

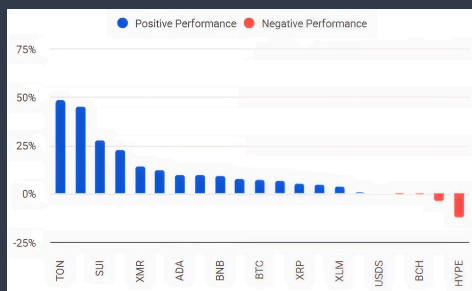
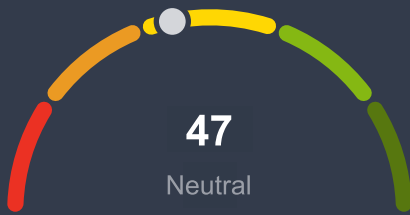
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Crypto Market Outlook: Through End of 2Q26

Macro Environment: Geopolitics and the Fed Create a Dual Constraint

Looking ahead to the remainder of the second quarter of 2026, crypto markets face a core question: how long can persistent macro uncertainty suppress price discovery? The joint Coinbase Institutional and Glassnode Q2 "Charting Crypto" report explicitly states that the outlook for crypto markets in Q2 2026 is neutral due to the ongoing and highly uncertain geopolitical landscape. The Middle East conflict remains the largest external variable. The IMF has lowered global GDP growth expectations from 3.4% to 3.1%, while Oxford Economics estimates that a severe oil supply disruption could slow global GDP growth to just 1.4%, pushing the US and most major developed economies into recession. This macro backdrop means any short-term price rallies remain vulnerable to sudden shocks, making it difficult for traders to establish confident directional positions. Meanwhile, the Federal Reserve leadership transition introduces a new layer of uncertainty. Kevin Warsh officially succeeded Jerome Powell as Fed Chair on 15 May, with his first FOMC meeting scheduled for 16 - 17 June.

Fear & Greed Index



43 / 100

Bitcoin Season



Average Crypto RSI

45.55



Market Cap. Volume
\$2.66T **\$90.29B**



Crypto ETF Flows – 30d

BTC **ETH**



Warsh presents a two-sided profile: he is the first Fed Chair to personally hold cryptocurrency, having called Bitcoin "the new gold for the under-40 generation," yet he is also among the most hawkish officials since the 2008 financial crisis, advocating for "QT in place of rate cuts," reducing the federal funds rate while actively shrinking the balance sheet. April CPI came in at 3.8% (highest since May 2023) and PPI at 6% year-over-year (highest since December 2022), limiting Warsh's room for dovish pivots. CME FedWatch shows roughly 70% probability of no rate change in June, while Polymarket gives 97% odds of no cut. This means even a crypto-friendly Fed Chair is constrained by inflation realities. Liquidity conditions are likely to remain tight through at least late Q2.

Investor Sentiment and On-Chain Structure: The Bearish Bull Paradox

Despite the challenging macro environment, on-chain structural signals present a complex and somewhat contradictory picture. Coinbase's survey revealed that approximately 82% of institutional investors and 70% of non-institutional investors believe the market is in a bear market or late-stage bear market — a sharp increase from 31% and 36%, respectively, in December 2025. However, 75% of institutions and roughly 61% of non-institutional investors consider Bitcoin undervalued, with only 7% of institutions viewing it as overvalued. This combination — "bearish sentiment but bullish on value" — has historically appeared near market bottoms rather than as a precursor to further downside.

On-chain data provides additional support for this interpretation. Glassnode's RHODL Ratio, which measures the wealth ratio between recent buyers and long-term holders, is currently at the third-highest reading in Bitcoin's history, comparable only to the 2015 and 2022 cycle bottoms, both of which were followed by sustained bull markets. Bitcoin's Unrealised Net Profit/Loss metric moved into the "optimistic" zone in April.

More importantly, the supply of Bitcoin that has traded within the last three months fell 37% in Q1, while the share of supply that has not moved for over a year increased 1%. This indicates speculative participants have been flushed out and long-term holders are accumulating. Fidelity Digital Assets' Q2 Signals Report confirms this view, stating the market is in a "repair phase," but structural conditions may be evolving in ways that prices have not yet reflected.

Price Outlook and Key Catalysts

Synthesising across analyst views, Bitcoin is most likely to trade within a \$78 000 to \$85 000 range through the remainder of Q2. Options markets show traders pricing roughly 35% probability of a return to \$80 000 by June. April spot ETF net inflows reached approximately \$2.4 billion, the strongest monthly performance since October 2025, bringing cumulative net inflows to \$58.5 billion. This institutional demand provides a structural floor beneath the market.

