

Caleb & Brown

Crypto Brokerage

Inside the Markets

January 2026

Crypto sentiment recovers to start the New Year

The crypto market saw further bearish sentiment throughout the holiday season. Despite the U.S. Federal Open Market Committee (FOMC) cutting rates by 25 basis points at its December 10 meeting, the division amongst FOMC members, combined with continued macroeconomic uncertainty, saw many crypto assets finish the month with minor losses, including bitcoin and Ethereum. The start of 2026, however, appears strong, with bitcoin and Ethereum making convincing breaks above key levels that have been traded below since early December. Other altcoins, including Solana and XRP have also made sizeable gains from their mid-December lows.

Keep reading for the key catalysts shaping crypto in January and what we're looking out for in the year ahead.

FOMC's December 10 meeting minutes confirm divided Fed

The FOMC's December 10 meeting minutes outlined that, while Fed officials expect further rate cuts in 2026, [division remains](#) over the frequency and size of these cuts.

“With respect to the extent and timing of additional adjustments to the target range for the federal funds rate, some participants suggested that, under their economic outlooks, it would likely be appropriate to keep the target range unchanged for some time after a lowering of the range at this meeting.”

- [December meeting minutes, Federal Open Market Committee](#)

The Federal Funds rate is now 3.5% to 3.75%. According to CME Group's Fed watch tool, the likelihood of a rate cut at the Fed's January 28 meeting is currently [17.2%](#). According to the FOMC's Summary of Economic Projections, the year end 2026 median interest rate is currently forecast at 3.25% to 3.5%. This forecast may change depending on macroeconomic developments and who is appointed to be the Federal Reserve Chair after Jerome Powell's term ends on May 15.

BTC Snapshot

12-month high \$126,080
12-month low \$76,329
Price (8 Jan 2026) \$91,572

Key Market Metrics

BTC Dominance 59.19%
ETH Price \$3,105
Total Crypto Market Cap \$3.2T
Alt-Coin Market Cap \$ 1.4T

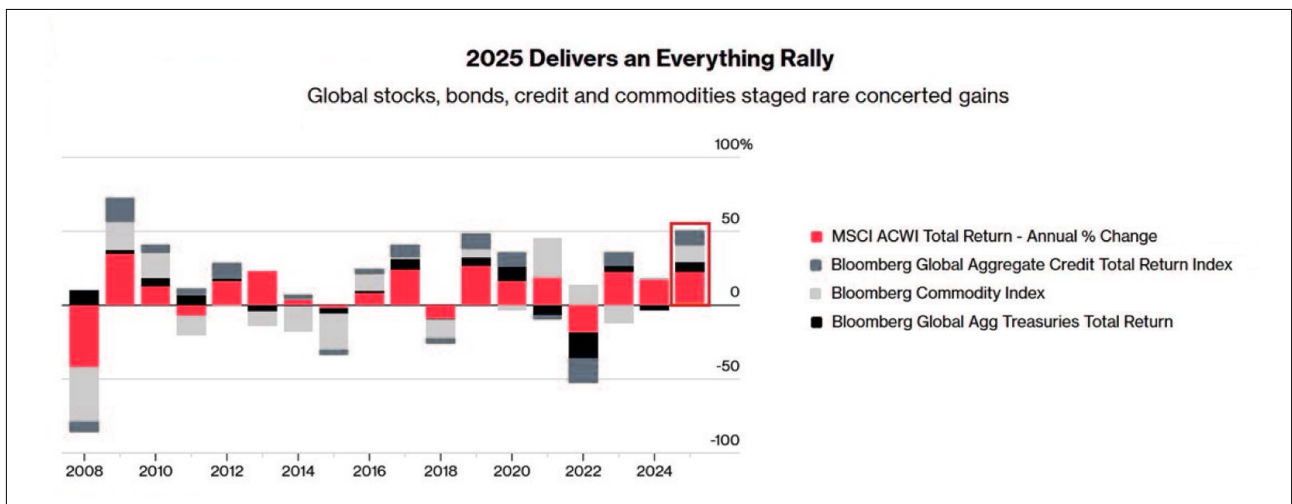


U.S. Interest Rate Forecast. (Source: [December 10, 2025 FOMC Summary of Economic Projections and Bondsavvy calculations](#))

New Year, New Fed Chair?

