

Monthly Outlook

The Long Road Back?

November 25, 2025

- **Crypto market sentiment remains dominated by fear, with both retail and institutional capital hesitant to step in, while bitcoin has significantly lagged U.S. equities on a risk-adjusted basis**
- **The U.S. economy is showing a “K-shaped” recovery, where AI-driven productivity boosts corporate profits but also causes job displacement, potentially impacting risk appetite**
- **While we recommend waiting for high-volume reclaim of key levels and a turn in ETF/stablecoin flows before re-entering, we think conditions could look better for markets in December**

Recent performance across the crypto asset class has been undeniably poor, leading many to question previous growth assumptions and models. On positioning, recent risk-adjusted performance shows BTC lagging U.S. equities by an extreme margin, with price slicing through major technical and onchain support bands. Unlike previous downturns, there is a distinct lack of retail (or institutional) capital stepping in to absorb sell pressure and support prices at lower levels, suggesting deep-seated caution and/or the exhaustion of willing capital. But while fear remains elevated, we believe conditions favor a reversal in December.

One caveat is that bitcoin exceptionalism may anchor the medium-term narrative as liquidity becomes more selective. The macro backdrop remains fragile as crypto digests October’s liquidation, which impacted altcoins more heavily. Alongside the heightened focus on the Federal Reserve’s December decision, we think risk appetite could be pressured by a bifurcating U.S. economy (i.e. a “K-shaped” economic recovery). That is, the growing number of job displacements tied to AI presents a complex problem: corporate profits may increase, but this gain comes at the expense of personal income stability.

Fortunately, evidence that such effects are depressing crypto performance appears weak so far, and we think sidelined cash (e.g., sizable money-market balances) could still pivot into regulated BTC vehicles when conditions stabilize. For now, our preference is to wait for high-volume reclaims and a sustained turn in spot ETF/stablecoin flows.

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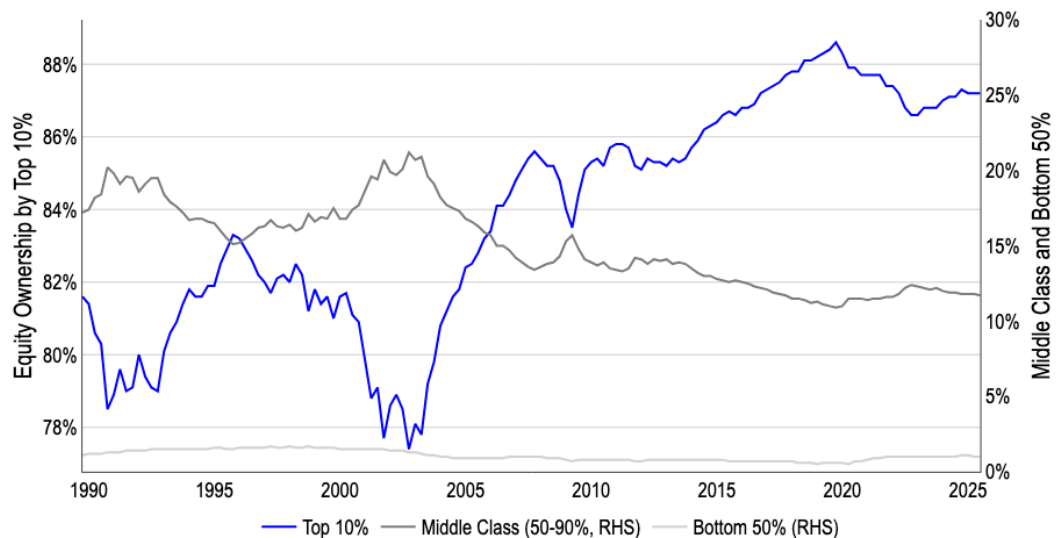
Crypto markets in a K-shaped economy

A significant amount of the "doom and gloom" in crypto markets in recent weeks has been imported directly from the macro-economic world. Concerns over inflation, potential recession, and global monetary policy have directly impacted risk asset appetite, including crypto. The cycle fatigue represents a fundamental change in the investor base's psychology, where the resilience and optimism that defined previous cycles are waning.