The true directional breakout depends on several key catalysts:

- **First, the June FOMC meeting's dot plot signal.** Whether Warsh releases a Summary of Economic Projections with a dot plot, and what that dot plot shows, will be the most important near-term guide. In a bullish scenario, dovish signals from Warsh (aligning with Trump's rate-cut advocacy) could push Bitcoin toward \$85 000 - \$88 000. In a bearish scenario, a hawkish hold or a decision not to release the dot plot at all could trigger panic, potentially breaking Bitcoin below \$78 000 (the 200-day moving average).
- **Second, legislative progress on the CLARITY Act.** The compromise on stablecoin yield provisions has broken a legislative logjam. If the bill passes the Senate before the end of Q2, it would provide clear regulatory pathways for stablecoin issuers and compliant platforms. This directly benefits USDC, USDT, and regulated exchanges like Coinbase.

- **Third, the trajectory of the Middle East conflict.** A resolution accompanied by falling oil prices and easing inflation would likely lift all risk assets, including crypto. Conversely, an escalation raising global recession risks would make it difficult for crypto markets to rally independently.

Ethereum and DeFi Structural Evolution

Ethereum faces structural headwinds in Q2. Its share of total DeFi TVL has declined from approximately 63.5% in early 2025 to roughly 54%, despite still leading in absolute TVL at approximately \$45.4 billion. Tron has emerged as the largest dollar-settlement rail with \$89.6 billion in stablecoins, while Hyperliquid dominates perpetual contracts with \$9.37 billion in single-day perp volume. Ethereum's remaining competitive advantages are blue-chip lending protocols and the deepest stablecoin pools (\$165.5 billion). Fidelity Digital Assets notes that the decoupling between network activity and price is particularly evident on Ethereum and Solana, suggesting protocol-level utility is accumulating even as prices lag. Ethereum's historical seasonal pattern, average May gains exceeding 28.5%, could provide additional support if sentiment turns positive by late Q2.

Strategic Recommendations

Synthesising the evidence, the remainder of Q2 2026 is more likely to feature range-bound trading than a sustained directional move in either direction. Macro uncertainty (geopolitics + Fed transition) creates an upside ceiling, while on-chain accumulation signals, stable institutional ETF demand, and a broad undervaluation consensus create a downside floor. Coinbase's "neutral" outlook appropriately captures this environment — a risk-reward balance that favours strategic positioning rather than aggressive directional bets.

For investors

the key monitoring points are: the 16 - 17 June FOMC meeting's dot plot, CLARITY Act legislative progress, and Middle East conflict developments. Positive surprises on any of these three (dovish signals + bill passage + de-escalation) could serve as catalysts pushing Bitcoin back toward the \$90 000 - \$100 000 range. Conversely, if Warsh maintains a hawkish stance and the conflict persists, the market is likely to consolidate further within its current range until more uncertainty dissipates. Fidelity's assessment remains the most concise summary: the market is still in a repair phase, but structural conditions may be evolving in ways that prices have not yet reflected. For patient capital, this looks increasingly like an accumulation window rather than a moment for panic.

Crypto Market Performance: April 2026 Review

Synthesizing institutional reports and KOL perspectives, 2Q2026 is likely to exhibit the following characteristics:

A Month of Two Stories: Recovery and Resilience

April 2026 delivered what many crypto investors had been waiting for — a genuine relief rally. After five consecutive months of red candles stretching from September 2025 through February 2026, Bitcoin posted its strongest monthly gain in a year, climbing 11.87% to close the month near \$78 190. The total crypto market capitalisation rose more than \$82.6 trillion, breaking a prolonged bearish streak that had seen Q1 total market cap fall by 20.4%. Ethereum joined the recovery with a 7.3% monthly gain, ending its six-month negative streak and demonstrating that the rebound was not limited to Bitcoin alone.

What made April's performance particularly notable was the context in which it occurred. Geopolitical tensions remained acute throughout the month, and the Strait of Hormuz disruption effectively restricted approximately 20% of global oil and gas supply, with Brent crude briefly surging above \$126 before settling near \$114. Yet markets adapted strikingly. As one analysis noted, markets increasingly priced the war as "permanent background noise". The S&P 500 hit all-time highs, semiconductors posted their best month on record with a 37% gain, and Bitcoin delivered its strongest monthly performance in a year, all while the Strait remained closed and oil stayed above \$110. This decoupling suggested that crypto markets were beginning to trade on their own fundamentals rather than merely reacting to every macro headline.