President Trump is expected to name the new Federal Reserve chair in the coming weeks. The president was vocal throughout 2025 about wanting the FOMC to deliver more interest rate cuts throughout last year, potentially making the new appointee’s monetary policy stance a key factor in his decision making. Whoever President Trump nominates, the decision will still need to go to the Senate for confirmation.

The [frontrunners](#) for the position are Kevin Hassett, a conservative economist who served as the White House Council of Economic Advisers during Trump’s first term. He now leads the National Economic Council. Kevin Warsh, an economist who served as a Fed governor from 2006 to 2011 is also reportedly in the running. Warsh has been a critic of the Fed’s recent approach, criticising the central bank’s reliance on data and use of assets on its balance sheet. Finally, current Fed governor Christopher Waller would be the insider pick for the nomination. Waller was nominated to the central bank’s board by President Trump in 2020, and says that there is room for the Fed to lower interest rates further.



2025 global assets performance. (Source: [The Kobeissi Letter](#); Bloomberg, MSCI)

S&P 500 and Dow Jones rallied in the holidays, Nasdaq lagged

The S&P 500 closed at a record high on December 26, with the index gaining [27%](#) for the year. The gains were fuelled by strong company earnings, declining interest rates, and cooling inflation. [Some analysts](#) expect a further year of growth, as similar market conditions to the late-nineties tech-fuelled bull market are present, including a midterm election year. However, markets have only made double digit gains on the year for four or more years three times in the last 100 years. Similarly, the Dow Jones' rally continued, making a record high on January 5 and further gains throughout the following days. The gains are presumably due to a relatively [calm market response to the U.S. capture of Venezuelan President Nicolas Maduro](#). The Dow Jones closed 2025 up 13%.

The outlier in the major U.S. indexes is the Nasdaq, which hasn't yet surpassed its October highs. The tech-heavy index faced selling pressure throughout Q4, though the prevailing trend still appears to be upward. Declines seen throughout the end of 2025 are presumably due to concerns that [artificial intelligence \(AI\) stocks are overvalued](#). Ray Dalio, founder of Bridgewater Associates stated that Wall Street technology stocks are "[now in the early stages of a bubble](#)" in a recent post on X. Despite concerns about an AI bubble, the Nasdaq closed 2025 up 13%.

To end December the S&P 500 gained 0.5%, the Nasdaq declined by 0.8%, and the Dow Jones increased by 0.8%. Heading into the New Year, market participants will presumably be closely watching for developments in U.S. employment and inflation data, who is appointed the next U.S. Federal Reserve Chair, and other macroeconomic developments, such as trade and geopolitical tension that could cause risk-off sentiment. To date, U.S. TradFi risk assets have shown strong upward momentum.

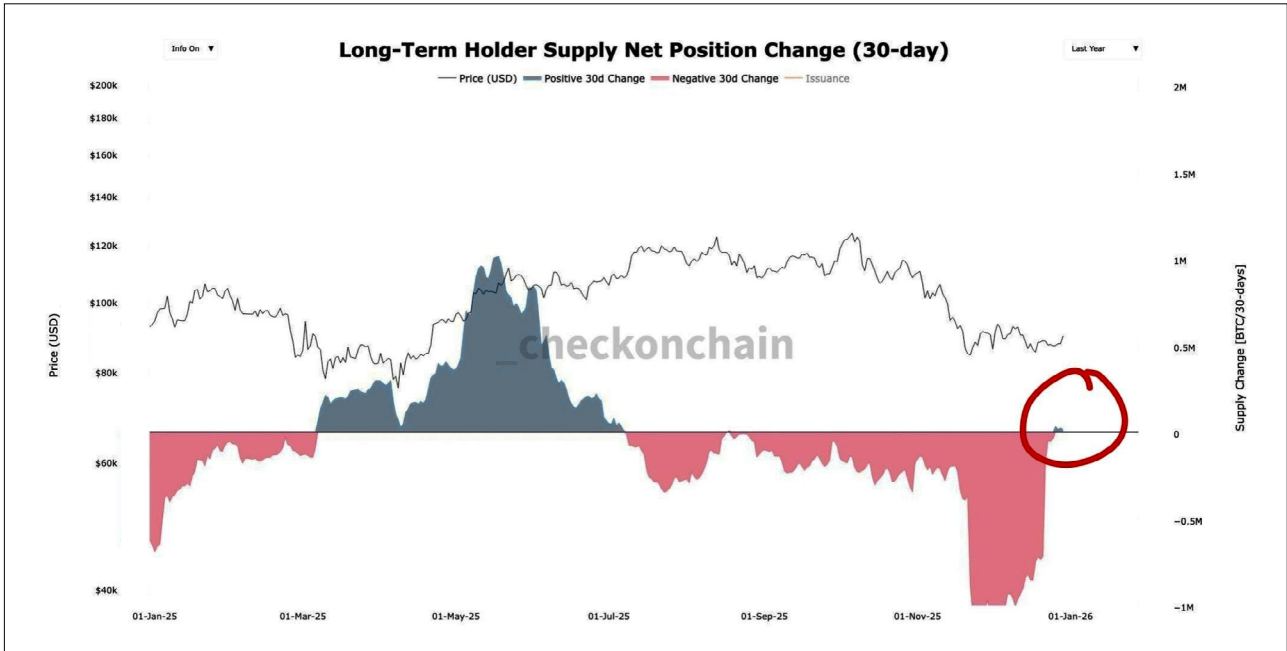
Bitcoin breaks above US\$94,000 to start the New Year