A big part of what's happening is that financial markets are currently grappling with considerable anxiety about the Federal Reserve's next interest rate decision on December 10. Incidentally, we covered this in our most recent weekly market report ("Age of Anxiety," published November 21) where we argued that the market is mispricing the odds of a cut and that private data sources actually tilt towards another 25bps move. Of course, since we published that, **the odds of a cut have swung from 22% to 75% on Polymarket.**

Where things break down is that the U.S. economy doesn't actually look all that bad, growing 3.8% annualized in 2Q25 up from a contraction of 0.5% in 1Q25. However, **the persistent narrative of economic growth, while superficially reassuring, masks a deeper, more troubling structural shift: the increasing bifurcation of the U.S. economy.** This follows the [thesis](#) of the K-shaped economy, [popularized](#) by economist Peter Atwater in 2020 and recently [reiterated](#) by Mark Zandi, chief economist for Moody's Analytics.

Chart 1. Bifurcation of asset ownership in a K-shaped economy



Corporate equity and mutual fund shares by wealth percentile group. Sources: Federal Reserve and Coinbase.

The K-shaped economy refers to a long-term trend where factors like stagnant wage growth and the rising costs of goods and services have divided wealth and income flows, with more capital going disproportionately to the economically advantaged. Higher-income individuals tend to hold the majority of crypto and stock assets, with [CNBC reporting](#) that the top 10% of American households own around 89% of all U.S. stocks.

However, the rise of artificial intelligence is having a dual effect on the economy right now. While it's contributing to a [rise in labor productivity](#), [headlines](#) suggest that it is happening at the expense of white collar workers and middle management. In other words, AI is boosting corporate profits and stock values (enhancing the wealth effects that could drive crypto inflows), but **the resulting job displacement may simultaneously erode income security, which perversely reduces discretionary investments in riskier asset classes like crypto.**

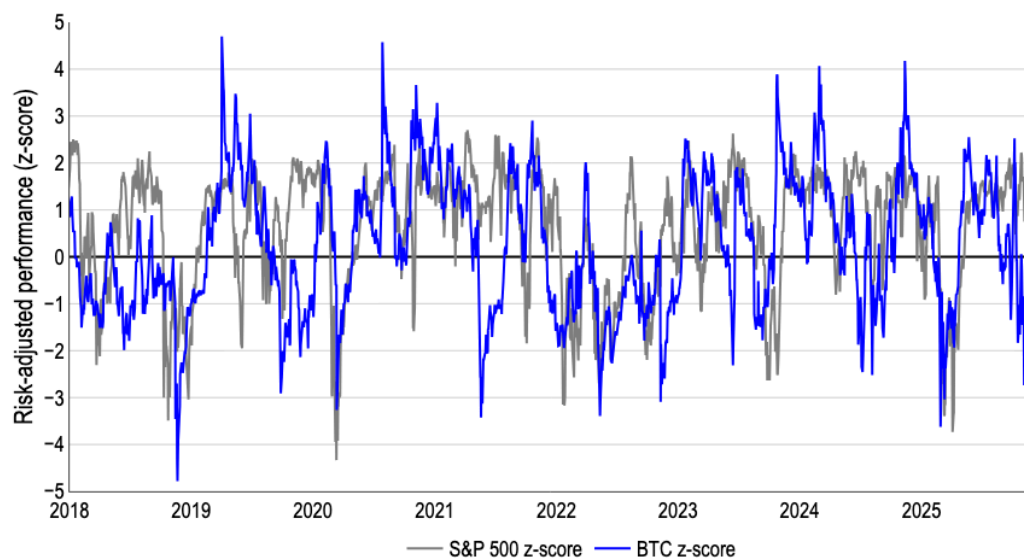
The problem is it's hard to prove there's a reliable relationship between these factors at the moment, given the limited amount of data points available from sources like monthly ADP employment reports or BLS nonfarm payrolls. Indeed, there are only 36 monthly data points since the advent of chatGPT 3.5 in November 2022. A simple regression analysis to test if higher jobs displacement has preceded lower BTC returns offers a relatively low R-squared of 0.14, suggesting low explanatory power.

