Caleb & Brown
Crypto Brokerage

Inside the Markets — September 2025

ETH reaches a fresh ATH and markets ponder likelihood of the 'September effect'

Risk assets fluctuated in August, with tariff developments and a surprise producer price index (PPI) reading sparking sell-offs. Optimism returned after U.S. Federal Reserve Chair Jerome Powell signalled potential September rate cuts at the Jackson Hole Symposium. Crypto mirrored this sentiment, with bitcoin and Ethereum rallying on rate cut hopes before retracing.

Keep reading for the key catalysts shaping crypto into September.

BTC Snapshot

12-month high $124,128
12-month low $57,049
Price (9 Sep 2025) $111,294

Key Market Metrics

BTC Dominance 58.34%
ETH Price $4,282
Total Crypto Market Cap $3.94T
Alt-Coin Market Cap $1.72T

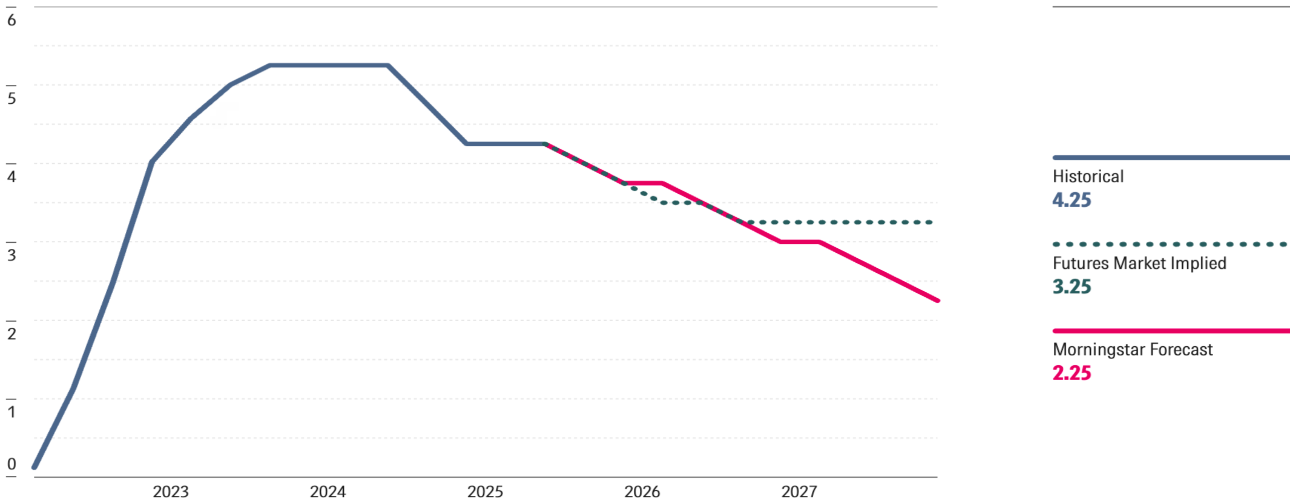
Inflation data, tariffs and interest rate hopes caused TradFi swings in August

The U.S. stock indexes rose through August despite tariff pressures and a mid-month PPI shock. July's PPI printed at higher than the forecast 0.2% at 0.9%. This raised concerns that Trump's tariffs were inflating producer costs, with the potential to filter down to consumer prices over time. This fuelled speculation that the Federal Reserve might delay September rate cuts as the Trump administration's criticism of Fed Chair Jerome Powell intensified.

Two Federal Reserve governors dissented at the July 31 FOMC meeting that kept rates unchanged at 4.5%. However, Powell's Jackson Hole address on August 22 shifted sentiment. Striking a dovish tone, he cited a "shifting balance of risks" and focused on the weakening labour market over inflation. While July's strong personal consumption expenditures (PCE) index reading of 2.9% raised some concern that the Fed may not cut rates in September, July's non-farm payroll miss (22,000 jobs versus a forecast 75,000 jobs) saw risk assets rally, presumably as it provides further support for a rate cut. The jobs miss aligns with Powell's focus on the labour market in his Jackson Hole address, plus the FedWatch tool currently indicates an almost 90% chance of a September rate cut.

