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Cryptocurrency Brokerage

Inside the Markets

June 2026

Crypto swings on Middle East sentiment and ETF flows

The rally across TradFi assets continued throughout May amid optimistic artificial intelligence (AI) sentiment and strong earnings growth. In contrast, crypto struggled to maintain the upward momentum seen throughout April, as geopolitical and macroeconomic uncertainty hit risk assets most affected by tight liquidity. This risk cascaded to TradFi risk assets in early June as Middle East tensions escalated and strong U.S. employment data caused concerns about interest rates remaining higher for longer.

Keep reading for the key catalysts shaping crypto in June.

BTC Snapshot

12-month high	$126,080
12-month low	$59,070
Price (8 June 2026)	$63,000

Key Market Metrics

BTC Dominance	58.7%
ETH Price	1,680
Total Crypto Market Cap	$2.2T
Alt-Coin Market Cap	$1T

Another month, another all-time high for TradFi

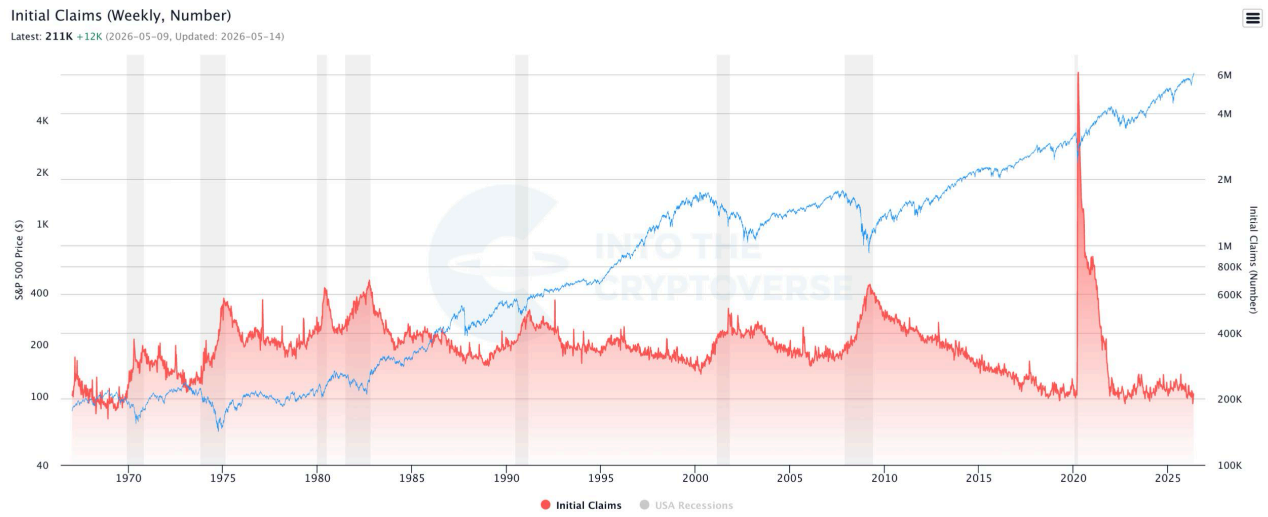
Earnings growth, strong exchange-traded fund (ETF) flows, trillion dollar initial public offerings (IPO) for AI companies, and hopes that the U.S.-Iran war will reach a resolution in the near future, buoyed TradFi risk assets in May. Average earnings growth for companies in the S&P 500 is 28.6%. It's the strongest earnings growth since Q4 2021. As for targets, several Wall Street Analysts predict further upside for the major index, anywhere from US$7,900 to US$8,250 (a ~9% increase from current levels), though risk-off sentiment returning from June 5 has seen risk assets decline.

The Nasdaq's rally was steeper throughout May as markets continue to buy companies associated with AI infrastructure development, while key AI players, such as Anthropic and OpenAI, prepare for IPO in the second half of the year, adding extra fuel to the upward momentum.