This suggests AI job displacement hasn't yet significantly dampened crypto performance, possibly because upper-income groups benefit from AI-driven stock gains and crypto appreciation. If that's the case, we could yet see more sidelined capital (like the \$7.5T in U.S. money market funds) deployed into assets like BTC ETFs in the months ahead.

Risk-adjusted performance

Since early October, bitcoin has underperformed U.S. equities massively on a risk-adjusted basis, having moved over 3 standard deviations lower relative to its 90-day average, compared to a 1 standard deviation fall for the S&P 500 (see Chart 2.) That rivals May 2022 (post Terra-Luna), November 2022 (post FTX) and March 2025 (onset of U.S. tariffs) as one of the worst drawdowns on record. The silver lining is that historically, such stretched valuations typically precede sharp market corrections, which is consistent with our view that markets should catch up to a lagged inflection higher in global liquidity (based on our [custom M2 money supply](#) index).

Chart 2. BTC has lagged severely on a risk-adjusted basis



Based on 90-day rolling window. Sources: CoinMetrics, TradingView, and Coinbase.

That said, we think the recent crypto performance reinforces the tactical shift we advocated in our [last report](#), away from the broader altcoin market and towards bitcoin (and other large market cap names). Indeed, **BTC still benefits from the "bitcoin exceptionalism" narrative in a way that alts simply do not**, driven by the secular trend of increasing institutional adoption and an increasingly robust monetary policy, in relative terms.

While bitcoin is not exempt from scrutiny simply because of this perception, the "digital gold" narrative anchors bitcoin as a store of value in a profoundly different way from the utility-driven, often niche-focused, or purely speculative narratives of most altcoins. As a result, we still expect institutional investors to gravitate towards bitcoin for this established and easily communicated story of scarcity and permanence. That said, a deep dive on bitcoin is still warranted, as we look for ongoing catalysts that might drive market signals in the near term.

BTC deep dive

In recent weeks, bitcoin has broken all of its major onchain and technical support bands, leaving no obvious floor for prices. BTC is now trading decisively below the 200-day SMA, the short-term holder (STH) cost basis, and the 75% profit cost-basis line that acted as support in earlier bull cycles, with that 75% band (the point where roughly a quarter of supply is at a loss) being the last to give way mid-November (Chart 3). Once price sinks well below the STH cost basis, most recent buyers are underwater, historically raising the odds of capitulation as they rush to cut losses rather than "hodl through it" – a pattern now clearly visible as realized losses have

spiked to levels last seen during the November 2022 FTX collapse. That helps explain why this drawdown has been so sharp: when both technical supports and recent buyers' cost bases break together, markets lose natural dip-buyers at exactly the moment forced sellers show up.