Analysts currently expect 50 basis points of cuts throughout the remainder of 2025, followed by cuts of 75 basis points each in 2026 and 2027, lowering the federal funds rate to 2.25% by the end of 2027. If the macro backdrop holds and the Fed board ends up with a majority of Trump appointees through to 2030, this path would likely support upside in risk assets. Meanwhile, the 10-year yield is projected to decline toward 3.25% by 2027.

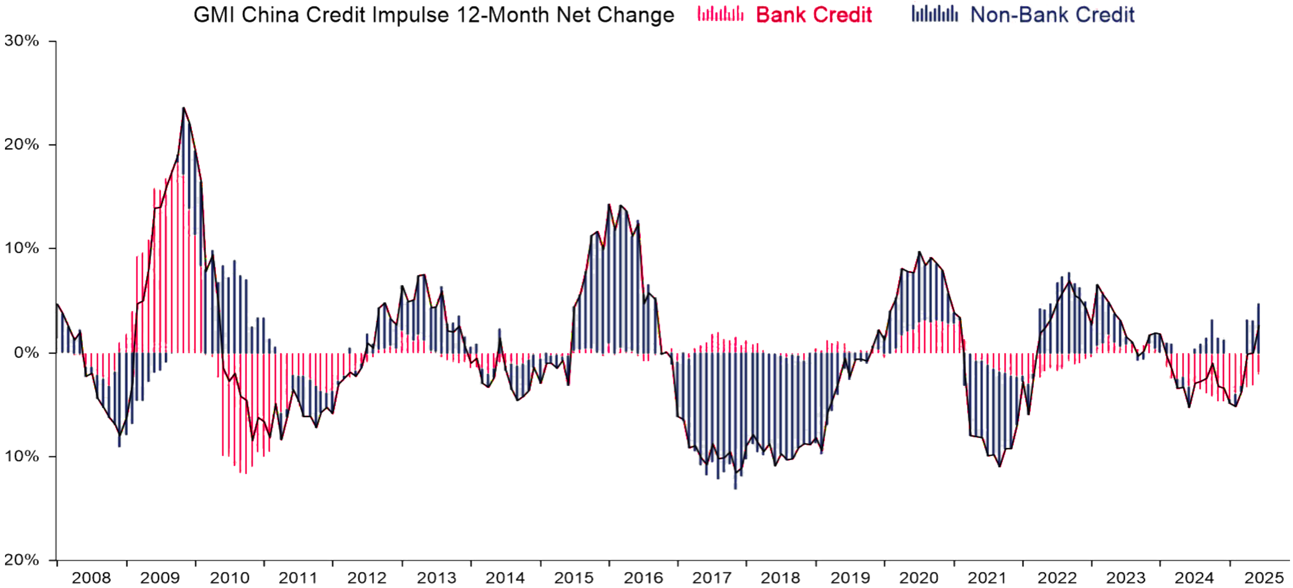
Federal-Funds Rate Forecast Comparison



Data as of 6/24/2025. (Source: [Federal Reserve, Morningstar, Chicago Mercantile Exchange])

Also at the Fed this month,President Trump said that [Federal Reserve Governor Lisa Cook] would be removed from her role due to allegations of mortgage fraud. Cook is [suing the administration], the Fed is awaiting the court's verdict and President Trump is fielding potential replacements. If Cook is removed from her role, this could see Trump appointees making up four of the seven Federal Reserve board appointments after Chair Powell's term ends in 2026.

Global credit expansion is adding further evidence to the case for a bullish outlook on risk assets throughout H2. The acceleration of new credit in China has broken above 0% for the first time since 2023 and currently sits at an approximate [5%] 12-month net change, bringing additional liquidity to markets.



(Source: [Real Vision])

The deadline for a U.S.-China trade deal was extended to November 10, while tariffs of up to 50% on Indian exports to the U.S. were imposed. And on Friday, August 29, a federal appeals court handed down a 7-4 ruling that President Trump's tariffs are illegal, given that such changes rest "exclusively in the legislative branch of the Constitution". For now, the tariffs remain in place while President Trump appeals the ruling in the Supreme Court. Apart from the executive order signed on August 1, trade developments had little impact on risk assets throughout August, suggesting that markets are more focused on monetary policy.

