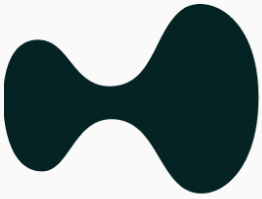
Multicoin / Capital

Hyperliquid (HYPE) Analysis & Valuation



By Spencer Applebaum, Tushar Jain, & Shayon Sengupta

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/ Table of Contents

/ Executive Summary

We've long believed in Open Finance, the thesis that every unit of value should be interoperable, programmable, and composable on distributed ledgers. One of the most compelling expressions of that idea is a protocol that lets anyone, anywhere, trade any asset. We believe Hyperliquid is the clearest instantiation of that idea that we've seen to date.

Hyperliquid is a vertically-integrated layer 1 blockchain and decentralized exchange (DEX) purpose-built for high-speed trading. Its performance rivals a centralized exchange (CEX): orders confirm in about 200 milliseconds from colocated clients, its BTC perpetual contracts (perps) book sits within a few basis points of mid—tighter than Binance's in some cases—and, most importantly, liquidity holds up even on large trades. Unlike many other derivatives DEXs, there's no offchain matching engine or hidden execution layer. Every order, trade, and liquidation happens fully onchain, and users always keep custody of their assets.

Market microstructure helps inform where traders send their orders. Hyperliquid was built from the ground up to optimize its microstructure for trading, with features like maker-cancel priority and native post-only limit orders, both of which protect makers from toxic flow, thus improving liquidity. Liquidations use validator-submitted oracle prices, and the chain checks solvency before each block is produced. Because Hyperliquid controls both the execution environment and the application layer, it can do things that just simply aren't possible on general-purpose chains.

The numbers tell the story: Hyperliquid started 2025 with ~301k users and ~$2 billion in open interest (OI). By the end of the year, it had grown to ~923k users and ~$6 billion in OI. Over 2025, Hyperliquid generated ~$873 million in revenue and processed ~$2.9 trillion in trading volume, making it the biggest derivatives DEX by far, and one of the fastest-growing financial apps ever. Crucially, 99% of that protocol revenue goes to buy back and effectively burn HYPE, making it also one of the strongest examples of value capture in crypto today.

Multicoin has a history of identifying, evaluating (from first principles), and investing in leading exchanges early on as they're hockey sticking. For example, in February 2019, we published a bullish report on Binance's native token, BNB, at ~$10. We then followed it up with another essay in November 2019 when BNB was at ~$20. At the time, Binance was already the dominant CEX, but the market underappreciated the speed at which it would compound liquidity, expand its product surface, and how BNB could capture value beyond what traditional equity could. BNB trades at ~$563 today.

We see Hyperliquid following a similar path. It's the first derivatives DEX to match CEX product quality without giving up self-custody or onchain transparency, which makes it the most

credible challenger to Binance we've seen. And it isn't only taking share from incumbents, it's pulling in volume that wasn't on any exchange before. Hyperliquid is beginning to emerge as a credible, 24/7 price discovery venue for event-driven synthetic markets, as evidenced by oil trading activity during the U.S.-Iran conflict and pre-IPO and public-market asset trading like Cerebras and SpaceX.

From a go-to-market perspective, Hyperliquid is also completely differentiated from CEXs. Its use of builder codes and HIP-3 deployers are two important innovations in the context of its customer acquisition strategy; they allow third-party developers to deploy localized trading interfaces that effectively transform Hyperliquid into a headless exchange. Builder codes and HIP-3 deployers have helped Hyperliquid outsource distribution and user acquisition, and reduce costs, while keeping tight control of the liquidity layer, which preserves liquidity and value capture.

At ~$63, we believe the market is deeply mispricing HYPE, viewing it too narrowly as just a fast-growing perp DEX. In our base case scenario, we see HYPE generating ~$8 billion in annual earnings by 2028, which would imbue a price of ~$319 at a 20x earnings multiple. Further, our base case doesn't fully factor in several big catalysts, such as HIP-4, HyperEVM, builder-code distribution, or the impact of portfolio margining on the main product.

In short, we believe Hyperliquid is turning into "the everything exchange": a fully-integrated, 24/7 exchange capable of trading any asset, anytime, anywhere, with durable token value capture mechanisms. Multicoin has been buying HYPE aggressively since February, and it's now one of the biggest positions in our liquid hedge fund.

/ Hyperliquid Architecture

At its core, Hyperliquid is a layer 1 blockchain built for speed, throughput, and low cost. It uses a Proof-of-Stake (PoS) model and its own HyperBFT consensus to push the limits of what's possible in decentralized systems. Its objective is to make onchain derivatives trading just as fast, reliable, and liquid as a CEX. Every big design choice, from how consensus works to the fee structure, serves that goal.