Chart 3. Bitcoin technical and onchain bull market support bands



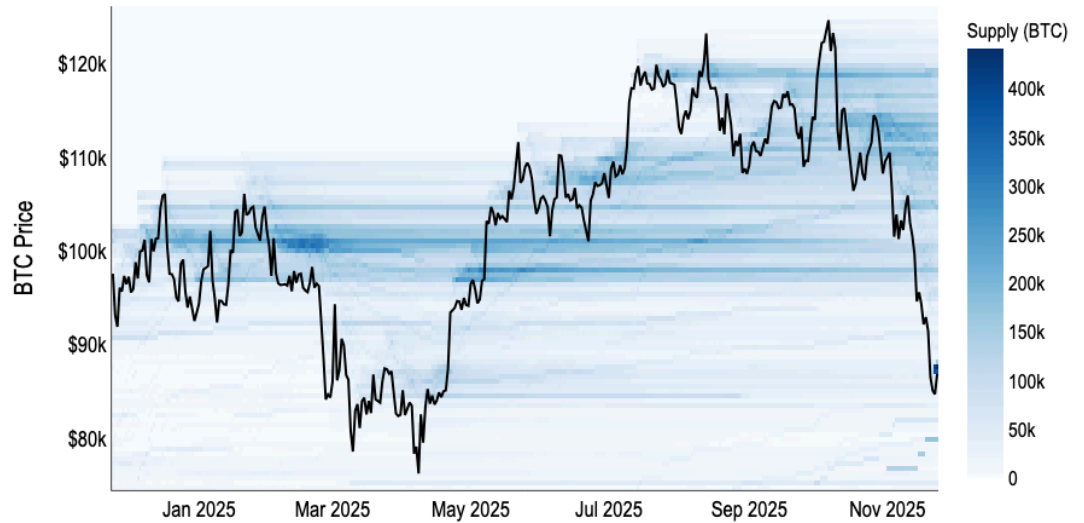
Sources: Glassnode and Coinbase

With the \$98–100k [battleground](#) lost, onchain positioning offers little nearby support, so the risk-reward now favors trading breakouts.

Realized-price clustering around \$98-100k previously indicated a thick band of holders anchored to that level, but once price sliced through it, the cost-basis distribution thinned out below, implying fewer addresses with strong incentives to defend current levels (Chart 4). This effectively translates to less immediate support below the current price.

Should selling pressure continue, there are fewer organic areas of demand to mitigate the decline. This was clearly demonstrated by bitcoin's swift drop through the \$90k-\$85k gap, accompanied by very few rebound attempts. Until a new base of realized price density forms, setups skew toward waiting for a convincing, high-volume reclaim of broken levels (particularly \$98-100k overhead resistance) rather than repeatedly buying dips into a vacuum.

Chart 4. Bitcoin cost basis distribution heatmap

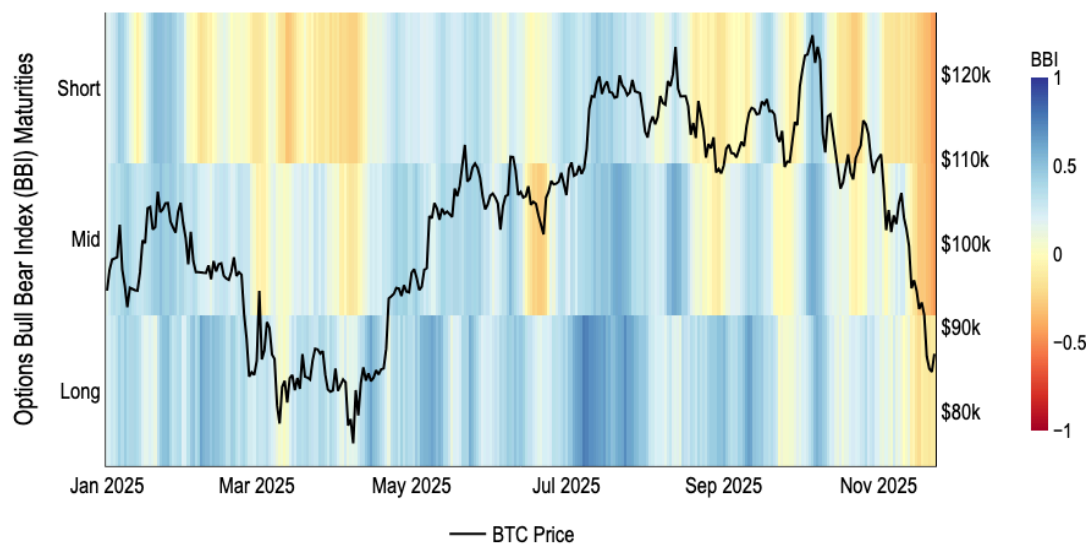


Sources: Glassnode and Coinbase

Options markets have shifted from cautious to outright defensive, reinforcing the message that traders see more downside risk in the near term. The Bull–Bear Index (BBI) gauges whether option-buyer premium tilts to calls (bullish) or puts (bearish): +1 implies only call premium, –1 only put premium, and 0 a balance:

- Short-tenor BBI (0–30D), which captures near-term conviction, has moved firmly negative, signaling that traders are paying up for downside protection rather than upside exposure.
- Mid-tenor BBI (30–90D), often used for tactical and event-driven bets, has also drifted into bearish territory, suggesting investors see a non-trivial chance that weakness extends over the next few months.
- Long-dated BBI (>90D) looks closer to neutral, which we interpret as structural uncertainty rather than deep long-term pessimism. These are likely investors hedging the path into 2026 but not yet willing to pay aggressively for “end of cycle” downside.