> "There's definitely euphoric sentiment in the market around AI. The rally has really been driven by earnings."
>
> Ohsung Kwon, Chief Equity Strategist - Wells Fargo

While the climb in risk assets continued in May, the economy showed a mixed story emerging. Despite restrictive monetary policy, the U.S. economy, in particular, appears to be in a stage of late-cycle resilience. Asset prices keep rising, manufacturing is growing, and the labour market is relatively stable. The ISM manufacturing PMI—the key measure of manufacturing activity—for May came in above forecast at 54, while jobless claims hover around 210,000. This data indicates signs of strength albeit not a "boom" as seen earlier in the business cycle, following liquidity expansion throughout 2020 and 2021.

The chart below shows the S&P 500's trajectory compared to jobless claims, demonstrating that numbers have remained stable throughout the year to date.



Weekly U.S. unemployment claims vs. S&P 500 growth. Source: Into the Cryptoverse

Past performance is not a guarantee of future results

May's non-farm payroll change came in well above forecast at 172,000 on Friday, June 5, indicating that employment is relatively strong even in the face of stubborn inflation and ongoing geopolitical risk. Risk assets sold off on the news as market participants weigh whether this data could compel the U.S. Federal Reserve to start hiking rates.

Inflation is where the story gets interesting. Remaining elevated at 3.8% for the 12 months to April 30, 2026, the latest inflation reading was the fastest rate of increase in three years. **Should the labour market deteriorate while inflation remains elevated, policymakers will be challenged with managing its dual mandate as a rate cutting cycle typically can't begin until inflation has declined**. However, at this point, it appears employment numbers are strong and inflation is elevated, which could mean interest rates stay higher for longer.

Some analysts say a recession may be a further year away. Though no one can predict exactly when a recession may occur, accelerated change to asset prices, inflation or unemployment, plus an external catalyst that drives risk-off sentiment is typically the backdrop to a recession. In short, financial markets and the economy don't currently appear to be at this point, though various asset classes are reacting swiftly to any unexpected news that could impact global liquidity.

Global liquidity remains tight

Throughout May, U.S. Treasury yields gained rapidly on rising U.S.-Iran tensions, growing oil prices and expectations that the U.S. Federal Reserve will keep rates on hold before a potential hike at its December meeting. As a result, liquidity risk remains "very tight". Notably, **monetary policy isn't the only catalyst impacting liquidity. With the recent rise in treasury yields, credit conditions become tighter, the need to refinance arises, and riskier assets decline as market participants' appetite for risk wanes.** This is expected to remain unchanged until inflation cools and the conditions are suitable for central banks to begin easing monetary policy.

Liquidity risk. Source: Into the Cryptoverse

Throughout June, market participants will want to monitor the same market catalysts to move markets as those seen in previous months, including AI advances, developments in the Middle East, oil prices, monetary policy, and global liquidity.

Monthly performance (May): S&P 500 +5.2%, Dow Jones +2.8%, Nasdaq +8.4%.

Warsh expected to leave rates on hold in June

Kevin Warsh's first U.S. Federal Open Market Committee (FOMC) meeting as Chair of the Federal Reserve is on June 17. Warsh is reportedly in favour of lower rates, but markets expect rates to remain on hold. The CME's Fed Watch tool puts the likelihood of rates remaining at 3.5% to 3.75% at 98.4%. **Geopolitical uncertainty and the subsequent inflationary impacts are likely adding to the Fed's caution.**

> "In the earlier stages of a slowdown, weakening growth and falling inflation typically allow policymakers to support both sides of the mandate simultaneously through easier financial conditions. Late-cycle supply-driven inflation complicates that process because labor market weakness and rising inflation can begin appearing at the same time."
>
> Benjamin Cowen, Founder - Into the Cryptoverse

In geopolitics, the U.S. and Iran were negotiating a 60-day memorandum of understanding to maintain a ceasefire in the first week of June. However, the recent attacks between Iran and Israel presumably puts that progress at risk. Oil prices declined throughout May on hopes of a deal, closing the month at US$89.73 per barrel. To start June, oil gained to US$94 per barrel as tensions escalated again. And in precious metals, gold declined by 1.7% on the month, and silver gained almost 1%, presumably as capital continues to flow into TradFi risk assets.

