

David Zimmerman

Senior Analyst

Keeping The Hype

TLDR

- Hyperliquid has grown to command 55% of 7-day perp DEX trading volume, outperforming competitors through its product-first approach.
- Hyperliquid's open interest and trading volume have risen to such a size that it is more comparable with CEXs. Open interest on Hyperliquid currently sits at 47% of OKX's levels, and 13% of Binance's.
- Set to launch "soon", HyperEVM will be a component of the Hyperliquid L1 network directly embedded within its HyperBFT consensus layer. A successful launch would essentially see Hyperliquid become a fully-fledged L1.
- HyperEVM would see DeFi applications, native stablecoins, and more going live on Hyperliquid L1 and utilizing the already fleshed-out perp and spot market architecture.
- Hyperliquid's Assistance Fund, a sort of insurance fund which is continually bolstered by HYPE market buys from platform revenue, currently holds over 4% of circulating HYPE.
- While altcoins remain weak, Hyperliquid is one of the few projects that currently offers some optimism, but BTC's resolution from its current range still remains the primary factor in dictating where the altcoin market goes.

Keeping The Hype

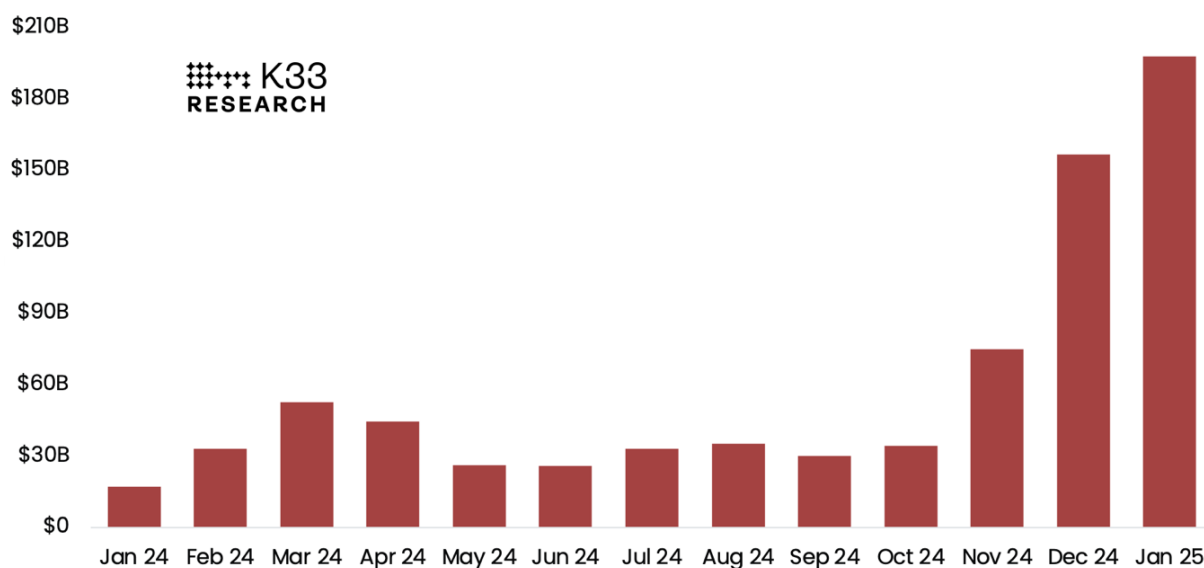
The altcoin market continues to be marked by grim price action and poor sentiment. However, there are pockets of relative strength. Hyperliquid's HYPE is one of the leading examples as it rides the wave of the DEX's continued success and packed roadmap. The altcoin market continues to be flooded with different launches following a cynical 2021-style extractive strategy, while unlocks from altcoin launches in recent years begin to stack up and give the market an insurmountable barrage of supply to overcome, making a market-wide "alt season" seemingly impossible. Hyperliquid's execution and roadmap give us reason to be optimistic about crypto products that focus on... product. Let's dive in!

HYPE: The Strongest Start

First, a brief overview of Hyperliquid. Hyperliquid, in its current form, is a dedicated L1 DEX. Unlike many projects in the crypto space that launch tokens before delivering a fleshed-out working product, Hyperliquid took a different approach - it focused on building and launching a successful trading platform before introducing its native token, HYPE. Using the [HyperBFT](#) consensus mechanism, Hyperliquid offered a trading experience comparable to CEXs, something often claimed but almost never delivered.