Opening December at US\$90,364, bitcoin attempted and failed to make a convincing break above US\$94,000 a number of times throughout the month. The cryptocurrency declined to a monthly low of US\$84,400 on December 18, following hawkish sentiment expressed in the FOMC's December 10 meeting. Bitcoin has since staged a rally into the New Year, gaining almost 5% since the recent low on Monday, December 29.

"As we've outlined many times, based on our work on the business cycle, the current path of financial conditions, and our expectations for overall liquidity, the balance of probabilities is that this cycle extends well into 2026."

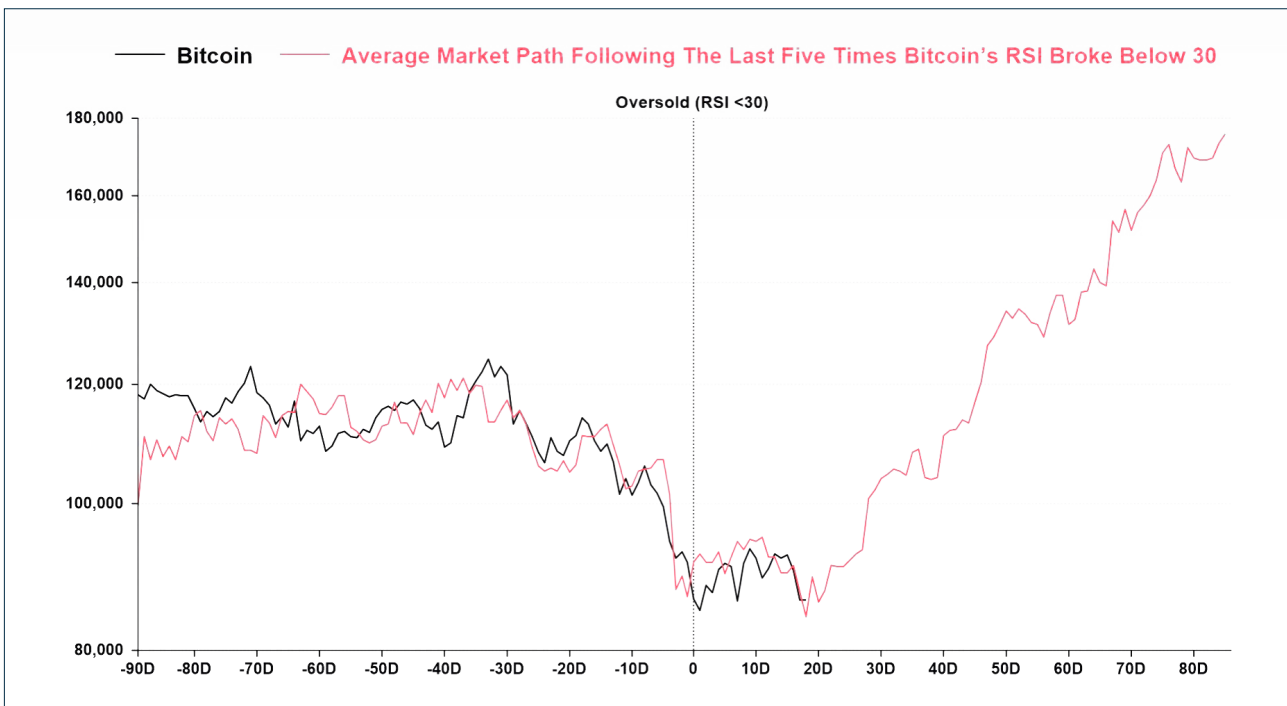
- [Julien Bittel, Head of Macro Research, Global Macro Investor](#)