Bitcoin falls back to April levels

Bitcoin opened May at US$76,305, rallied to a monthly high of US$82,814 on May 6 and then declined throughout the remainder of the month. Further enforcing the late business cycle narrative, **the sell pressure is due to weak crypto sentiment, negative ETF flows, Strategy selling bitcoin for the first time since 2022, and the ongoing Middle East conflict.** The downside continued into June, as bitcoin declined by almost 20% to a low of US$59,073 on June 5—levels not seen since October 2024.

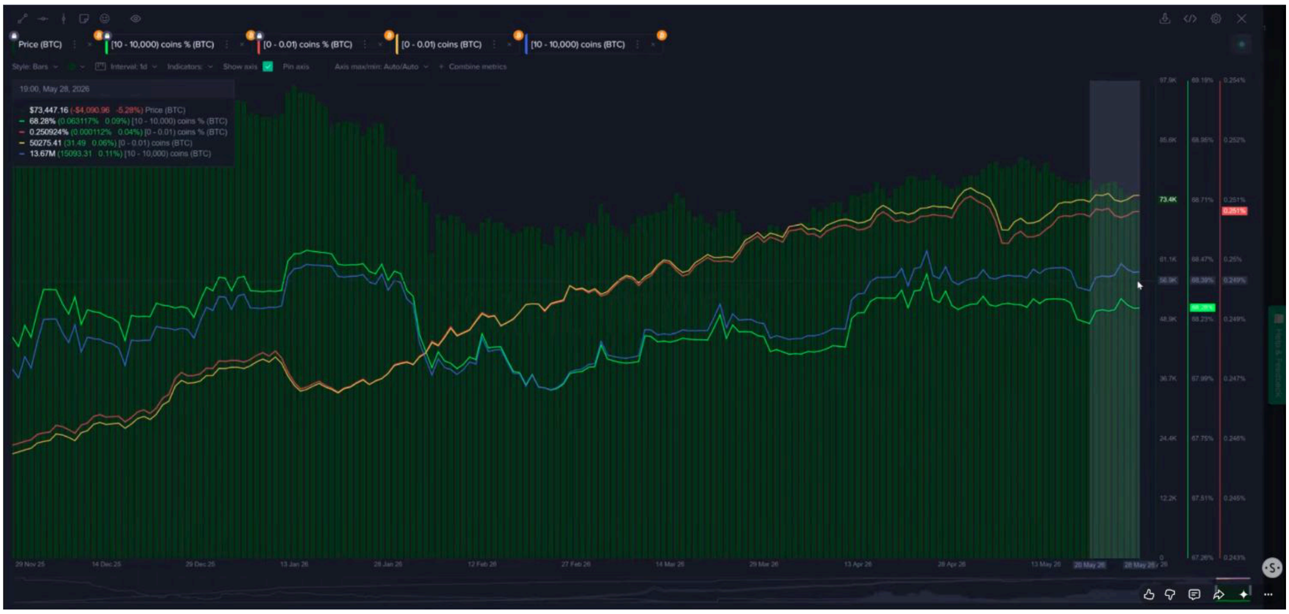
The most recent sell-off gained momentum, presumably as many market participants had stops located around US$70,000. Bitcoin has since declined further on the positive May NFP report, and escalating Middle East tensions, trading around US$63,800 at the time of writing. Liquidations peaked in the early hours of Monday, June 8 at over US$200 million due to geopolitical risk. In the first week of June, bitcoin ETFs saw continued outflows, with over US$1.7 billion leaving funds. The continued outflows caused net bitcoin flows for the year to date to turn negative, adding to risk-off sentiment.

Strategy's decision to sell 32 bitcoin for US$2.5 million to fund distributions on its preferred stock added to the sell pressure. The company's shares declined by over 8.5% on the news. Unlike its sale of 704 bitcoin in December 2022, which was largely seen as a tax loss harvesting transaction (the firm bought 801 BTC two days later), the most recent sale being used to fund distributions has caused increased fear and volatility in the markets despite Saylor hinting at the possible transaction in the company's Q1 earnings call.