Following 12 months of points campaigns over 2 phases, the HYPE airdrop was distributed to loyal Hyperliquid users in November 2024. The team allocated 31% of the total supply, distributing 310 million tokens to 94,000 eligible wallets, an airdrop valued at \$7.4 billion based on current prices. The success of this airdrop was largely due to the platform's existing adoption and its dominance in perp DEX trading volume, holding around 35% of perp DEX volume at HYPE's launch. Such metrics are often skewed by incentive programs. However, Hyperliquid's dominance has continued to grow since then, currently occupying 55% of 7-day perp DEX volume while the platform continues to break monthly volume records with just under \$200 billion in perp volume last month.

Hyperliquid Perp Volume



By prioritizing the product-first model, Hyperliquid has seen *continued* adoption post-airdrop among traders seeking an on-chain yet high-performance user experience. Hyperliquid has not only managed to win a majority of the perp DEX market, but activity on the platform has reached such a level that it is more appropriately compared to CEXs. Hyperliquid consistently holds open interest and volume levels that establish itself as a competitor to major CEXs. At the time of writing, open interest on Hyperliquid sits at 47% of OKX's open interest, and 13% of Binance's.

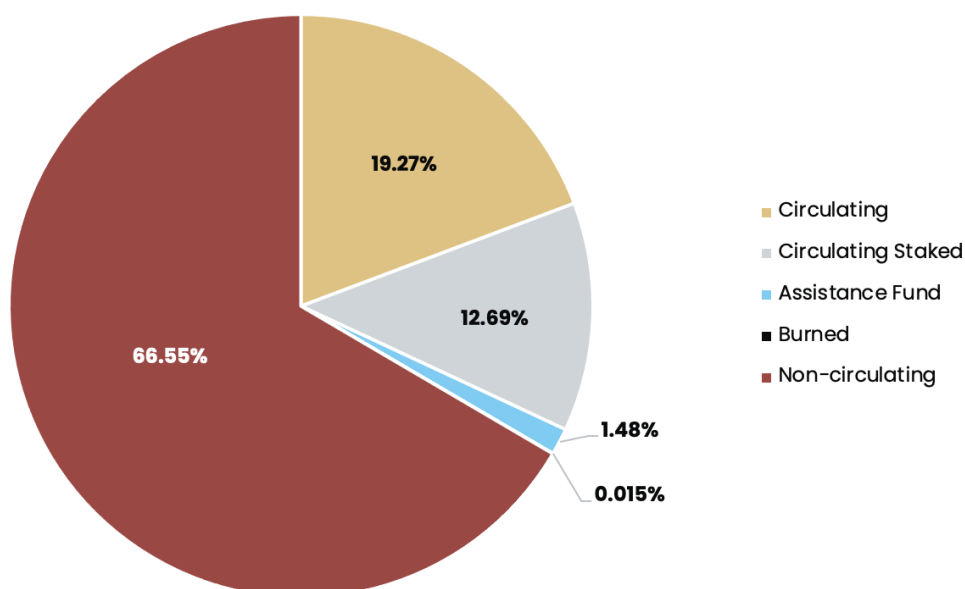
Exchange	24h Open Interest	24h Futures Volume
Binance	\$24,627,047,683	\$51,047,908,795
Bybit	\$17,748,342,420	\$19,535,169,320
OKX	\$7,242,240,461	\$21,728,396,546
Hyperliquid	\$3,413,929,470	\$4,499,296,126

Keeping The Hype Going

Hyperliquid has built on early momentum to reach record dominance in the perp DEX space while the platform seeks to strike a balance between rewarding protocol users and sustainability. 31% of HYPE tokens were distributed to users at TGE, while 38.88% was earmarked for future emissions and community rewards. The only other sizeable allocation is for current and core contributors at 23.8%. Notably, especially in a year of major unlocks, core contributor tokens are locked until November 2025 with most vesting schedules complete by 2027–2028.

Having introduced staking in December, the amount of circulating HYPE that is staked is consistently high, currently sitting at 37%. As the Assistance Fund (AF) continues acquiring and locking up HYPE (as we will discuss below), the tokenomics are solid for the medium term with no major unlocks until the end of the year.

Current HYPE Distribution



Hyperliquidity Provider (HLP), the official vault of the DEX platform, serves as the counterparty for a substantial portion of trades. HLP earns a share of various platform fees, including trading, funding, and liquidation fees. To date, HLP's PnL sits at \$58,911,327, mirroring the (cumulatively negative) trader PnL on the platform. On Hyperliquid, a user's trade may be countered by either HLP or other users, with HLP's strategy subject to adjustments at any time.