The recent bitcoin gains coincided with long-term holder supply starting to accumulate bitcoin again. The last time long-term holder supply flipped from negative to positive was in March 2025.



BTC long-term holder supply net position change. (Source: [Checkonchain](#))

Further, throughout Q4's bearish conditions across crypto, bitcoin's relative strength index (RSI) broke below 30. The last five times bitcoin was oversold to this degree, the price doubled in the following three months.



Average market path following the last five times BTC's RSI broke below 30. (Source: [Global Macro Investor](#)) Past performance is not a reliable indicator of future results.

To end 2025, bitcoin was down 6.4% on the year following a couple of impressive rallies throughout. Unfortunately, the selling pressure throughout Q4 wasn't enough to see bitcoin close in the green for the year. However, the last three times bitcoin has closed down for the year in 2014, 2018 and 2022, bitcoin has averaged [almost 100% gains](#) in the following year, with gains of 35%, 95% and 156%, respectively. Of course, past performance doesn't guarantee future results, though analysts are looking to this pattern in defining their expectations for the year ahead. Bitcoin researcher Sminston With says bitcoin's base-case valuation for 2026 ranges from US\$200,000 to US\$300,000.

Bitcoin is the best performing asset in the world

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2011-25 CAGR
Bitcoin (BTC)	1473%	186%	5507%	-58%	35%	125%	1331%	-73%	95%	301%	66%	-66%	156%	121%	-6%	131%
US Nasdaq 100	3%	18%	37%	19%	10%	7%	33%	0%	39%	49%	27%	-33%	55%	26%	21%	19%
US Large Caps	2%	16%	32%	14%	1%	12%	22%	-5%	31%	18%	29%	-18%	26%	25%	18%	14%
US REITS	9%	18%	2%	30%	2%	9%	5%	-6%	29%	-5%	41%	-26%	12%	5%	3%	7%
Gold	10%	7%	-28%	-2%	-11%	8%	13%	-2%	18%	25%	-4%	-1%	13%	27%	64%	7%
US Total Bond Market	8%	4%	-2%	6%	1%	3%	4%	0%	9%	8%	2%	-13%	5%	1%	7%	2%
US Cash	0%	0%	0%	0%	0%	0%	1%	2%	2%	0%	0%	1%	5%	5%	4%	1%
Commodities	-3%	4%	-8%	-28%	-28%	19%	5%	-12%	12%	-8%	41%	19%	-6%	2%	8%	0%

Bitcoin returns following a down year. (Source: [Jesse Myers/X](#)) Past performance is not a reliable indicator of future results.

Bitcoin closed December at US\$87,497 (-3%). The recent shifting sentiment, along with growing global liquidity, the end of quantitative tightening in the U.S., and the potential for a dovish U.S. Federal Reserve governor from May points to the potential for conditions to be right for capital to flow down the risk curve into assets like bitcoin.

Ethereum breaks new records in December

Opening the month at US\$2,991, Ethereum sold off to a monthly low of US\$2,773 on December 18 before making gains into the end of 2025 and New Year. Despite Ethereum closing the month down 1.3% at US\$2,966, the December 3 [Fusaka upgrade](#) and increasing use of the network points to Ethereum's long-term strength and real-world use case as both a smart contract development and settlement layer.

A record [8.7 million smart contracts](#) were deployed on Ethereum in the fourth quarter of 2025. This marks the highest quarterly total ever, underscoring strong developer engagement. Further, daily transactions on the network reached an all-time high of almost [1.9 million](#) on December 31, 2025. The surge in contract development and transaction volume, driven by DeFi, stablecoins, real-world assets and infrastructure projects, highlights growing use of Ethereum's execution layer even amid modest price performance. Ethereum is now trading around US\$3,250, following a strong start to the New Year as investors allocate capital to crypto assets.

