

## Monthly Outlook

*Altcoin Season Cometh*

August 14, 2024

- In [March 2025](#), we wrote: “we think ... that markets could potentially find a floor in [1H25], leaving us in position to make new highs later in the year.”
- That market thesis has mostly played out as we expected, given the alignment of stronger than expected macro conditions and a clearer crypto regulatory framework.
- One area where our view has evolved is on altcoins, which so far have not gathered significant retail momentum in this cycle but could be supported by recent tailwinds.

Our 3Q25 outlook remains constructive, though our view on an altcoin season has evolved. **We think current market conditions now suggest a potential shift towards a full-scale altcoin season** as we approach September. (A common definition for altcoin season is when at least 75% of the top 50 altcoins by market cap outperform BTC over the preceding 90 days.)

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Many people have debated whether Fed cuts in September could represent a local top for crypto markets. We don't think so. With significant retail capital sitting on the sidelines in money market funds (over \$7T) and other places, **we think Fed easing could unlock greater retail participation in the medium term.**

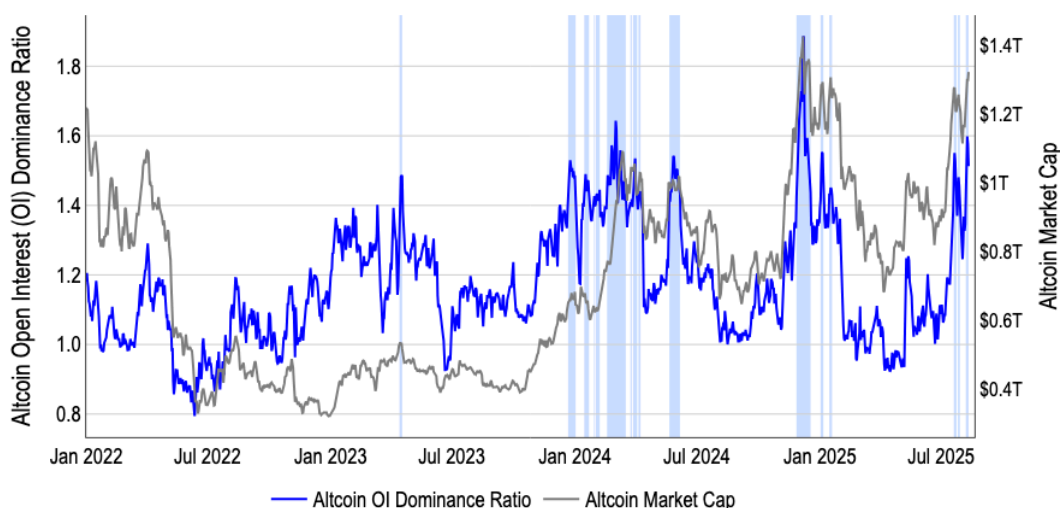
**Focus on ETH.** The divergence between (1) a largely subdued Altcoin Season Index (CoinMarketCap) versus (2) 50% growth in the total altcoin market cap since early July largely reflects the increasing institutional interest in ETH. This has been supported by demand from digital asset treasuries (DATs) and the growing narrative around stablecoins and real world assets.

Tokens like ARB, ENA, LDO and OP all trade at a **higher beta to daily ETH returns**, though it seems only LDO has benefited from the recent ETH rally with its 58% MTD gain. In the past, Lido has offered relatively straightforward exposure to ETH given the nature of liquid staking. Moreover, we think LDO's appreciation was supported by the US SEC statement that liquid staking tokens do not constitute securities under certain conditions.