U.S. President Donald Trump's tariffs are in focus after a federal appeals court on Friday ruled that most of his global tariffs are illegal. The court determined in a 7-4 ruling that only Congress has the power to implement sweeping levies. Trump responded that the decision was 'highly partisan' and that he will be appealing the ruling to the U.S. Supreme Court.

Across the major indexes, the Nasdaq gained 1.6%, the S&P 500 added 1.9%, and the Dow Jones gained over 3% on the month. As mentioned in last month's outlook, accommodative monetary policy could continue to weaken the U.S. dollar, increase global liquidity and see more capital flow into risk assets as investors seek a return that outpaces inflation and currency debasement.

Another month, another all-time high for BTC

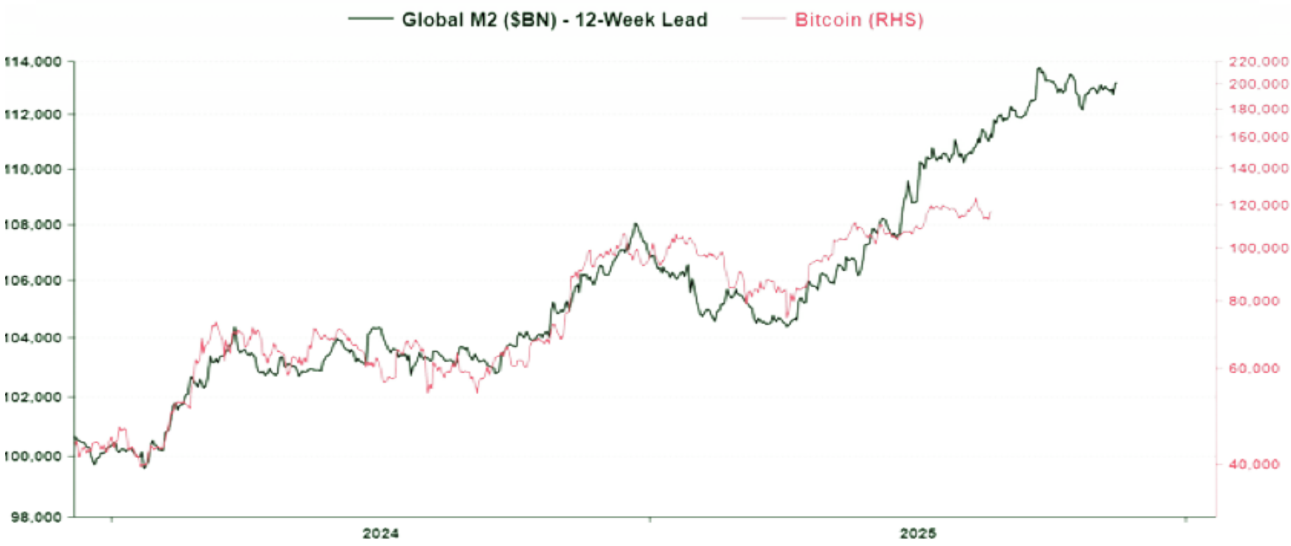
Opening August at US$115,756, bitcoin rallied to a fresh ATH of US$124,533 on August 14. As July's PPI miss came in, uncertainty emerged over the U.S. bitcoin reserve, and dormant BTC whales took profit, bitcoin's price declined to a monthly low of US$107,369 on August 30. One BTC whale sold 25,000 BTC, worth US$2.7 billion, causing a flash crash on August 25, while a BTC whale that hadn't transacted for seven years sold 670 BTC, worth US$75 million, and used the proceeds to open leveraged long Ethereum positions across four wallets. The start of September has seen BTC trade mostly sideways, presumably as markets await the September 14 FOMC meeting.

In mid August, Treasury Secretary Scott Bessent said the U.S. Government will not be purchasing any new bitcoin to capitalise its strategic bitcoin reserve or digital asset stockpile. Instead, it will use BTC and other cryptocurrencies seized through forfeiture proceedings. BTC sold off almost 2% on the news, with Bessent later adding that the government will explore budget-neutral pathways to accumulate bitcoin for its strategic bitcoin reserve.