Many of the design decisions Hyperliquid made were done with a derivatives DEX in mind. A few notable examples:

1. The chain allows for native transaction prioritization for specific order types, such as for maker-cancel orders and post-only limit orders, which helps prevent market makers from being negatively impacted by adverse selection.

2. Positions are liquidated based on an oracle price feed that is sent directly from Hyperliquid's validators, which mitigates the risk of oracle manipulation and price delays.

3. The chain itself reads the current state of the DEX and determines solvency before new blocks are produced, which ensures the integrity of the exchange and bolsters trader confidence.

We respect that the Hyperliquid team made some very opinionated design decisions to further optimize for trading applications. Each era of crypto has been defined by teams that challenge the status quo and make difficult decisions that look limiting compared to previous generations. These decisions come with tradeoffs but advance the goal of moving the industry from general purpose to purpose-built.

HyperBFT

At the consensus layer, Hyperliquid runs HyperBFT, a custom algorithm derived from HotStuff and optimized for trading workloads. Its pipelined architecture enables concurrent transaction processing, delivering median end-to-end latency of ~0.2 seconds for colocated clients and 99th percentile latency below 0.9 seconds. Transactions reach finality in a single block, so users don't face the probabilistic confirmation windows or ordinary reorg dynamics common to many other chains.

Latency is crucial in trading. Market makers need real-time information, and if a chain is slow or unpredictable, they widen their spreads to avoid losses from adverse selection. Reducing this uncertainty leads to tighter spreads, deeper order books, and better trades for everyone. This speed is a major reason Hyperliquid can support CEX-like liquidity. As the graphic below shows, its BTC perp book has compared favorably in the past with Binance's within the tightest bands around midprice.

Source: *Shaunda Devens, Blockworks Research*

HyperCore

The exchange engine runs on HyperCore, a Rust-based system that puts the whole order book onchain. HyperCore handles everything, from placing and canceling orders, matching trades, managing margin, to liquidations, all directly onchain. It can process 200k orders per second right now, and the team wants to eventually push that over a million.

HyperCore includes several features designed specifically for perps. Maker-cancel orders receive top priority, allowing market makers to pull quotes quickly and limit losses when prices move. Post-only limit orders are also supported directly at the protocol level. For liquidations, HyperCore uses validator-submitted oracle prices as the mark price, rather than relying on short-term movements in its own order book. Most importantly, margin and liquidation rules are enforced natively by the chain with every block (effectively checking for solvency), rather than by a separate offchain risk engine.

That's what makes Hyperliquid different. On most blockchains, trading applications are just one of many primitives competing for blockspace and priority. Hyperliquid is built around the exchange itself, so the order book doesn't have to compete with unrelated activity or gas spikes elsewhere on the network. The chain's resources are 100% dedicated to trading.

HyperEVM

Hyperliquid also runs HyperEVM, which is a fully EVM-compatible smart contract environment secured by HyperBFT consensus, just like HyperCore. HyperEVM isn't a separate chain or rollup; it shares both state and consensus with HyperCore. Smart contracts on HyperEVM can access the live state of the central limit order book (CLOB), such as prices, positions, and margin data, using read precompiles. When HyperCore updates the BTC price, HyperEVM reflects it immediately, without cross-domain messaging or any added latency.

This dual-execution model addresses the composability challenge. HyperCore delivers trading performance a general-purpose EVM can't match, while HyperEVM provides programmability for third-party teams to build lending protocols, vaults, structured products, and other financial apps atop the exchange's liquidity and data. As of early 2026, over 175 teams have deployed on HyperEVM, including HyperLend, Silhouette, Felix, and Kinetiq.

This architecture aims to combine the performance of a specialized trading chain with the developer surface area of an EVM-compatible platform, while minimizing the usual tradeoffs. The effort is still in its early stages, and interoperability between HyperCore and HyperEVM is one of the key catalysts we'll be looking for. The ecosystem today is still less mature compared to Ethereum or Solana. If HyperCore and HyperEVM are successfully integrated, Hyperliquid could bring something new to the table, which is combining an exchange, risk engine, and a general-purpose application layer into one unified chain.

/ Market Opportunity

We published an essay in 2020 entitled *"Trade-offs in the Derivatives DEX Space"* and wrote the following:

> *"One of the greatest innovations of modern financial markets is that traders can gain financial exposure to an asset without having to physically settle that asset—aka synthetic exposure. This dramatically expands the universe of traders who can trade in a given market, especially for harder to deliver assets. This is desirable because increasing traders and capital in a given market can help reduce volatility and increase liquidity.*
>
> *We believe that the largest and most lucrative opportunity in DeFi is to create a protocol that allows anyone in the world to trade any asset. We have been referring to this idea as "Decentralized Perps Exchange" internally for over a year. The idea of a decentralized exchange protocol that enables synthetic assets is compelling for several reasons. It offers:*

1. *No centralized exchange operator, therefore lower fees in the long run*
2. *Permissionless access across borders*
3. *Censorship resistance such that no one can shut down the exchange*
4. *No counterparty risk because users hold their own funds*
5. *No withdrawal limits and/or trading size limits*
6. *No way to change the rules of the exchange unilaterally*
7. *Any asset with a public price feed can be traded"*

Today, derivatives dominate crypto trading. In 2025, crypto derivatives totaled ~$85.7 trillion. Perps made up ~75% of total crypto trading volume and over 90% of derivatives activity. Perps are the most important financial instrument in crypto, full stop.