Currently, 46% of Hyperliquid's perp trading fees are distributed to HLP holders, rewarding HLP liquidity providers that power the platform's market making activities. The record volume Hyperliquid has seen in recent months also directly translates to a boost in buy pressure for HYPE, as the remaining 54% of perp trading fees are currently used by the AF to buy back \$HYPE.

The AF acts as an insurance fund, should the trading platform face a malfunction of some sort that negatively impacts users. For example, if there were an oracle mispricing and traders were negatively impacted, the AF could be used to reimburse traders. However, we do note that the parameters and necessary conditions in order to trigger use of the AF are not explicitly outlined in Hyperliquid's documentation. To date, the Assistance Fund has accumulated 14,706,787 HYPE. These tokens are considered by some market participants to be "burned", but they are more accurately considered "out of circulation" until the day they *may* be used in extreme circumstances. The AF holds 4.42% of the current circulating supply of HYPE.

HYPE does, however, see some true deflationary pressure due to buyback-and-burns from a certain portion of spot trading. Hyperliquid's spot trading follows the same fee structure as its derivative trading, with USDC fees distributed in the same manner as perps - 46% allocated to HLP and 54% to AF. However, in spot trading, fees collected in other tokens (e.g. in HYPE-USDC pairs, where buyers pay fees in USDC and sellers pay in HYPE) are directly burned. Spot trading was only 3.3% of perp volume for January. Considering this, it is no surprise that the buy-and-burn mechanism has burned only 0.015% of total HYPE supply to date.

It is important to note that much of the details surrounding Hyperliquid's tokenomics, AF, HLP's strategies, and the HYPE buyback-and-burn mechanism is not outlined or specified in Hyperliquid's documentation. Information on these elements of Hyperliquid's operation has been pieced together from various official blog posts, interviews, and third-party analyses. Although we consider Hyperliquid to be a success and HYPE a relatively strong token in a very weak altcoin market, we do stress that this ambiguity with respect to important project details is unusual.

HyperEVM: The Full L1 Gambit

Rumored to be launching this quarter, HyperEVM will be a component of the Hyperliquid L1 network directly embedded within its HyperBFT consensus layer. HyperEVM is designed to seamlessly interact with Hyperliquid's native features, notably its on-chain spot and perp order books. This means a composable application layer that enables DeFi builders to build out Dapps and further scale the Hyperliquid network.

Most notably, this integration will allow smart contracts on HyperEVM to access and interact with the Hyperliquid order books as if they were native assets or functions. For example, ERC20 tokens on HyperEVM are fungible with their corresponding native spot assets, enabling users to trade project tokens with minimal fees and deep liquidity on the native order books, while also utilizing the same assets in EVM-based applications. This is where Hyperliquid goes from being "just" a DEX to an L1 powered by the most successful DEX DeFi has produced.

Once Hyperliquid has established itself as a general-purpose L1, the slew of new DeFi applications, lending protocols, NFT marketplaces, and more will all contribute toward network growth and TVL expansion. Importantly, as alluded to but not explicitly stated in Hyperliquid's docs, the launch of HyperEVM will enable native stablecoins. This is a crucial feature for any chain seeking to win significant market share, as it directly translates to more capital inflows and opens up avenues for more institutional investment. Additionally, HYPE will be used for gas fees on the HyperEVM, giving the token additional utility.

Feature	Pre-HyperEVM	Post-HyperEVM
Dapp suite?	No	Yes
HYPE utility	Governance, Staking	Gas Fees, Governance, Staking
Native stablecoins?	No	Yes
Developer support?	Limited	Likely Grants/Funding

A Pocket of Strength, But A Heavy BTC Looms

Currently, altcoin sentiment remains poor with few things to get excited about. HYPE is attempting to buck that trend, with HyperEVM being the main future catalyst. We could see another wave of capital flowing into Hyperliquid if the platform can successfully execute its push beyond the label of a DEX to become a fully-fledged L1 with a suite of Dapps. Additionally and not unrelated to HyperEVM, if Hyperliquid can broaden its spot-trading markets to include major assets such as ETH and SOL, the platform could see a sizeable boost to its TVL and trading volume while potentially ramping up buy-and-burn progress.

Unlike many projects that rush token launches, Hyperliquid built a robust trading platform first, dominated the perp DEX market and is now beginning to challenge major CEXs. Like the rest of the market, we eagerly await HyperEVM. However, as we have noted in recent weeks, the potentially positive impact of any such catalyst is largely dictated by BTC's direction. Altcoin sentiment remains poor following last week's liquidation cascade, and isolated altcoins can only show relative strength for so long until buckling under the weight of a heavy Bitcoin.

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