> "We'll probably sell some bitcoin to fund a dividend, just to inoculate the market, just to send a message that ... 'look, the company is fine, the bitcoin is fine, the industry is fine, the world didn't come to an end. If you're a short seller and your thesis is [that] the company has to sell equity in order to fund the dividends, I would like nothing better than to rip your wings off."
>
> Michael Saylor, Founder and Chair - Strategy

Market shock due to Strategy's BTC sale plus capital flight into trending trades such as those that provide AI exposure do not point to any fundamental change to bitcoin's long-term outlook. Though it seems to provide mainstream outlets, those with limited understanding of crypto, with fodder. Recent gains across AI crypto tokens (more on that below) emphasise the rotation that's pulling capital away from bitcoin. And as outlined in the previous outlook, bitcoin has sold off by around 50% since the October 2025 highs—a much smaller sell off than the 80% decline seen in previous cycles. Current dynamics and sentiment point to the potential for further downside, which can provide better value opportunities prior to the start of a new cycle.

A deeper dive into holder activity emphasises the need for caution. At the end of May, bitcoin whales (1,000 and 10,000 BTC), and bitcoin dolphins (100 and 1,000 BTC), slowed down accumulation. At the time of writing, the one-year change in whale balances is negative, which is a similar distribution pattern to the 2022 bear market. At the same time, small retail wallets continued buying into late May. According to Santiment, ongoing whale buying activity is what fuels sustained rallies due to the volume that these participants buy and sell. As outlined in the chart below, the larger holders' activity often mirrors bitcoin's price movements, while small retail holders often display the opposite buying and selling behaviour.



Bitcoin whale holder activity November 2025 to May 2026. Source: Santiment

Past performance is not a guarantee of future results

> "The key point is that people need to separate 'selling bitcoin' from mismanaging a bitcoin treasury. The immediate impact would be the change in perception and weakening sentiments around the conviction of the asset."

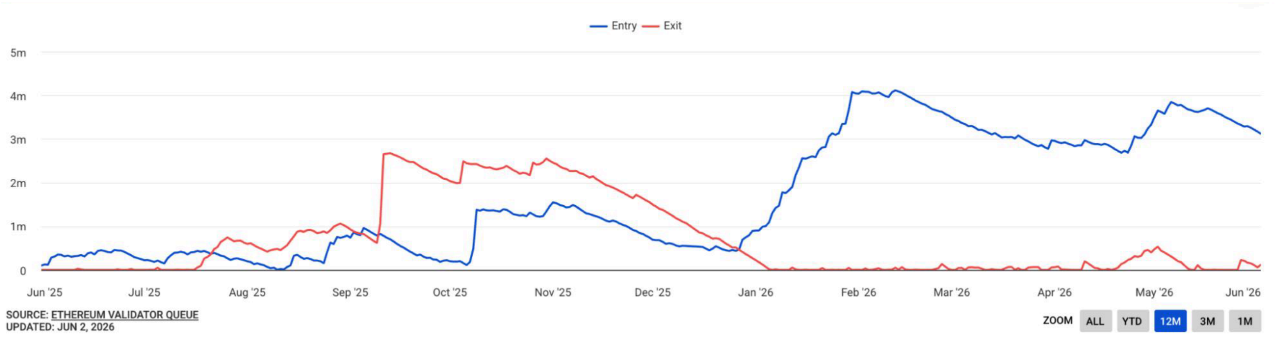
Mathew Pinnock, Chief Operating Officer - Altura DeFi Ltd

Also in May, the U.S. Commodity Futures Trading Commission approved the first regulated bitcoin perpetual futures contract, allowing prediction market platform Kalshi to list its BTCPERP product. The decision brings a popular crypto derivative previously dominated by offshore venues into the U.S. regulatory framework. Kalshi has also filed to launch perpetuals for several altcoins, including Ethereum, Solana and Dogecoin.