## Enter the Alt Szn

Bitcoin's market dominance has declined from 65% in May 2025 to approximately 59% by August 2025, signaling the early stages of capital rotation into altcoins. CoinMarketCap's [Altcoin Season Index](#) currently sits in the low 40s, well below the 75 threshold by which they historically define alt seasons, even though the altcoin market cap has climbed over 50% since early July to \$1.4T as of August 12. **We think that current market conditions have started to signal a potential rotation into a full-scale altcoin season as we head into September.**

**Chart 1. Altcoin open interest dominance ratio has spiked**

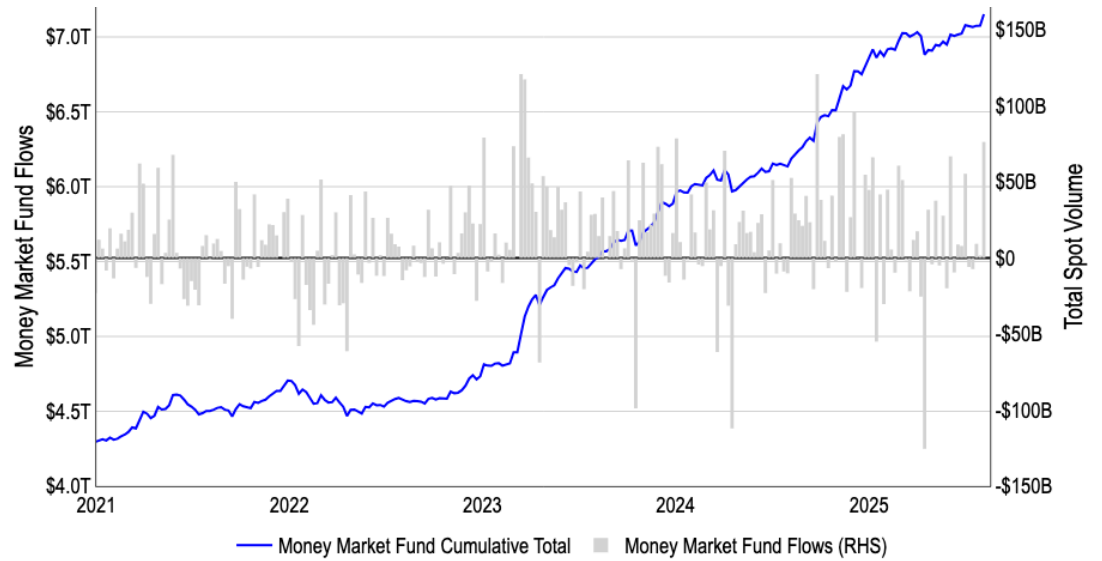


Dollar amount tied up in altcoin contracts for every \$1 of BTC derivatives open interest. Altcoins are defined as all tokens excluding BTC. Sources: Coinalyze, TradingView, and Coinbase.

Our constructive outlook is based on both our macro perspective as well as our anticipation of major regulatory advancements. We've [previously](#) enumerated how our custom global M2 money supply index leads BTC by 110 days and points to a fresh wave of potential liquidity in late 3Q25 / early 4Q25. This is important because for institutional capital, it seems like the narrative keeps coming back to large cap names, which leaves altcoin support to come mainly from retail investors, in our view.

Notably, around \$7.2T is currently sitting in US money market funds, the [highest amount](#) on record. (See Chart 2.) Cash balances declined by \$150B in April, which we think enabled stronger crypto and risk asset performance in subsequent months. Curiously however, cash balances have picked up by over \$200B since June, which is at odds with the crypto appreciation we've seen over the same period. Typically, there tends to be an inverse relationship between crypto price increases and cash balances.