The reasons are simple. Perps never expire, so traders don't have to keep rolling their positions. Because they're fully synthetic, the same pool of collateral can be used to trade a wide range of assets. Funding rates keep prices close to spot, while leverage is typically much higher than in spot margin markets. These advantages have made perps the dominant product on CEXs, and traders generally prefer them even when spot margin is available.

Perps are already a mature product on CEXs, and trading is concentrated among a small number of venues. In 2025, Binance processed $25.1 trillion in derivatives volume, accounting for ~30% of the global market. Together, the top four exchanges—Binance, OKX, Bybit, and Bitget—handle more than 60% of all derivatives activity. These platforms provide deep liquidity, fast execution, and a wide range of products. But users must give up custody of their collateral, accept counterparty risk, and trade in environments where execution and risk management are largely opaque.

These concerns aren't theoretical anymore. Mt. Gox, FTX, Genesis, Celsius, BlockFi, and Voyager are relevant examples where centralized crypto intermediaries failed because of poor risk management or security issues. On the other hand, blue-chip DeFi venues like Aave, Maker, Compound, dYdX, etc. all operated without any kind of opaque insolvency that defined the CeFi failures of the last generation of crypto.

The Growth of Derivatives DEXs

Derivatives DEXs have gone from basically zero to a meaningful share of volume in just a few years. In 2022, DEXs represented effectively 0% of global perps volume. As of June 2026, they're closer to 16%.

Source: *The Block*

There are a few reasons for this shift. First, the post-2022 trust deficit in CeFi is structural, not cyclical. The collapses of FTX, Celsius, Voyager, BlockFi, and Genesis destroyed tens of billions in customer deposits and permanently changed how traders perceive counterparty risk. Derivatives are especially exposed: unlike spot trading, derivatives require collateral to sit on the exchange for extended periods, which makes custodial risk most acute precisely where volume is highest. On the other hand, protocols like Aave, Maker, dYdX, and Compound made it through the worst of 2022 without a single solvency event, and that experience stuck with traders in a meaningful way.

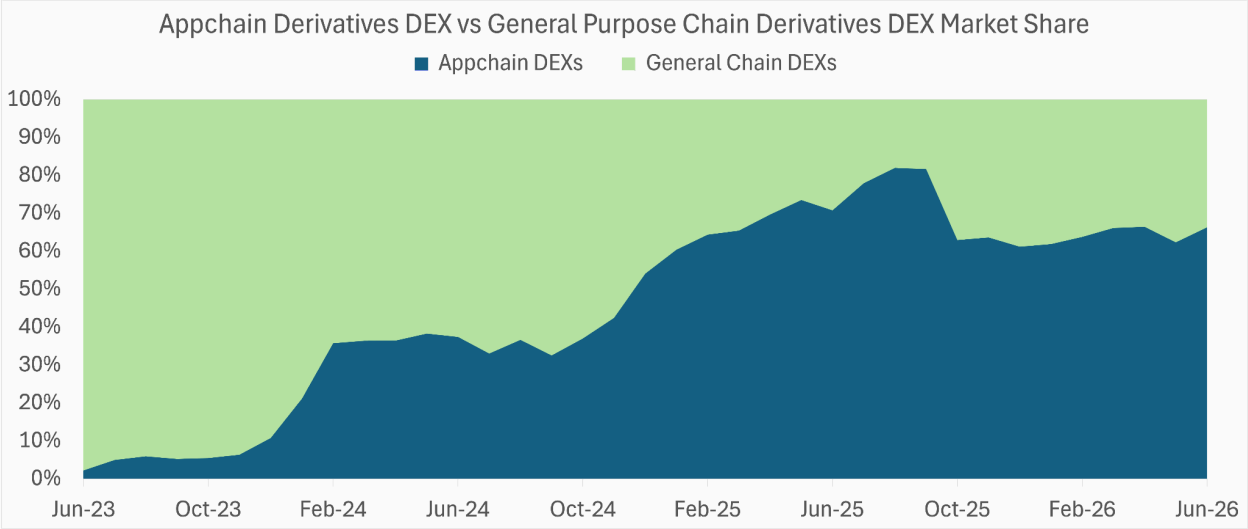
Second, public blockchains have gotten significantly faster. Solana, Monad, BNB Chain, and others now deliver sub-second finality and can handle thousands of orders per second. More importantly, app-specific chains purpose-built for derivatives (Hyperliquid, Lighter, Paradex, and Aster) have emerged as the dominant architecture for perps.