The Institutional Bid That Changed the Structure

Perhaps the most significant development in April was the clear evidence that institutional demand for Bitcoin has matured into a persistent, structural feature of the market rather than a fleeting speculative wave. US spot Bitcoin ETFs recorded \$1.97 billion in net inflows during April – the strongest monthly print of 2026 and well above March's \$1.37 billion. This brought year-to-date ETF flows back into positive territory after earlier outflows, confirming that institutional investors were using price drawdowns as accumulation opportunities.

The nature of this institutional bid matters for how we understand the market's current structure. Unlike previous rallies driven primarily by retail speculation, April's recovery was characterised by what analysts described as a "portfolio allocation phase" rather than a high-conviction risk-on move. Institutional investors accumulated Bitcoin through ETF products during dips, while crypto-native capital turned defensive following significant DeFi shocks. This created what the market now calls a "two-speed market": Bitcoin holds up, supported by regulated, persistent institutional demand, while DeFi and altcoins continue to be repriced through a risk-premium lens.

Ethereum's on-chain fundamentals provided further support for the bullish case. New users on the Ethereum network surged 82% quarter-over-quarter in Q1 2026, reaching 284 000 new addresses, while total transactions hit a record 200.4 million. Stablecoin supply on Ethereum reached an all-time high of \$180 billion, with Ethereum holding roughly 60% of the global stablecoin market. Perhaps most importantly for price dynamics, exchange reserves for ETH fell to approximately 16 million ETH — around 8.8% of total supply and the lowest level since the network launched in 2015. When tokens move off exchanges, immediately available sell-side supply contracts create structurally supportive conditions for price appreciation.

The DeFi Stress Test That Shook Confidence

However, April was not a clean recovery across all segments of crypto. On 18 April, the market experienced what the Gate Research Institute described as "the most severe liquidity shock in DeFi history". A vulnerability in KelpDAO's cross-chain bridge allowed an attacker to mint approximately 116 500 unbacked rsETH tokens valued at \$292 million. Rather than selling them, which would have quickly revealed the exploit, the attacker deposited the tokens as collateral into Aave and borrowed roughly \$190 million in real assets before the market could react.

The consequences rippled through the entire DeFi ecosystem. Aave's total value locked dropped from \$26.4 billion to approximately \$14.1 billion, representing over \$12 billion in outflows within days. The protocol faced potential bad debt ranging from \$124 million to \$230 million, though coordinated industry efforts pledged over 300 million in support by 27 April. For context, April's total Web3 security losses reached approximately \$306 million – an 858% increase month-over-month -- with the KelpDAO incident accounting for the vast majority of that figure. This event served as a real stress test for DeFi's composability risks, demonstrating how quickly stress can spread through collateral, lending, liquidity, and leverage layers when vulnerabilities exist at the infrastructure level.

The market's response revealed a broader repricing of risk. Capital did not exit DeFi entirely; rather, it rotated toward protocols with different risk profiles. Spark saw TVL rise significantly, while Morpho proved relatively resilient due to its isolated lending pool design compared to Aave's pooled money market structure. Vault-style borrowing grew to an all-time high of 24% of total DeFi borrowing, driven by institutional preferences for configurable risk parameters that pooled money markets structurally cannot offer. This suggests that while the incident was damaging in the short term, it may accelerate the evolution toward more sophisticated, institution-friendly DeFi architectures in the longer term.

Macro Constraints and the Fed's Hawkish Pivot

Despite the crypto market's resilience, macro conditions remained a binding constraint throughout April. The Federal Reserve held rates at 3.5% - 3.75% for a third consecutive meeting during Jerome Powell's final FOMC as Chair, but the 8-4 vote split marked the highest level of disagreement since 1992. Markets have now priced in zero rate cuts through 2026 and into 2027. Earlier expectations of one or two cuts have been fully removed, largely due to persistent inflation driven by energy prices.

Oil emerged as a direct transmission channel for inflation into crypto markets. Higher energy prices feed into transportation costs, production expenses, and broader inflation expectations, reducing the Fed's flexibility to cut rates even as growth concerns mount. The liquidity narrative that had historically supported risk assets is, for now, delayed. This creates a challenging environment for altcoins and DeFi tokens, which remain more sensitive to liquidity conditions than Bitcoin, which increasingly trades as a macro reserve asset supported by ETF demand.