The U.S. BTC reserve developments coincided with a paper considered at the Jackson Hole Symposium. The paper explores how nations have revalued their gold reserves to reduce unmanageable government debt, and whether the U.S. may do the same in the future. With US$11 billion worth of gold on its balance sheet, which could be worth US$874 billion today if the U.S. dollar hadn't lost almost 98% of its value since 1973, a gold revaluation would likely shock global markets. It could also see bitcoin behave as "digital gold," where investors seek a debasement-proof store of value.

> "...China and Russia, which have been hoarding gold like doomsday preppers, win either way. If the U.S. revalues gold, their reserves explode in value. America validates their anti-dollar strategy while making them rich. It's like underwriting your rival's victory."
>
> \- Charlie Garcia, Founder, R360

Returning to near-term expectations, the correlation between global M2 and bitcoin's price continues. Coupled with a likely September 17 U.S. rate cut, this could drive further upside for bitcoin, especially if Ethereum's current pullback continues.



Bitcoin Price and M2 Supply with 12-week lead. (Source: Global Macro Investor) Past performance is not a reliable indicator of future results.

Some analysts have noted that M2 may decline from late September and into October, which could see bitcoin retreat. Currently, the correlation for a 90-day offset over 30 days is 90.8%, though the myriad of variables currently impacting markets should also be taken into account.

> "Rather than jumping to conclusions with premature data, I think a continued watchful eye of the global M2 line during the next several weeks is our best course of action."
>
> \- Colin Talks Crypto

Bitcoin closed August at US$108,247 (-6.5%), as the strong PCE reading caused concern across markets that the Fed may not cut interest rates in September, which also saw the broader crypto market sell off. Bitcoin's pullback in the second half of August, like other cryptocurrencies, is to be expected as the market finds support for what may presumably be further upward momentum.

Ethereum finally breaks its 2021 ATH

Opening the month at US$3,697, Ethereum made a fresh ATH of US$4,955 on August 24, showing significant strength since rallying from a low of US$1,383 on April 7, 2025. Ethereum closed August at US$4,374 (+18.8%) as price pulled back on concerns about U.S. interest rates due to persistent inflation. To begin September, Ethereum has struggled to gain strength above US$4,330 as a weak labour market points to a high likelihood of a rate cut, but it also signals economic weakness, which can increase short-term sell pressure across risk assets.

Throughout the month, corporations continued adding Ethereum to their corporate treasuries and ETH dominance rallied to almost 15%. While every market cycle is different, altseason typically doesn't see a final rally until Ethereum shows sustained strength after breaking its ATH and the total market cap of crypto, excluding bitcoin and Ethereum, breaks out to new highs.

Emerging as the 'Michael Saylor of Ethereum', Fundstrat Managing Partner and BitMine Chair Tom Lee, thinks Ethereum is having its 'Bitcoin 2017 moment', and it will rally to US$5,500 soon, potentially reaching US$12,000 by the end of 2025. Several variables will influence whether ETH rallies higher by the end of 2025, and it should be noted that Lee is Chair of the largest corporate ETH holder, Bitmine. His near-term sentiment, however, aligns with other analysts expecting ETH to break its August ATH soon, though not without a further pullback first.

"...[ETH] may pull back further from current levels before it can go appreciably higher, or, at the very least, there's a period of sideways consolidation which could help blow some froth off it..."

- David Morrison, Senior Market Analyst, TradeNation

Coinciding with Ethereum's rally to a new ATH, accelerated institutional buying, and Ethereum exchange-traded fund (ETF) flows currently outperforming BTC ETF inflows, centralised exchange reserves recently fell to a nine-year low. In early August, Ethereum reserves across all exchanges were at 18.7 million ETH, equating to 15.5% of total circulating supply. Further, as real world asset (RWA) tokenisation grows, Ethereum's use case as the rails to bring Wall Street on chain, has seen almost 52% of the RWA tokenisation market finds its home on the Ethereum network. Similarly, stablecoin volume on Ethereum layer 1 and layer 2 networks surpassed US$11 trillion in H1.