To be candid, our view a few years ago that we outlined in our DRIFT report was that derivatives DEXs on app-specific chains would lose to derivatives DEXs on public chains due to inferior composability. We were wrong. In hindsight, we overestimated the importance of broad composability for derivatives venues. The most important financial primitives remain spot trading, borrow/lend, and derivatives trading; beyond those, generalized composability has mattered less for perp exchange selection than execution quality, latency, liquidity, and risk management.

We also didn't expect cross-chain UX and bridging to meaningfully improve but it has. Phantom, which is now the most popular self-custody wallet in crypto with ~17 million monthly active users, launched native perps trading using Hyperliquid's builder code in July 2025. So did MetaMask. Now, if you have ETH in MetaMask for example, you can open a leveraged BTC

perp on Hyperliquid without leaving the wallet. The app handles ETH-to-USDC conversion, moves funds to Hyperliquid's settlement layer, and sends orders to the main exchange, all in one step. A user's choice of home chain no longer limits her access to derivatives. Instead, what matters now is where she can find the best liquidity and execution, and every major wallet integration can help distribute Hyperliquid's order book.

We also underweighted market microstructure. Perps need deterministic ordering, very low latency, high throughput for order placement and cancellation, and protection against toxic order flow and MEV. These features help build lasting liquidity advantages and bring in third-party order flow engines. These engines send taker flow to the exchange, which draws in more makers, and this cycle has led app-specific chains to steadily gain a larger share of DeFi perps over time.



Source: *DefiLlama*

Third, CEXs have become more cautious about listing new markets because legal, compliance, and internal steps slow things down. In comparison, derivatives DEXs can add new assets in just minutes or hours, often without needing approval. When a new token appears or a major event sparks interest in a new synthetic market, derivatives DEXs are usually the first to offer it. After users create a wallet and make a deposit, they often stick around to trade other major assets since their funds are already there. The biggest challenge is getting users to join a platform in the first place, and quick listings are one of the most effective ways to attract them.

Fourth, and maybe most importantly, CEXs are increasingly restricting access by jurisdiction. Binance, for example, has blocked dozens of countries, and U.S. users are excluded from most offshore perps platforms (where the vast majority of liquidity sits). Another important data point here is that Reuters recently reported Binance might lose permission to operate in the

European Union by July 2026. DeFi protocols remain permissionless at the protocol level, even if certain front ends geoblock certain regions. For billions of users in underserved jurisdictions, onchain derivatives may be the only viable path to financial inclusion.

As people become less confident in CeFi, and as new app-specific derivatives chains offer better liquidity, quicker listings, and real permissionless access, we think derivatives DEXs will keep gaining market share from CeFi over the next few years.