Sector Highlights and Emerging Trends

Within the broader recovery, several specific sectors showed particular strength. Real World Asset tokenisation continued to gain momentum, with Pokémon TCG-related RWA becoming one of the fastest-growing sub-sectors of on-chain RWA. Major trading platforms saw monthly volumes exceed \$220 million in this category, with weekly revenue at one point nearing \$6 million, setting new historical highs.

Pre-IPO perpetual markets surged in late April, introduced by platforms like Ventrals and anchored by exposure to SpaceX, OpenAI, and Anthropic. SpaceX attracted particular attention, with reports of a confidential IPO filing targeting a \$1.75 trillion valuation. While still nascent compared to traditional finance perps' approximately \$8 billion daily volume, on-chain rails are unlocking retail access to private markets for the first time. Commodity perpetual contracts also showed strength, with TradeXYZ's crude oil perpetual contracts breaking \$4 billion in daily trading volume on 9 April — surpassing Bitcoin's daily trading volume on Hyperliquid for the first time.

1. The KelpDAO & Aave Liquidity Crisis

Impact Level: **Critical** 

Direction: **Negative**

This exploit triggered a systemic DeFi shock, erasing \$292 million directly and causing over \$12 billion in total value locked to flee major lending protocols. The incident demonstrated how a single vulnerability in a cross-chain bridge can cascade through composable DeFi layers, threatening Aave with up to \$230 million in bad debt. Token prices across the Ethereum ecosystem fell sharply as liquidity providers scrambled to withdraw assets and unwind positions, with AAVE itself dropping 18% within 48 hours. The contagion spread to Layer-2 networks and smaller lending platforms, as traders feared similar undetected vulnerabilities could exist elsewhere. This event fundamentally damaged confidence in complex DeFi primitives, shifting capital toward simpler, isolated-market protocols like Morpho and Spark.

2. Record ETF Outflows & \$550M Liquidations

Impact Level: **Critical** 

Direction: **Negative**

Bitcoin's crash below \$87 000 triggered over \$550 million in leveraged long liquidations within a single trading session, marking the most violent deleveraging event of the quarter. The outflows from crypto exchange-traded products reached \$1.73 billion in a single week, the largest since November 2025, signalling that institutional investors were aggressively reducing risk exposure. The combination of tariff rhetoric, US government shutdown fears, and yen volatility created a perfect storm that forced even long-term holders to capitulate. Altcoin markets suffered disproportionately, with many tokens seeing 25% - 40% drawdowns as liquidity evaporated and market makers pulled bids. This event reset the leverage structure across all major tokens and established a new, lower trading range that persisted for two weeks.

3. US SEC Issues Historic "Token Taxonomy" Guidance

Impact Level: **High**

Direction: **Positive**

The SEC's clarification that most crypto assets, including meme coins and functional protocol tokens, are not securities removed a multi-year regulatory overhang that had suppressed altcoin valuations. Thousands of tokens previously at risk of being classified as unregistered securities immediately saw their legal uncertainty premium decline, leading to broad-based altcoin rallies of 15% - 30% within days. The guidance explicitly legitimised protocol mining and token wrapping activities, unlocking development pipelines that had been frozen due to legal fears. However, the impact was uneven; tokens with clear "digital security" characteristics traded lower, while pure utility and meme coins outperformed. This regulatory clarity is expected to accelerate US-based token launches and exchange listings over the coming months.

4. The "Great Acceleration" Forecast: Crypto to \$28 Trillion

Impact Level: **Medium-High**

Direction: **Positive**

ARK Invest's prediction of a \$28 trillion cryptomarket cap by 2030, with Bitcoin reaching 760 000, provided a powerful long-term narrative that arrested the bearish sentiment following the ETF outflows. The report specifically highlighted tokenisation as an \$11 trillion opportunity, driving immediate capital rotation into infrastructure tokens like Chainlink, Polygon, and Coinbase stock. While price reactions were muted on the day of release, the forecast catalysed a sustained recovery bid over the following two weeks as institutional investors re-evaluated their underweight positions. The report's credibility, tied to Cathie Wood's established track record of bold but directionally accurate calls, gave it more weight than typical analyst predictions. This news effectively created a price floor for major tokens by shifting the conversation from short-term macro fears to long-term adoption curves.

