appchain ecosystems and high-performance alternatives like Hyperliquid have captured substantial flows by offering faster execution and vertical

integration between applications and infrastructure.

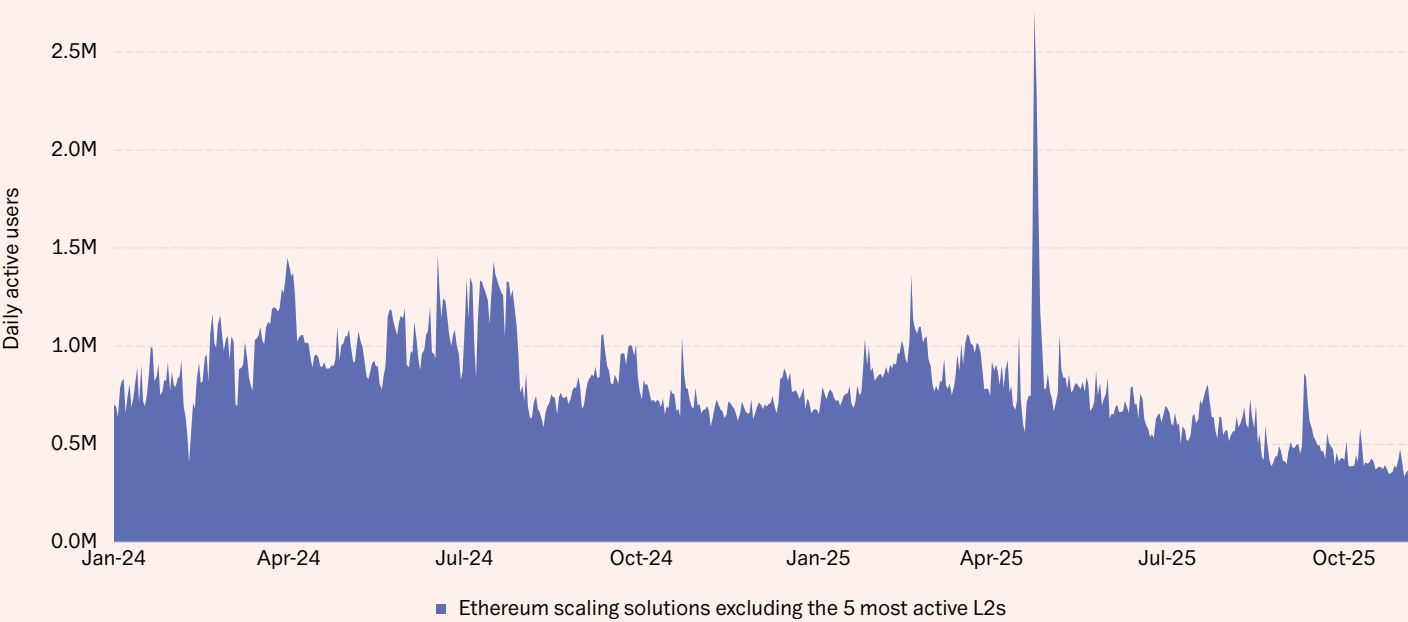
Yet renewal is underway. ETH-aligned models like Linea’s are designed to re-anchor value back to Ethereum itself by directing fees toward burn mechanisms or validator yields, improving Ethereum’s long-term fee capture and monetary sustainability. Meanwhile, MegaETH aims to deliver real-time scalability once exclusive to high-performance L1s, bridging the performance gap between rollups and monolithic chains. At the same time, niche networks are proving that specialization can sustain relevance. Lighter, focused on high-frequency DeFi, and Tempo, purpose-built for payments, illustrate how targeted use cases can deliver superior user experiences versus generalized L2s.

Scaling solutions built by Web2 firms and centralized

exchanges are also reshaping the landscape. Coinbase’s Base and Binance’s BSC have shown how exchanges can onboard millions of users directly onchain, while Bybit’s Mantle and Kraken’s Ink are expected to follow suit. Base’s rumored token launch could supercharge this, potentially intelligently tying value accrual back to Coinbase equity, amplifying COIN’s ecosystem upside without direct competition to its stock value.

The year ahead is likely to mark Ethereum’s L2 consolidation: a leaner, more resilient layer anchored by ETH-aligned, exchange-backed, and high-performance networks. As experimentation gradually gives way to more durable models, Ethereum’s scaling layer may move toward greater efficiency, steadier blob demand, and improved value capture.

Figure 8
Ethereum scaling solutions: from fragmentation to consolidation



Source: TokenTerminal, 21shares. Data as of October 28, 2025.



IN 2026, REGULATED ICOs BECOME A MAINSTREAM CAPITAL MARKET

One of 2025's defining shifts was the return of public token sales, led by platforms like Legion and Echo. They revive the open-access spirit of the 2017–2018 initial coin offering (ICO) boom this time built on compliance, transparency, and institutional backing. Think of it as the IPO market for digital assets: early-stage token offerings with Know-Your-Customer (KYC) and Anti-Money Laundering (AML) compliance. Providing investors access to tokens before they launch something mainly reserved for insiders and venture capitalists in the past.