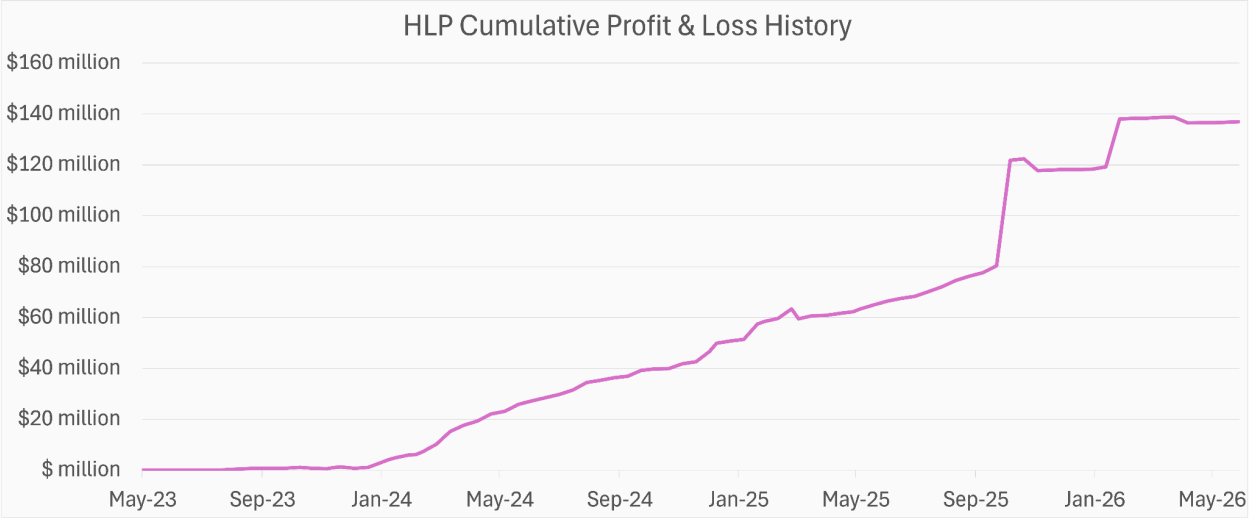
/ The Hyperliquid Story

Hyperliquid is one of the most interesting stories in crypto, and arguably in technology more broadly. The genesis of the idea was born out of the FTX collapse. Jeff Yan studied math and computer science at Harvard, won gold at the International Physics Olympiad, and spent time building low-latency trading systems at Hudson River Trading. In 2020, he later ran Chameleon Trading, a crypto market-making operation. After FTX collapsed in November 2022, he quickly recognized a clear opportunity: traders wanted a platform that offered the same performance as CEXs but let them keep control of their own assets. The problem was that no existing blockchain could support what he wanted to build.

By the end of 2022, Jeff and his cofounder, a pseudonymous distributed systems engineer known as iliensinc, evaluated existing blockchains and CEXs. In their view, none came close to the latency or throughput needed for a real decentralized trading engine, so they decided to build their own. Within three months, they had a custom Layer 1 chain capable of running a fully onchain CLOB.

Hyperliquid launched in late February 2023. The early months were unglamorous as the user base was mostly NFT collectors with little experience trading perps, placing $10 orders and experimenting with leverage in paper trading competitions. There were no professional users or market makers, and several firms approached the team, including one that called itself a “kingmaker” and insisted Hyperliquid wouldn’t succeed without paying for liquidity. But the team fully held their ground and refused to pay anyone.

Instead, in May 2023, they deployed the strategies that made Chameleon successful into an onchain vault called HLP. Anyone could deposit and there were no fees and no carry. The vault ran automated market-making strategies and solved the cold-start liquidity problem that kills most new exchanges. This allowed Hyperliquid to provide tight spreads and deep fills from day one, without having to pay market makers or use token incentives. HLP currently holds ~$282 million in assets and has generated ~$136 million in PNL for depositors since inception:



Source: *Hyperliquid*

In 2023, the team kept shipping relentlessly. By September of that year, the same market makers who once wanted payment began to appear on their own. One of the biggest on Binance, who had been cautious about new platforms after FTX, met Jeff at a conference in Singapore and soon started quoting on Hyperliquid.

In November 2023, Hyperliquid launched a points program, but not in the conventional sense. Most points programs publish transparent formulas, which get gamed almost immediately by professional farmers, but Hyperliquid's program had no published formula. Each Friday, iliensinc announced the week's points distribution, and a ritual formed in Discord as users compared rewards and speculated on the system. The net result was a program that rewarded real usage instead of mercenary farming.

On November 29, 2024, Hyperliquid launched its native token, HYPE, via one of the largest airdrops in crypto history. 310 million tokens (31% of total supply) were distributed directly to early users, fully unlocked, with no vesting. Importantly, there were no VC allocations. Some individual users received up to ~$9.5 million in HYPE. At distribution, the airdrop was valued over $620 million; with price appreciation, that number is ~$19 billion now. The airdrop didn't just reward early users, it also created a loyal community with direct financial alignment to the protocol's success. As Multicoin has said many times before: the best way to build a crypto community is to make a lot of people a little bit of money, and Hyperliquid did exactly that with the airdrop.