Bitcoin closed May at US$73,575 (-3.4%). At this point, it's clear the upward momentum seen throughout April does not have the underlying dynamics required for a sustained rally. Although previous market cycles are not a reliable indicator of future results, the current sell pressure points to the potential for a further sell off, where bitcoin's price declines due to further ETF outflows and subdued whale activity. This presents an opportunity for research and monitoring how the sophisticated capital is positioned in the market.

Is Ethereum the next Amazon? Standard Chartered thinks so.

Ethereum opened the month at US$2,256, rallied to a monthly high of US$2,424 on May 6 and then declined on the sell pressure across the crypto market. While the successful final markup vote on the CLARITY Act on May 14 provided a small bounce, it wasn't enough to drive a further rally given the other factors causing the sell off. These factors include conflict in the Middle East, the rotation of capital into AI and other TradFi risk assets, and economic uncertainty. D**espite Ethereum's weakness throughout May and into early June, the validation queue remains firmly positive, with 3.1 million ETH in the entry queue** versus 116,000 ETH in the exit queue, as outlined in the chart below.



Ethereum validator queue YTD.. Source: The Block.

Past performance is not a guarantee of future results

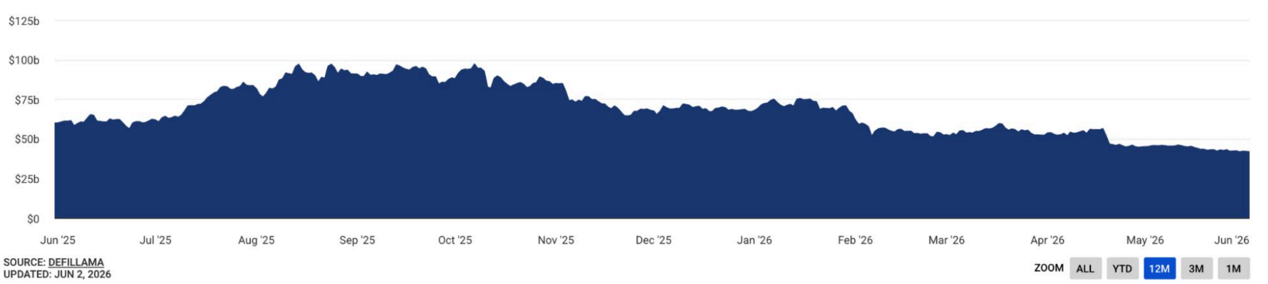
Corporations continued buying and staking ETH throughout May. BitMine now holds over 5.4 million ETH (worth US$10.6 billion), which equates to almost 4.5% of supply. The company's growing holdings has put it in a position to join the Russell 1000 index from June 26. Similarly, SharpLink Gaming will join the Russell 2000 and 3000 indexes from June 29, reflecting how corporate ETH treasuries are being used to broaden companies' shareholder bases while reaping the rewards of crypto-specific mechanisms like staking.

> "In our view, ETH prices are not reflecting the strengthening of Ethereum fundamentals, but then again, this is not surprising given we are in the early stages of crypto spring."
>
> Tom Lee, Chairman - BitMine

As crypto sold off into early June, Ethereum declined below US$1,700 for the first time since April 2025. Despite recent price weakness, the ongoing strength of the network's fundamentals, including total value locked (TVL), transaction volume and stablecoin settlements has some analysts predicting that Ethereum will be the Amazon of crypto.

Throughout the dot-com crash, Amazon's stock price declined by 94%. At the time, founder Jeff Bezos, told shareholders to ignore short-term price fluctuations and focus on the company's underlying metrics. And in 2018, he said, "The stock is not the company. And the company is not the stock. And so, as I watched the stock fall from $113 to $6, I was also watching all of our internal business metrics... every single thing about the business was getting better." Since that time, Amazon expanded from an online bookstore into an e-commerce, cloud computing and media giant.