Momentum has been rapid. Legion facilitated over \$30M across 17 compliant launches⁴⁸ and partnered with Kraken for token listings. Echo raised more than \$200M across 351 startups⁴⁹ before Coinbase acquired it for \$375M in October 2025⁵⁰. Most projects raising funds have emerged across DeFi, DePIN, and infrastructure categories, shaping the next generation of crypto rails with some activity in gaming and consumer applications. For investors, paying attention to this new ICO wave means spotting what will define the crypto landscape over the next few years.

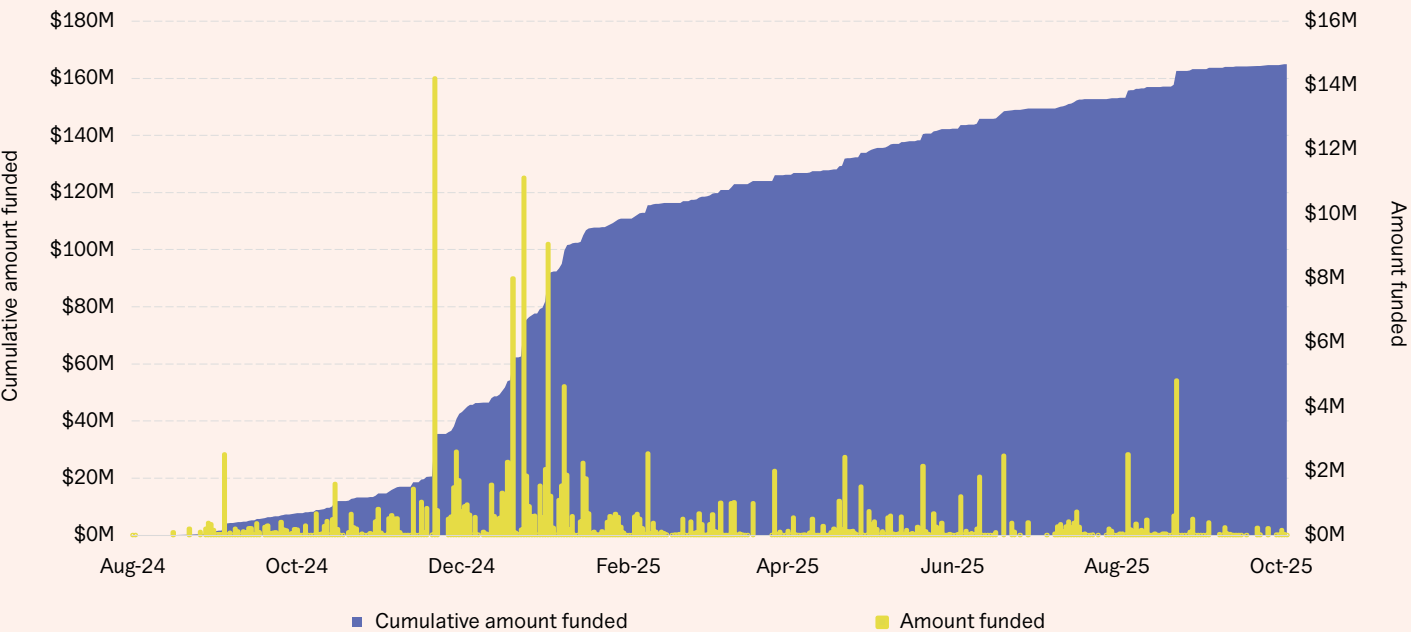
Investor demand is solid. DeFi platform YieldBasis’s sale on Legion was oversubscribed 100x⁵¹, while scaling solution MegaETH’s sale on Echo’s Sonar platform drew \$1.39B in commitments for a \$50M round⁵². Yet, as with any early-stage project, risk remains high historically, with 75% of startups failing to return investor capital.⁵³

Until recently, U.S. retail investors were locked out to ICOs, which changed in mid-November 2025 with Coinbase’s new token sale platform. The platform did not use Echo’s infrastructure yet for its first token sale for the blockchain project Monad. This marked the first time since 2018 since US retail investors take part in public token sales.⁵⁴ The Monad sale was a success with raising \$216M and 86,000 buyers securing allocations.⁵⁵

With U.S. access returned, even a 10% recapture of the \$30B ICO-era volume⁵⁶ would mean roughly \$3B in new regulated inflows. The next wave of retail capital formation is arriving this time driven by compliance, structure, and institutional integration rather than speculation alone.

Figure 9

Retail reawakens: Echo and Legion drive compliant token sale revival



Source: Dune, Legion, 21shares. Data as of October 28, 2025.