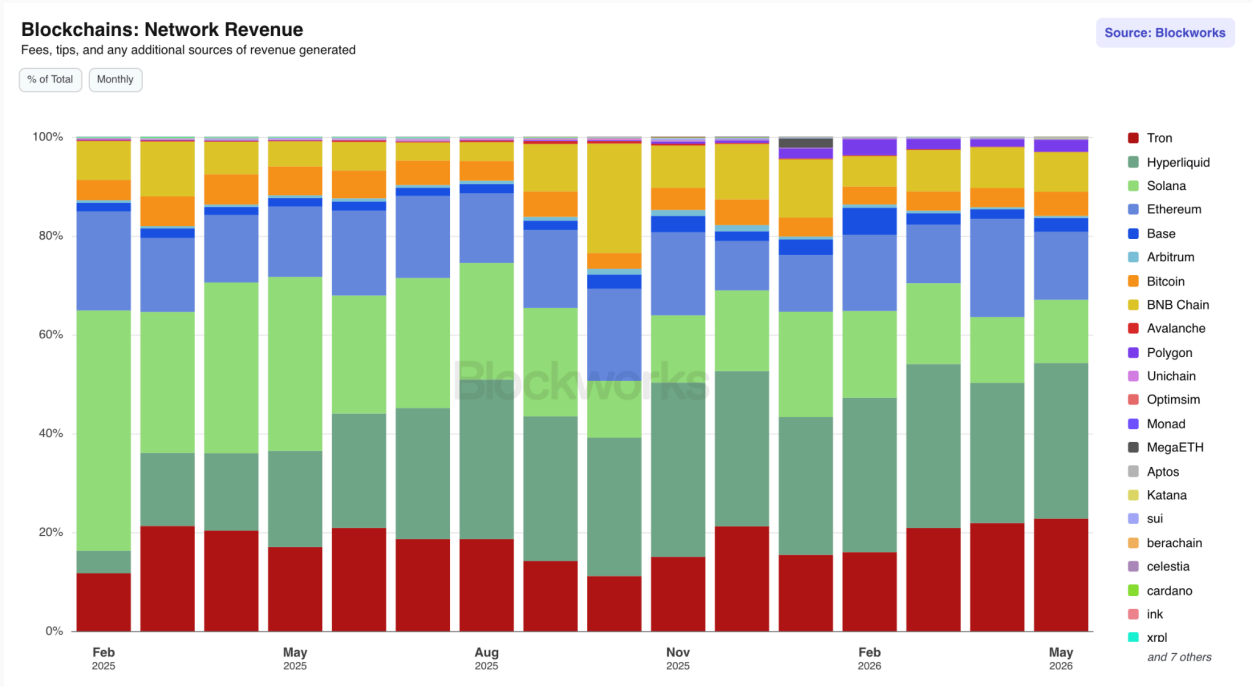
More than 600k new users joined during the year after the airdrop and monthly revenue went from ~$10 million in December 2024 to ~$55 million in December 2025. All of this was achieved without outside capital, by a team with approximately a dozen employees.

We think persistence is one of the most important traits in great founders. Jeff built Hyperliquid during one of the toughest bear markets in crypto's history. He launched when many people had written off both crypto and DeFi, with sentiment near a local bottom. He also made several decisions that looked contrarian at the time, like refusing to pay market makers and funding the project with profits from his own trading rather than raising outside capital from investors who might not remain aligned with the project's long-term mission. Each choice went against the prevailing view, and in hindsight each proved to be the right one.

/ Metrics and Traction

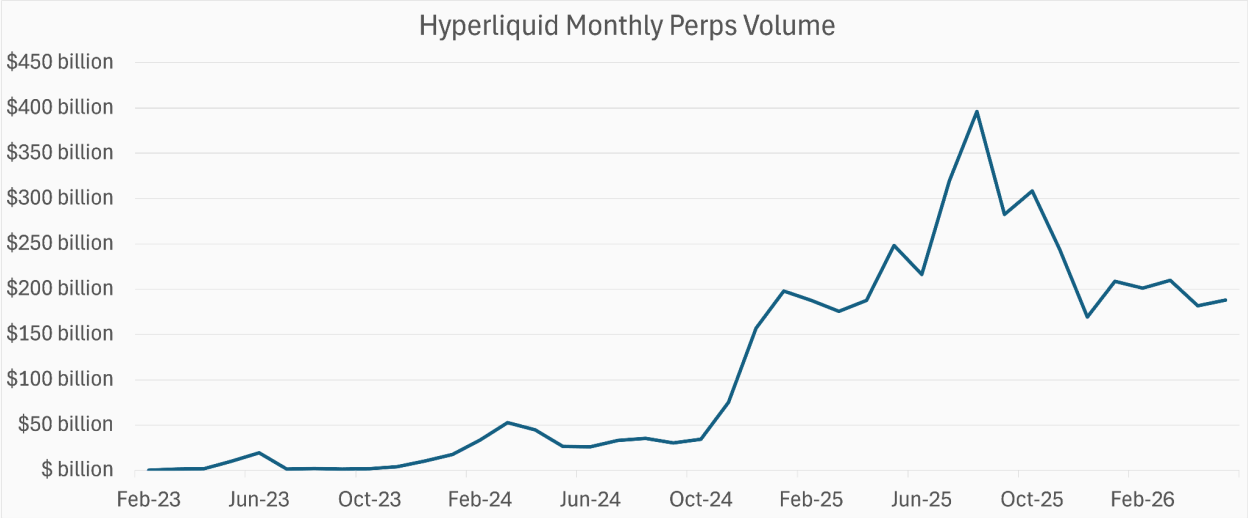
2025 was a breakout year for Hyperliquid by any metric. The platform started the year with ~301k users and ~$2 billion in OI. By year-end, the user base had grown to ~923k, OI reached ~$6 billion, and the platform processed ~$2.9 trillion in trading volume. In the last 12 months, Hyperliquid generated ~$869 million in profit that flowed to token holders, placing it among the most profitable exchanges in crypto, CeFi or DeFi.