Chart 5. Trailing-7-day (T7D) average Options Bull Bear Index heatmap

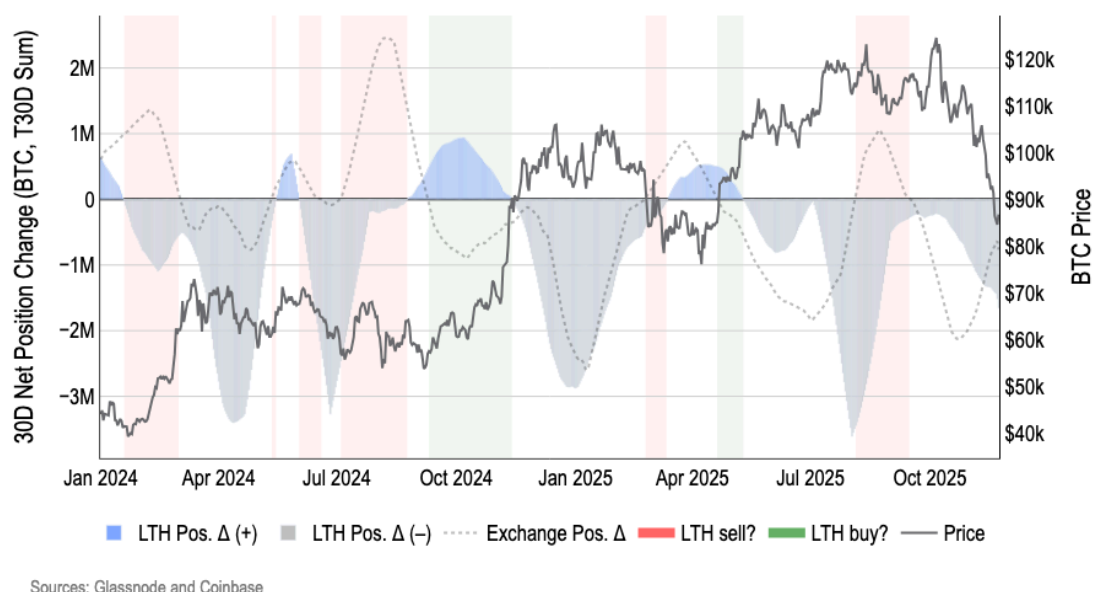


Sources: Glassnode and Coinbase. The BBI index is segmented by options maturity: Short-term (0-30D), Mid-term (30-90D), Long-term (>90 days)

Meanwhile, net-position-change metrics for long-term holders (LTHs) are firmly negative on a 30-day basis, meaning older coins are, on net, moving out of dormant wallets rather than into them (Chart 6). Market chatter has focused on large "OG" cohorts, with [Arkham Intelligence](#) suggesting that Owen Gunden, a 2011-era bitcoin whale, fully exited his ~11,000 BTC stack (~\$1.3B at average prices) between late October and November.