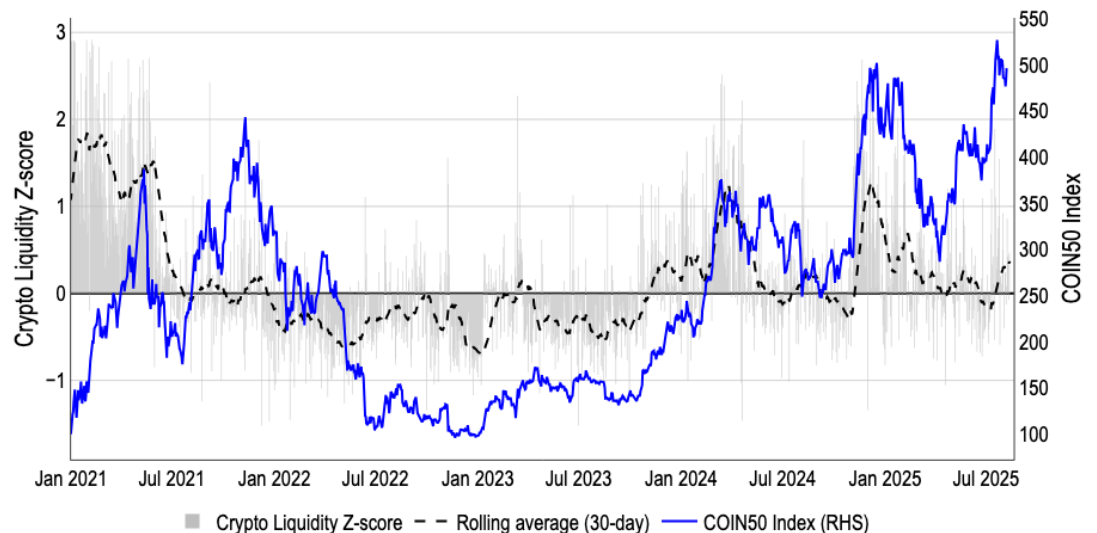
**Chart 2. Money market fund assets have ballooned to over \$7T**



Sources: Bloomberg and Coinbase.

We think this unprecedented cash stockpile represents missed opportunity costs due to (1) increased uncertainty in traditional markets (because of trade conflicts and other issues), (2) expensive market valuations and (3) lingering concerns around economic growth. However, with Fed rate cuts looming in September and October, we think the attractiveness of money market funds will start to wane and see more capital deployed to crypto and other riskier asset classes.

**Chart 3. Emerging signs of crypto liquidity recovery**



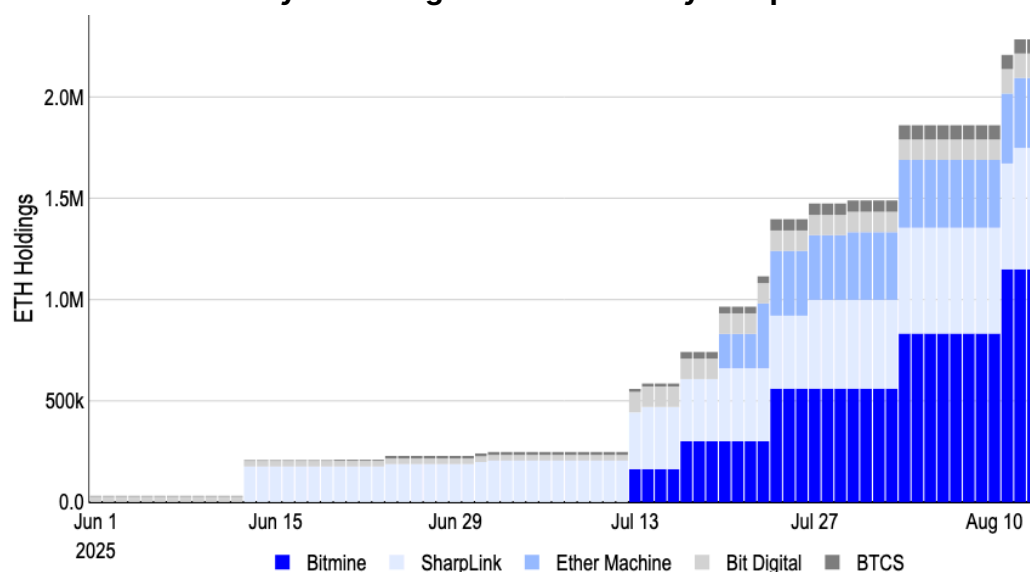
Sources: CoinMetrics, DeFiLlama and Coinbase

Indeed, our z-score measure of weighted crypto liquidity – based on factors including net stablecoin issuance, spot and perp volumes, orderbook depth and free float – suggests that over recent weeks, liquidity has started to recover following six months of decline. (See Chart 3.) The growth in stablecoins is partly due to the clearer regulatory landscape for these assets.