To put that in context, Hyperliquid's annualized revenue now exceeds every other Layer 1, including Tron, Solana, and Ethereum, consistently.



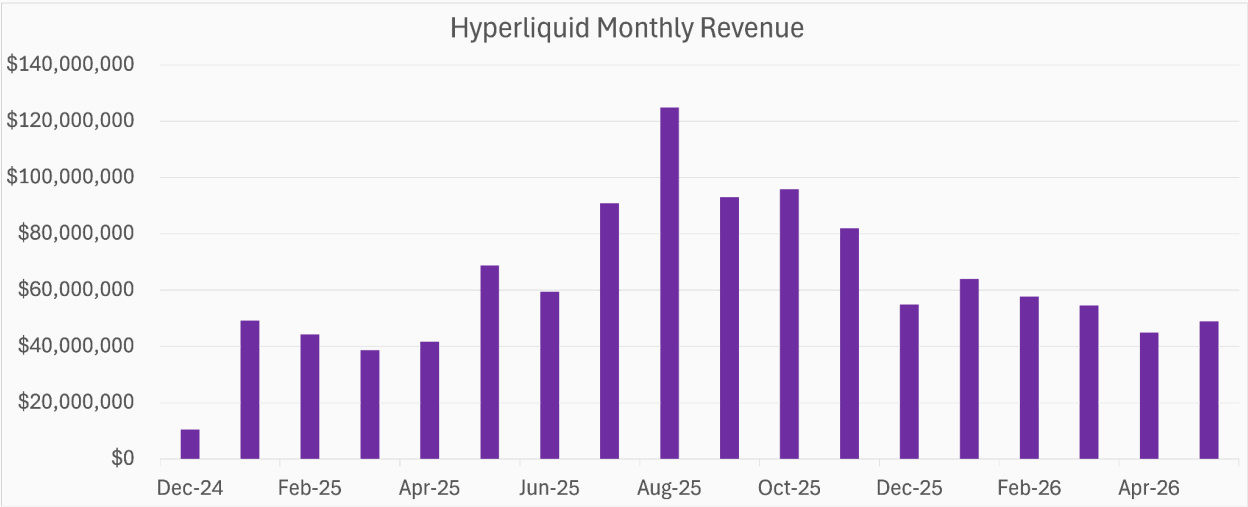
Source: *Blockworks*

Monthly volume has grown ~100x since launching, and is compounding nicely given the macro backdrop and drawdown in crypto prices.



Source: *DefiLlama*

Monthly revenue increased from ~$10 million in December 2024 to ~$49 million in January 2025, peaked above $120 million in August 2025, and closed 2025 with ~$55 million in December. Given the broader market backdrop, monthly revenue has since normalized back to ~$49 million.



Source: *DefiLlama*

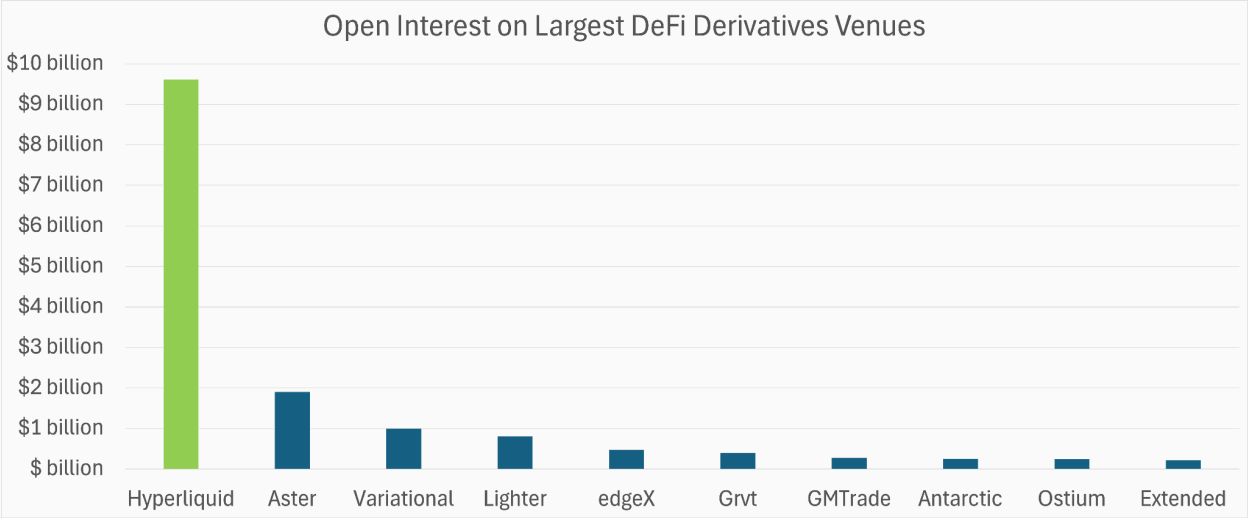
Competition in the DeFi perps market meaningfully increased over the course of 2025. During the first half of the year, Hyperliquid held about 70 to 80% of the market. In September, its share dropped to around 10% when Aster, supported by YZi Labs (formerly Binance Labs) and

endorsed by CZ, jumped to about 70% of the volume after launching its token. Lighter, which was still in private beta, took about 15%.