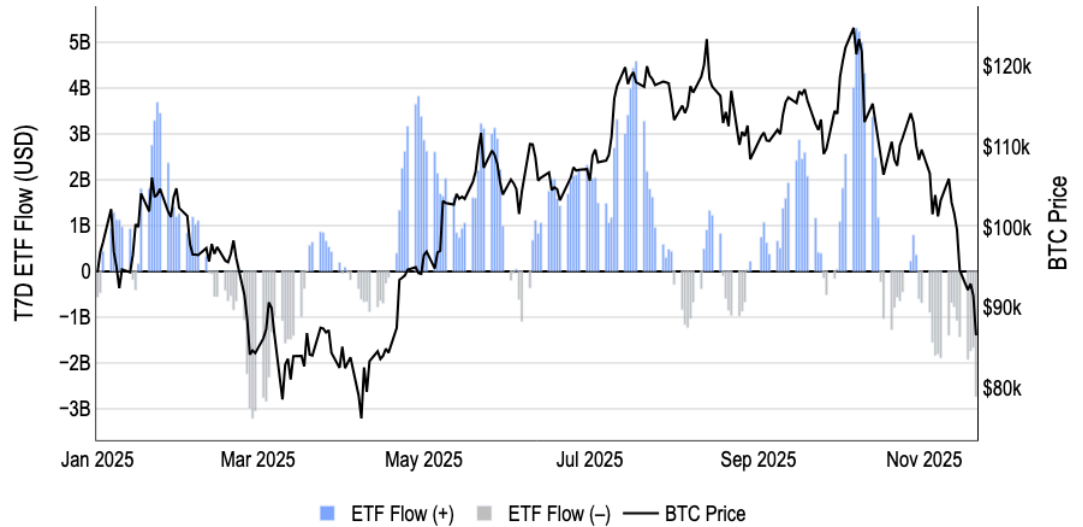
Whether or not any single wallet is decisive, the pattern is clear: when long-term supply that has historically sat quietly becomes active into a falling market, it both adds to offer-side depth and undermines the psychological anchor that "strong hands" will always absorb dips. That shift, combined with STH stress, has created a more fragile ownership profile than earlier in the year.

Chart 6. BTC – Long term holder (LTH) and exchange net position change vs price



Spot ETF flows, which were a dominant incremental buyer earlier in the cycle, are now a net drag on price rather than a cushion. The trailing 7-day sum of US spot-BTC ETF flows has turned markedly negative, with November 2025 already posting a record in cumulative net outflows, after price broke key levels (Chart 7). Earlier in 2025, the same metric showed persistent inflows that helped absorb miner selling and long-term holder distribution; that flow has since reversed. When allocators redeem ETF shares, issuers ultimately must sell spot BTC or reduce hedges, amplifying the impact of broader macro risk-off episodes. Until ETF flows turn sustainably positive again, BTC is effectively swimming against the current of a large, regulated demand channel.

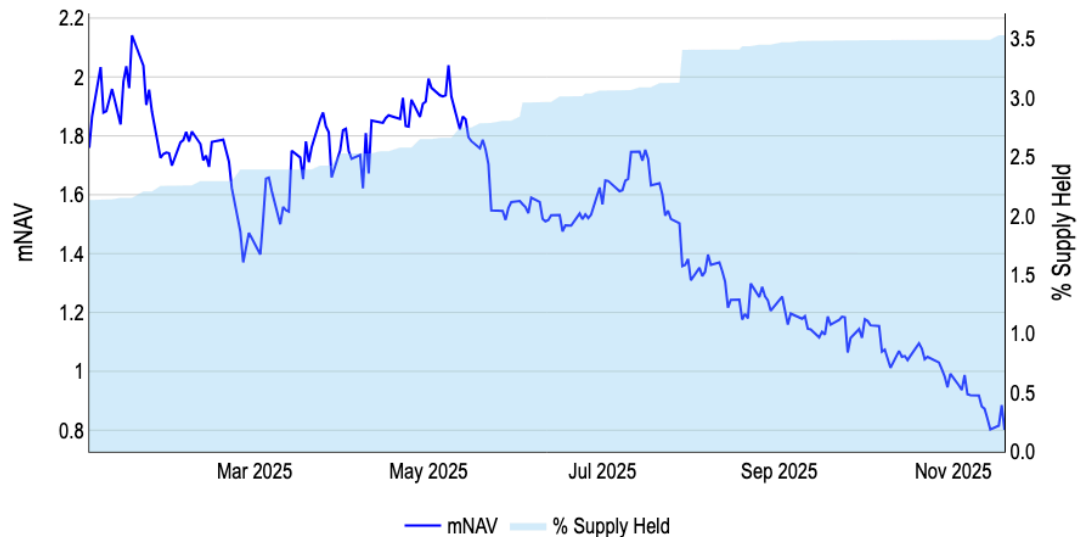
Chart 7. Trailing-7-day net BTC spot ETF flows