Will 2026 bring the long-awaited altseason?

Throughout 2025, many crypto market participants awaited an altseason that never arrived. At times, there were signs it may be materialising. Bitcoin dominance would decline, Ethereum made new all-time highs, and altcoins began to rally. However, these conditions were never sustained long enough, and persistent macroeconomic uncertainties meant that capital never stayed far enough down the risk curve for a broad-based altseason. The New Year has seen a rally across key layer-1 networks, including bitcoin, Ethereum, Solana and XRP, plus select artificial intelligence (AI) and computing tokens. From the mid-December lows, Ethereum gained almost 20%, while Solana and XRP gained 20.9% and 27.5%, respectively.

Early outperformance by some crypto assets has market participants questioning if a long-awaited altseason may arrive in 2026. In short, it could, but there are [several macroeconomic factors](#) that need to align. These factors are: U.S. rate cuts, the U.S. ISM manufacturing Purchasing Managers Index (PMI) breaking above 50, the U.S. dollar index (DXY) breaking down to new lows, and the passage of the crypto market structure bill.

The FOMC has [eight meetings scheduled](#) for 2026:

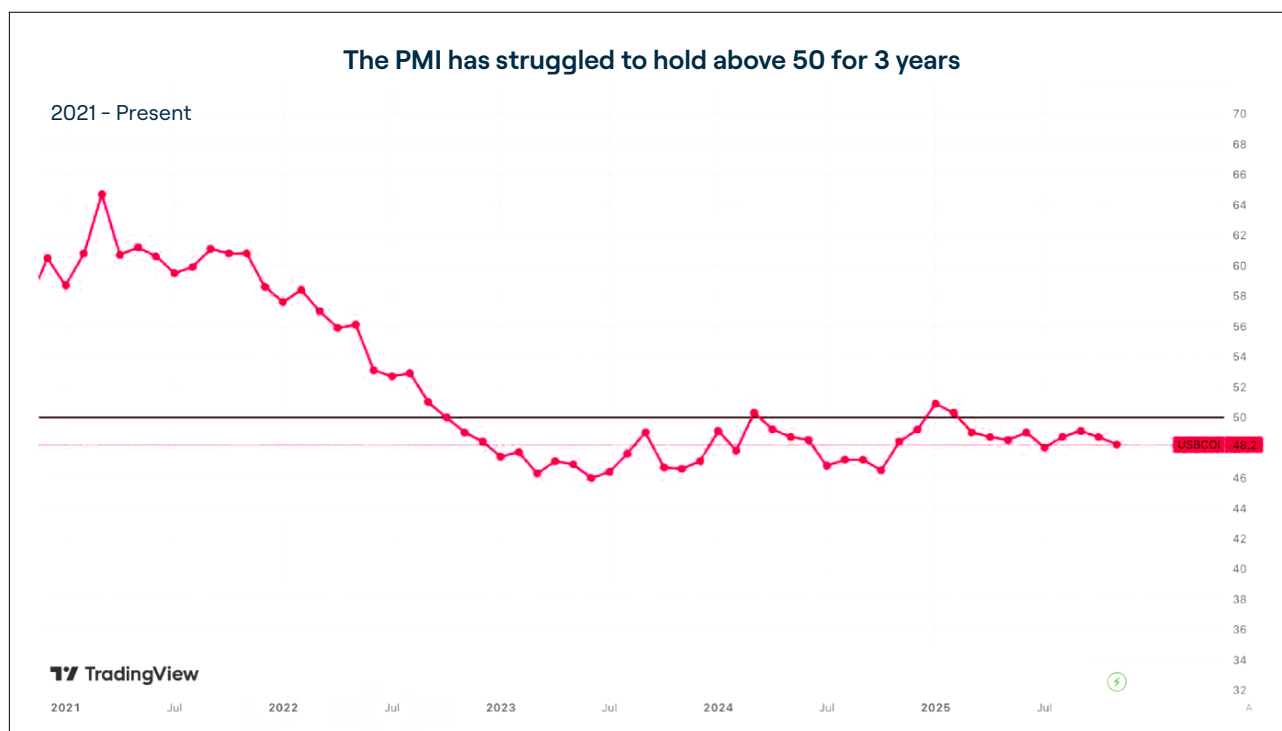
Q1	Q2	Q3	Q4
January 27 - 28	April 28 - 29	July 28 - 29	October 27 - 28
March 17 - 18	June 16 - 17	September 15 - 16	December 8 - 9

The current forecasts don't point to a rate cut at every meeting, though the Fed's monetary policy change could change if the labour market and inflation continue to cool.