5. CLARITY Act Breakthrough on Stablecoin Yield

Impact Level: **Medium**

Direction: **Positive**

The compromise on stablecoin yield provisions unblocked the CLARITY Act after months of gridlock, removing a major legislative overhang that had frozen stablecoin innovation in the US. The allowance of "activity-based rewards" instead of direct interest payments gave compliant platforms like Coinbase a clear path to offer yield-bearing products without crossing regulatory lines. Major stablecoin tokens (USDC, USDT) saw modest price stability improvements as the risk of sudden regulatory disruption diminished. The joint rulemaking directive to the SEC, CFTC, and Treasury signalled that all three agencies would coordinate, reducing the risk of contradictory enforcement actions. This legislative clarity is expected to accelerate institutional stablecoin adoption for payments and treasury management.

6. Texas & Alabama Pass Pro-Crypto Laws

Impact Level: **Medium**

Direction: **Positive**

Alabama's DUNA law gave DAOs legal entity status with limited liability protection, directly enabling token-governed protocols to operate with legal certainty for the first time in the US. Texas' separate-trust custody law legitimised crypto asset holding by state-chartered banks, reducing counterparty risk for institutional token holders. Governance tokens for DAOs based in Alabama-friendly jurisdictions saw immediate price appreciation as their legal risk premium collapsed. While these are state-level laws rather than federal, they create legal laboratories that national companies can incorporate around, similar to Delaware's corporate dominance. The cumulative effect was a broad but moderate lift for tokens with governance functionality and US-facing custody requirements.

7. Prediction Markets Hit Institutional Status

Impact Level: **Medium-Low**

Direction: **Positive (Niche)**

Prediction markets crossing \$7 billion in volume and executing their first institutional OTC trade legitimised an entirely new token category, driving speculative interest into tokens like REP, AUGUR, and POLYMARKET. The Kalshi-Jump Trading carbon auction bet demonstrated that institutions can use event contracts for discrete risk hedging, expanding the addressable market for prediction market tokens beyond retail speculators. However, the direct price impact on most prediction market tokens was limited to 10% - 15% moves, as trading volumes in these assets remain relatively thin compared to major DeFi tokens. The long-term significance is greater than the short-term price action, as institutional participation tends to bring permanent liquidity and tighter spreads. This news primarily benefited early-stage venture investors and retail traders positioned in the niche category.

8. Corporate & ETF Accumulation vs. Macro Headwinds

Impact Level: **Medium-Low**

Direction: **Mixed (Positive for BTC, Negative for Altcoins)**

Strategy's \$4.1 billion Bitcoin purchase and \$1.9 billion in monthly ETF inflows demonstrated institutional demand resilience, but this was largely offset by rising oil prices and the Fed holding rates steady with zero cuts priced for 2026. The "Two-Speed Market" narrative meant Bitcoin held its ground while DeFi and altcoins bled, so the impact was highly token-specific rather than market-wide. Bitcoin itself saw only a modest 5% - 8% upside from this accumulation news because it was already priced into the institutional adoption thesis. Altcoins outside the top 20 by market cap continued to underperform, as macro headwinds dominated their risk-on beta characteristics. This news ultimately served as a support floor rather than a catalyst for upside across most tokens.

9. Arctic Storm Knocks Out 200 EH/s of Bitcoin Hashrate

Impact Level: **Low**

Direction: **Neutral (Briefly Negative for Miners)**

The 200 exahash drop in Bitcoin's hashrate due to US winter storms slowed block times and temporarily reduced network security, but Bitcoin's price showed no meaningful reaction. Unlike previous mining shocks, the hashrate recovered within 96 hours as storms passed and miners came back online, limiting any sustained impact on token economics. The incident did not affect Bitcoin's issuance schedule or transaction fees beyond a brief 12-minute average block time increase. For tokens other than Bitcoin, there was no direct transmission mechanism, as hashrate fluctuations are largely irrelevant to proof-of-stake and DeFi assets. Market participants viewed this as a weather-related operational hiccup rather than a fundamental network risk.

10. Quantum Computing Threat Timeline Accelerates

Impact Level: **Medium-Low**

Direction: **Negative**

Google's whitepaper estimating a 20x reduction in resources needed to break Bitcoin's cryptography introduced a theoretical long-term risk, but no immediate token price movement resulted from the news. The timeline for a credible threat remains measured in years if not decades, and the crypto industry has long acknowledged the need for quantum-resistant cryptography upgrades. Major token holders did not reallocate portfolios or hedge against this risk because the event horizon is too distant to affect current valuations. For Ethereum and other smart contract platforms, the threat is even more remote and manageable through post-quantum upgrade paths. This news generated headlines and forum discussions but had no measurable impact on token trading volumes or prices within the 30-day window.

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