Sources: Blockworks and Coinbase

Demand from digital asset treasuries (DATs) has also cooled, with the compression in market-value-over-NAV (mNAV) creating a latent risk if equity investors demand discipline. This may be a dynamic playing out now as multiple DATs, including MSTR, have traded below parity (mNAV <1.0) for the first time since 2024. Major DAT vehicles have gradually increased their share of BTC supply through most of 2025 (collectively approaching ~3.5% of total circulating supply), but mNAV has slid from well above 1 earlier in the year to below parity recently.

Chart 8. BTC mNAV compression vs supply held by DATs

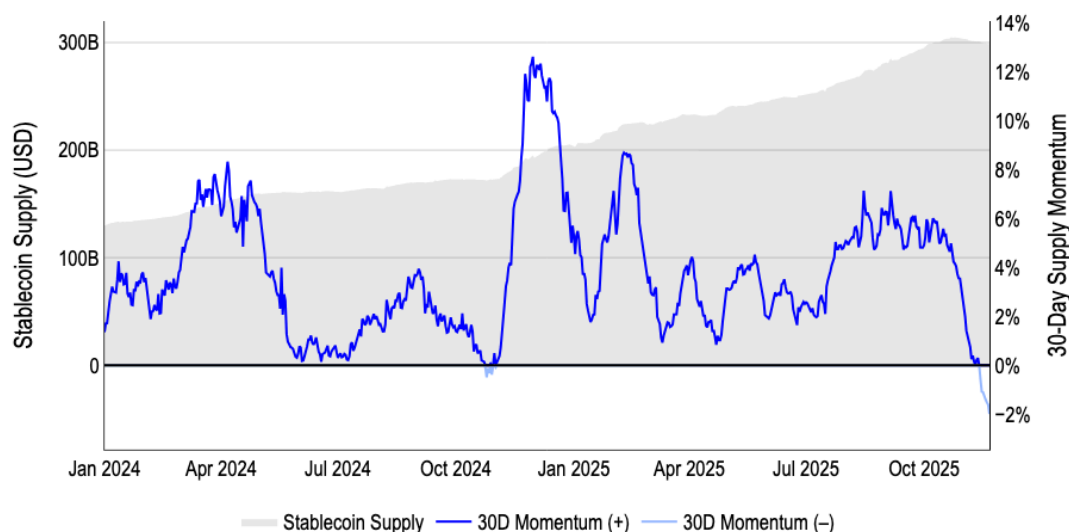


Sources: Blockworks and Coinbase.

Persistently sub-1 mNAV raises the risk that boards and shareholders pressure management to slow or halt new BTC purchases (as seen in curtailed ATM offering programs), hedge existing exposure, or even monetize holdings to close the valuation gap and defend share prices. If that happens across multiple DAT issuers at once, a demand source that was additive on the way up [could morph](#) into a neutral force (at best) or marginal seller (at worst).

Crypto-native dollar liquidity is rolling over as well, with stablecoin trends flashing the most negative momentum signal since 2023. Aggregate stablecoin supply – which had been grinding higher up until October – has begun to contract, and 30-day momentum has posted the weakest reading since 2023 (Chart 9). Because stablecoins are the primary trading and collateral currency for most of the crypto ecosystem, shrinking supply usually reflects a mix of deleveraging and capital leaving onchain rails for fiat or safer assets. That doesn't preclude tactical bounces in BTC, but it does mean that the “dry powder” available to chase rallies is lower than it was a few months ago.