TOKENIZED ASSETS EXPECTED TO SURPASS HALF A TRILLION IN TOTAL VALUE LOCKED

Tokenization is rapidly moving from concept to reality with equities, bonds, credit, and commodities; and transforming how assets are issued, traded, and settled. **By 2026, tokenized real-world assets (RWAs) are projected to exceed \$500 billion in total value locked, up from roughly \$35B in 2025.** The jump will be driven by institutional adoption, yield-seeking capital, and the launch of large-scale networks such as Canton, which is expected to bring more than \$400B in tokenized assets online in the near future.

The Clarity Act, anticipated in early 2026, is set to give banks and asset managers explicit approval to issue and custody tokenized instruments on public blockchains, unlocking billions in capital and marking the point where traditional balance sheets go onchain.

At its core, tokenization is about efficiency and access: converting high-friction, illiquid assets into programmable instruments that move instantly, trade globally, and integrate with DeFi rails. Growth will be led by private credit and the migration of public and private equity, two of the largest untapped capital pools being digitized for faster

settlement, collateral mobility, and yield generation.

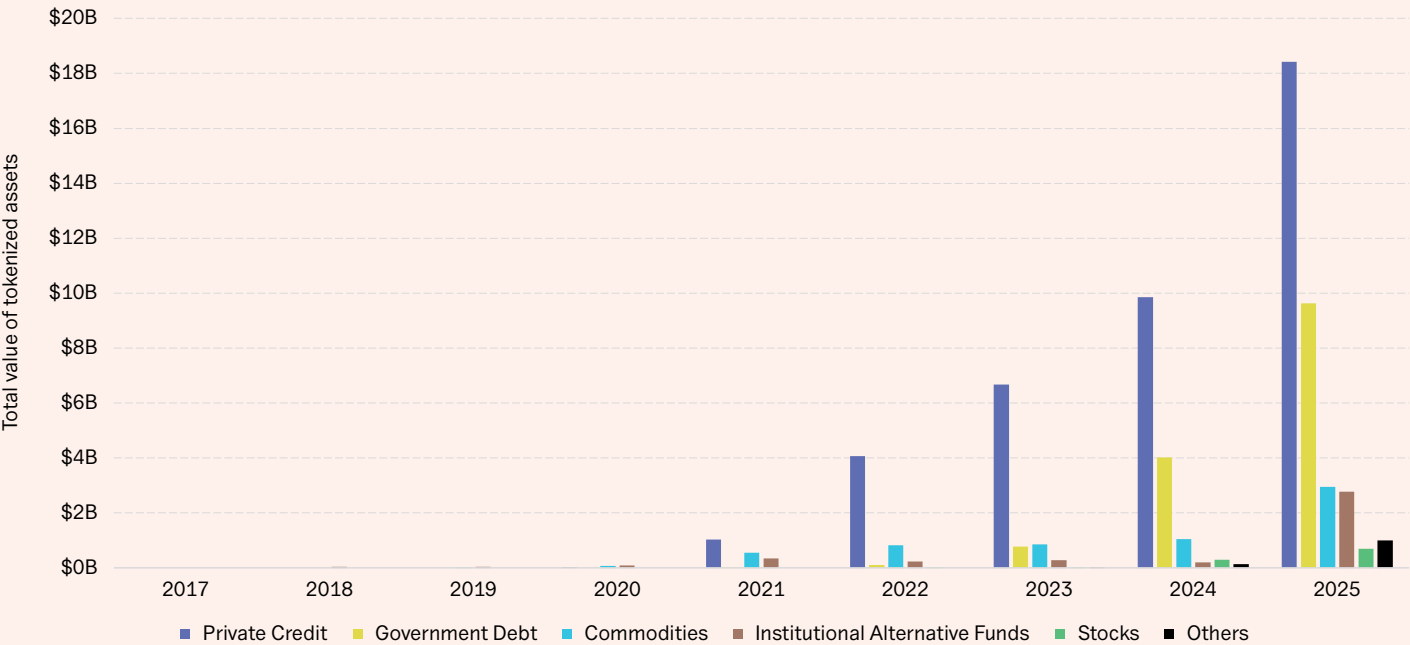
Private credit is the leading use case, offering higher yields and transparent, 24/7 settlement. Platforms like Maple Finance⁵⁷, USD.AI⁵⁸, and Neutr1 Finance⁵⁹ are connecting institutional demand with DeFi liquidity, while the CFTC’s 2025 collateral framework could open large-scale onchain credit markets⁶⁰. By 2026, tokenized credit funds may exceed \$50B in AUM (+150%), with at least three \$1B+ vaults earning investment-grade ratings from Moody’s or S&P.

The next wave will come from equities, specifically pre-IPO

companies. Tokenized equity markets, now around \$700M, could exceed \$10B by the end of 2026 as public stocks and private shares trade natively onchain. Platforms like xStocks already enable continuous trading, while firms like OpenAI and SpaceX see fractionalized shares settled onchain. **By year-end 2026, we expect the first tokenized IPO to settle on a public blockchain, with over \$1B in onchain secondary volume for private unicorn shares.**

Figure 10

The real-world asset revolution: Tokenized assets to surpass half a trillion in 2026



Source: rwa.xyz, 21shares. Data as of October 31, 2025.

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