(Source: CryptoQuant)

Ethereum's continued rally throughout August, growing adoption as a corporate treasury reserve asset and the use of the network to financialise the blockchain by TradFi institutions may drive further upside in the coming weeks and months.

Will the 'September Effect' return in 2025?

Two narratives are shaping September. Some argue the crypto market will follow its historical pattern of weakness (the 'September Effect'). Others see catalysts, such as accommodative U.S. monetary policy and a maturing crypto market, sparking the cycle's final rally. In our view, if BTC dominance falls further and Ethereum maintains strength in price discovery amidst a potential Global M2 pullback, altcoins with strong use cases could see their largest runs in Q4.

With over 30,000 new crypto projects launching daily, identifying the key narratives is crucial. Several have emerged so far in this cycle:

- Stablecoins: The GENIUS ACT has clarified regulation, supporting innovation in stablecoin ecosystems. Notably, the Trump family's World Liberty Financial (WLFI) token, the WLFI governance token, saw open interest grow to US$800 million ahead of its September 1 spot contract launch.
- Real World Assets (RWA): The tokenisation of equities, treasuries and corporate bonds is expanding. Ethereum-based RWA platforms could reach a US$30 trillion market cap by 2034.
- Artificial Intelligence (AI): Autonomous AI agents executing DeFi strategies without human input are rising in popularity, with potential to outperform traditional trading.
- Staking and Re-staking: The SEC's decision to also exclude liquid staking from existing U.S. securities regulations may accelerate growth in staking networks.
- Decentralised Physical Infrastructure Networks (DePIN): Blockchain-based networks rewarding participants for building decentralised alternatives to legacy providers have gained traction, with a current market cap of US$16.1 billion.

As in past cycles, rallies will not be linear. Pullbacks are natural, but signs of euphoric sentiment, such as memecoins surging, mainstream media hype, and newcomers discussing crypto can signal an imminent cycle top. Discerning between healthy pullbacks and cycle tops is critical, so doing your own research and monitoring indicators that may signal market euphoria will be key when markets see further upside. If you have questions about your portfolio as you navigate Q3 and Q4, speak to your Caleb & Brown broker about your approach.

September key dates and crypto catalysts

The U.S. Federal Reserve's rate trajectory, global liquidity and Ethereum's price are expected to influence sentiment in the weeks ahead.

September 17	September 30	October 9
U.S. Federal Reserve rate decision	Potential U.S. Senate passage of The Responsible Financial Innovation Act of 2025.	September FOMC meeting minutes released.

U.S. trade policy

What's at stake? The U.S. implemented reciprocal tariffs on its trading partners from August 2. The extended deadline for a U.S.-China trade deal is November 10.

What to consider? Expect volatility in risk assets around trade announcements. Engage with your broker to understand how tariff changes may affect your positions.

U.S. Federal Reserve rate decision (September 17)

What's at stake? The next FOMC meeting is on September 17. The meeting minutes will be released on October 8.

What to consider? The U.S. Fed's rate trajectory will affect market sentiment. Discuss potential outcomes with your broker.

Crypto policy and legislation

What's at stake? Following passage of the CLARITY Act in the House, the Senate is considering its own version of crypto market clarity legislation, the Responsible Financial Innovation Act of 2025. Passage of this act is expected by September 30.

The Securities Clarity Act was reintroduced to the House and referred to the House Committee on Financial Services on March 26. It remains before the Committee at the time of writing.

The Lummis Crypto Tax Bill was introduced in the Senate on July 3. Senator Lummis also introduced the 21st Century Mortgage Act, a bill that would allow financial institutions to include a mortgage applicant's crypto holdings in the assessment process. Both bills remain before the Senate for consideration.

State-based crypto legislation is before Congress in several U.S. states.

What to consider? If you're assessing your exposure to stablecoin-related or U.S.-based crypto projects, now may be a good time to reach out to your broker to revisit your strategy.

Need help navigating the markets? Speak with your Caleb & Brown broker to align your portfolio with evolving macro and crypto developments.