Chart 9. Stablecoin supply growth momentum



Sources: DefiLlama and Coinbase

Thoughts on DCA

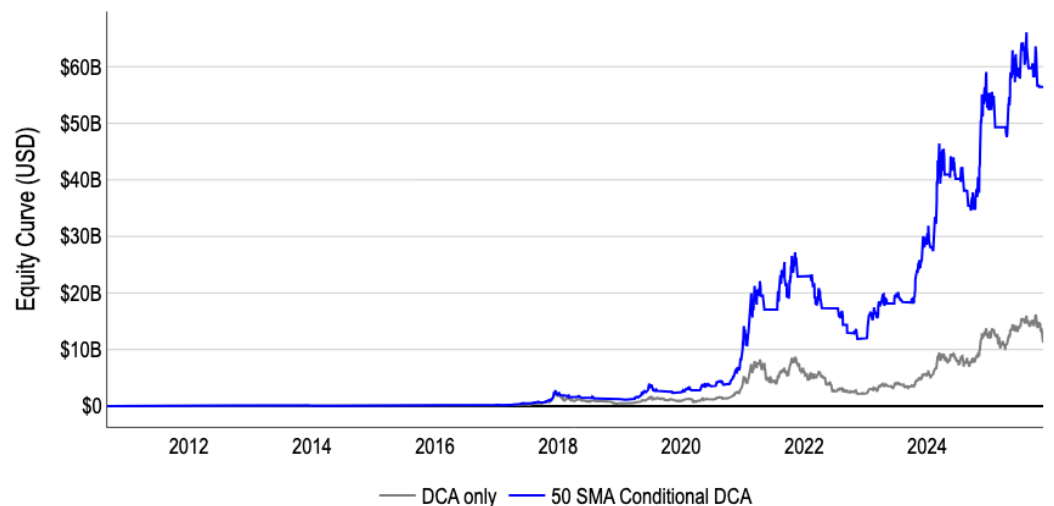
This environment also underscores a broader lesson: **“time in the market” dollar-cost-average (DCA) works, but DCAing a clear downtrend can be dramatically sub-optimal versus a simple trend-aware variant.** A long-horizon backtest (September 2010 to November 2025) comparing pure daily DCA (\$100/day regardless of price) with a basic 50-day SMA conditional strategy shows that an investor who only DCA'd when BTC

traded above its 50-day moving average – stacking cash during downtrends and lumpsum investing it when price re-broke above the 50-day SMA – would have grown their equity curve to ~5x that of naive DCA (Chart 10).

The intuition is straightforward: by avoiding persistent downtrends, you allocate less capital into deep drawdowns and more into established uptrends, while still benefiting from long-horizon compounding. The 50-day SMA is just a simple illustration. Combinations with onchain metrics, technical analysis, and accurate macro models can further optimize outcomes.

Furthermore, the optimal look-back period for smoothing price trends will differ by asset liquidity and volatility, and any rule should be stress-tested. But in a backdrop like today's, with support structures broken and liquidity fading, we think this evidence is a useful reminder that **“buy every dip forever” is not the only way to be long BTC**, and that **waiting for a convincing, volume-backed trend reclaim can materially improve the risk-reward of long-term accumulation**.

Chart 10. Returns of bitcoin DCA strategies



Sources: Glassnode and Coinbase. DCA only = \$100/day investment. Conditional DCA = \$100/day DCA when price > 50 SMA. Accumulate \$100/day when price < 50 SMA and lumpsum on initial break of 50 SMA.

Conclusions

Taken together, the flows and ownership shifts we've seen in recent weeks leave bitcoin in a precarious spot where patience and selectivity may be key. Structurally, BTC has sliced through all major support bands, options markets are positioned defensively, long-term holders and ETFs are distributing on net, DATs face mNAV pressure, and stablecoin liquidity is

contracting. That composition argues for a strategy that waits for the market to prove that demand has returned – via a high-volume reclaim of key levels and a turn in ETF/stablecoin flows – rather than repeatedly buying into downside momentum. This is consistent with our view in [October](#) that “full market stabilization will likely take a few months.” On the other hand, we think conditions could be primed for a reversal in December, as we believe the Federal Reserve could cut rates and unlock some inflows.

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