Similarly, Ethereum is more than a cryptocurrency token, as it continues to provide the underlying infrastructure for DeFi, real-world asset (RWA) tokenisation, and stablecoin issuance. In May, the network completed 68 million transactions and TVL was stable at US$47 billion (see chart below).



Ethereum TVL June 2025 to June 2026. Source: DefiLlama

Stablecoin growth is the other key factor adding to the positive outlook for Ethereum. Some analysts say the stablecoin market will grow to US$2 trillion by the end of 2028 from the current market cap of around US$321 billion. Over half of stablecoins are currently on Ethereum, they account for 33% of transaction volume on the network and 60% of gross TVL. Similarly, the network hosts 62% of RWAs onchain and 68% of onchain loans are based on the Ethereum network. Further progress on the CLARITY Act (more on that below) could provide tailwinds for Ethereum in the coming months, too.

Ethereum closed May at USD$2,000 (-11%) as sell pressure wiped out April's gains. Despite the recent price weakness, the network's strong fundamentals indicate that the long-term outlook for Ethereum is positive. This is also emphasised by continued institutional buying as Ethereum becomes a core part of some corporate treasuries.

AI strength, CLARITY Act progress and a long-term view in focus for June

On May 14, the CLARITY Act passed a final markup vote in the Senate Banking Committee. The bill will now proceed to a final vote on the Senate floor. Though the timing of the vote is unclear, the Act is now officially on the Senate Legislative Calendar. The White House recently set a July 4 deadline for full passage of the bill. Seven Democrats will need to support the bill for it to pass the floor vote. Should the bill pass the Senate floor vote, it may need House-Senate reconciliation due to the changes since House passage in July 2025, followed by signature into law by the President.

In other news, AI crypto tokens are having their moment as TradFi AI companies continue to make gains. The recent gains across AI-linked cryptocurrencies is due to ongoing optimism surrounding AI and reduced computation costs, such as DeepSeek's recent 75% reduction in AI inference pricing. The top performing AI tokens in May were NEAR Protocol (+81%), Bittensor (+56%), and Render Network (+39%). If developments across AI as a whole continue without market shocks, this could be positive for AI-linked crypto tokens, but research is still required to determine the underlying strength of each asset.

Increased trading activity as volatility spiked throughout late May and early June saw Hyperliquid reach an all-time high of US$75 on June 2. The decentralised exchange (DEX) has seen increased activity since the U.S.-Iran war broke out, as market participants seek alternative, 24/7 channels to trade ongoing developments.

The recent sell pressure presents an opportunity for research, understanding the underlying metrics that indicate a network's long-term strength, and identifying specific crypto sectors that may benefit from TradFi capital flows, such as those into AI-related companies or increased DEX activity when volatility spikes.

If you have questions about your portfolio as you navigate the weeks ahead, book a call with your Caleb & Brown broker.

June key dates and crypto catalysts

The Iran war, U.S. Federal Reserve's rate trajectory, U.S. trade policy and global liquidity are expected to influence sentiment in the weeks ahead.

June 10	June 17
US CPI report	US FOMC June meeting

U.S. trade policy

What's at stake? President Trump's universal tariffs were announced following the Supreme Court's ruling, though developments in this area have slowed since the Iran War started.

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 (June 17)

What's at stake? The next FOMC meeting is on June 17. The meeting minutes from the FOMC's June meeting will be released on July 8.

What to consider? The U.S. Fed's rate trajectory will affect market sentiment. Expect potential market swings when a new Fed Chair is confirmed. Discuss potential outcomes with your broker.

Crypto policy and legislation

What's at stake? The Senate's crypto market structure bill, the CLARITY Act, which has stalled since January, passed a final markup vote on May 15. The bill will now proceed to a final vote on the Senate floor, though the timing is unclear. The White House recently set a July 4 deadline for full passage of the bill. Seven Democrats will need to support the bill for it to pass the floor vote.

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.

Senator Lummis introduced the Lummis Crypto Tax Bill and the 21st Century Mortgage Act in 2025. Both bills remain before the Senate.

State-based crypto legislation remains 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.