## ETH betas

Meanwhile, the divergence in the Altcoin Season Index vs the total altcoin market cap largely reflects the increasing institutional interest in Ethereum (ETH), supported by demand from digital asset treasuries (DATs) and the growing narrative around stablecoins and real world assets. Just Bitmine Immersion Technologies alone has bought [1.15M ETH](#) with a new raise of \$20B that gives it total capacity to buy \$24.5B worth of ETH. (The former leader of ETH DATs, Sharplink Gaming, now holds [around 598.8k ETH](#).)

**Chart 4. ETH held by select digital asset treasury companies**



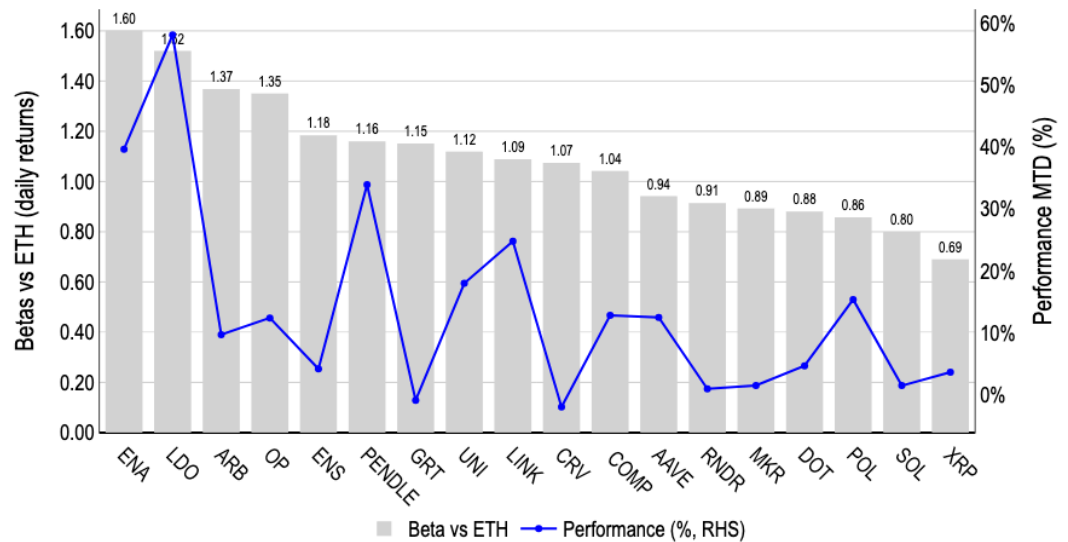
Sources: Public filings, [strategicethreserve.xyz](#) and Coinbase.

The latest available data as of August 13 indicates that the top ETH treasury companies control approximately 2.95M ETH or over 2% of the total ETH supply (120.7M ETH). (See Chart 4.)

With respect to higher beta to ETH returns, tokens like ARB, ENA, LDO and OP top the list, though it seems only LDO has benefited from the recent ETH rally with its 58% MTD gain. In the past, Lido has offered relatively straightforward exposure to ETH given the nature of liquid staking, and currently LDO sits at a 1.5 beta to ETH. (A beta greater than 1.0 indicates

that an asset is theoretically more volatile than the benchmark – potentially amplifying both gains and losses.)

**Chart 5. Betas of select altcoins vs daily ETH returns (3m window)**



Returns calculated from August 1 to August 12. Sources: CoinMetrics and Coinbase.

Moreover, we think LDO's appreciation was supported by the US SEC [statement](#) on liquid staking on August 5. Staff from the Division of Corporation Finance stated that liquid staking activities do not involve the offer or sale of securities when the services provided by liquid staking entities are primarily "ministerial" and the rewards pass from protocol staking one-for-one. However, yield guarantees, discretionary restaking, or extra return schemes could still trigger securities status. Note that the current guidance is only a staff view—future Commission shifts or litigation could alter the interpretation.

## Conclusions

Our 3Q25 outlook remains constructive, though our view on an altcoin season has evolved. The recent decrease in bitcoin dominance suggests an early rotation of capital into altcoins rather than a full-scale altcoin season at this stage. However, with the altcoin market cap climbing and the Altcoin Season Index showing early positive signals, we believe conditions are setting up for a potential rotation into a more mature altcoin season as we head into September. Our optimistic view is underpinned by both macro factors and expected regulatory progress.

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