"The 2025 rally wasn't driven by a huge macro wave in liquidity like past cycles. It was driven by narrative plus institutional flows—entirely different from what we'd seen before. By summer 2026, everyone will accept that the four-year cycle is dead..."

- [Jesse Eckel, Crypto Analyst](#)

Proponents of the four-year bitcoin cycle being broken and aligned with the business cycle suggest that the U.S. ISM PMI breaking and holding above 50 would signal the start of a fresh business cycle, where the economy enters a new stage of growth. These economic conditions typically see market participants' risk appetite increase, which sees capital allocated to riskier assets, such as altcoins. The ISM PMI has been unable to hold above 50 for three years, so a strong break above this level could be bullish for risk assets. December's ISM Manufacturing PMI came in under forecast at [47.9](#).



U.S. ISM Manufacturing PMI 2021 to present. (Source: [MilkRoad Crypto](#); [TradingView](#))

There was a lot of commentary about [monetary debasement](#) in 2025. Outside of printing money, currency debasement is the other key tool policymakers have available when population and productivity growth can't outpace debt growth. If the U.S. dollar continues to decline, investors will look to other assets outside the U.S. dollar to secure returns and maintain buying power. These conditions also make it more favourable for market participants to seek returns further down the risk curve in altcoins.

Finally, the crypto market structure bill, the [Digital Asset Market Clarity Act of 2025](#), remains before the Senate Committee on Banking, Housing and Urban Affairs. In the New Year, industry lobbyists expressed concern that the [U.S. crypto market structure bill, the Digital Asset Market Clarity Act of 2025](#), may not pass the Senate before the passage of new policy stops in Q2 ahead of the 2026 midterms. Industry spokespeople cite the complicated and political nature of the bill as key reasons it may not pass, while regulatory clarity from the U.S. SEC and Commodity Futures Trading Commission (CFTC) has also reduced urgency to pass the bill. A [bipartisan group of U.S. Senators](#) met to discuss the bill on January 6. While other agencies have provided regulatory clarity for crypto, the passage of the Digital Asset Market Clarity Act of 2025 would add a final layer of confirmation that crypto regulation that fosters growth and innovation has arrived for the long term and isn't in danger of the political whims of changing leaders and governments.

Remain vigilant and proactive in 2026

The New Year has seen crypto sentiment [shift from fear to neutral](#), indicating early signs that investors are re-allocating capital to crypto assets. For a sustained rally and altcoin season, however, many of the factors outlined above would need to materialise so that the economic and market conditions that send capital further down the risk curve occurs.

We remain cautiously optimistic, though the strong swings in sentiment throughout Q4 of 2025 emphasise the need to remain vigilant and proactive in these markets. Make sure you identify what would validate or invalidate your own investment thesis, stick to your long-term goals, and make informed decisions within your risk appetite.

If you have questions about your portfolio as you navigate the New Year, speak to your Caleb & Brown broker.

January key dates and crypto catalysts

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

January 28	February 18
FOMC meeting	FOMC meeting minutes

U.S. trade policy

What's at stake? Trade talks were relatively quiet through December and into the New Year, with the exception of the threatened [92% tariff](#) on Italian pasta imports from 13 producers, which has since been wound back to between 2% and 14%.

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 (January 28)

What's at stake? The next FOMC meeting is on January 28. The meeting minutes will be released on February 18.

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](#). The crypto market structure bill, the [Digital Asset Market Clarity Act of 2025](#), remains before the Senate Committee on Banking, Housing and Urban Affairs as industry lobbyists' expectations of passage before the 2026 U.S. midterms wane. A [bipartisan group of U.S. Senators met](#) to discuss the bill on January 6.

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.

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