It was generally fleeting though. By January 2026, Hyperliquid had regained its spot at the top of the DeFi derivatives sector, processing ~$40.7 billion in weekly trading volume. Monthly trading volume for Hyperliquid is currently ~$237 billion, versus ~$61 billion for Aster and ~$44 billion for Lighter.

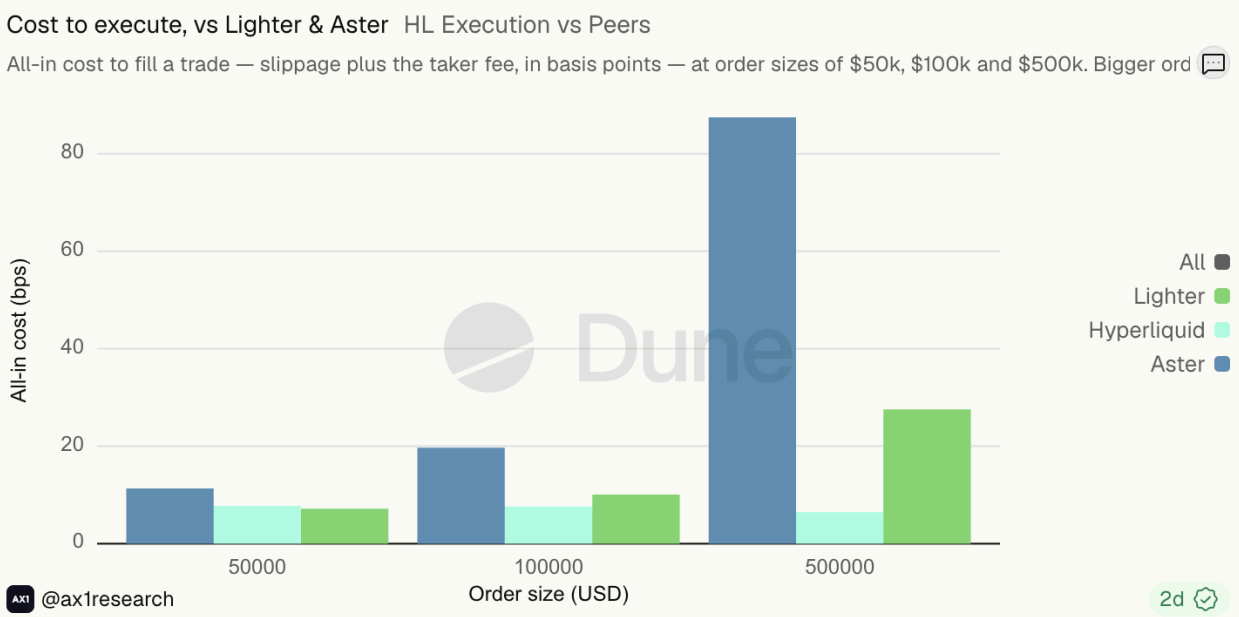
By June 2026, it now controls more than 59% of OI across DeFi perp markets. It's important to note the difference between volume and OI in that incentive-driven volume is fleeting, but liquidity depth and execution quality are durable. Volume can be inflated through wash trading, points farming, and traders playing both sides of a market to accumulate rewards. OI reflects traders maintaining real positions with real capital at risk and it's a much stickier and more meaningful signal of genuine usage.

As of June 2026, Hyperliquid has ~$9.6 billion in OI, compared to ~$1.9 billion for Aster and ~$807 million for Lighter. In effect, Hyperliquid's OI alone exceeds all major onchain competitors combined.



Source: *DefiLlama*

Hyperliquid also dominates the onchain competition on liquidity as of June 23, 2026:



Source: *Dune, @ax1research*

We looked at liquidation data during the February 2026 market drawdown and found telling asymmetries. Both Aster and Lighter had far less liquidation value than Hyperliquid relative to their reported volumes. If traders on those platforms were holding real directional risk (the way they do on Binance and Hyperliquid), we'd have expected liquidations proportional to their volume numbers, but they weren't even close.

Aster/Lighter volumes are close to Hyperliquid

while liquidations are only ~1/17 to ~1/37 of Hyperliquid

More likely explanation

This “high volume + low liquidations” pattern often suggests a large share of volume may come from:

incentive-driven looping (points/airdrop farming)

market maker self-trading / wash-like flow

or volume inflation from different reporting methodology

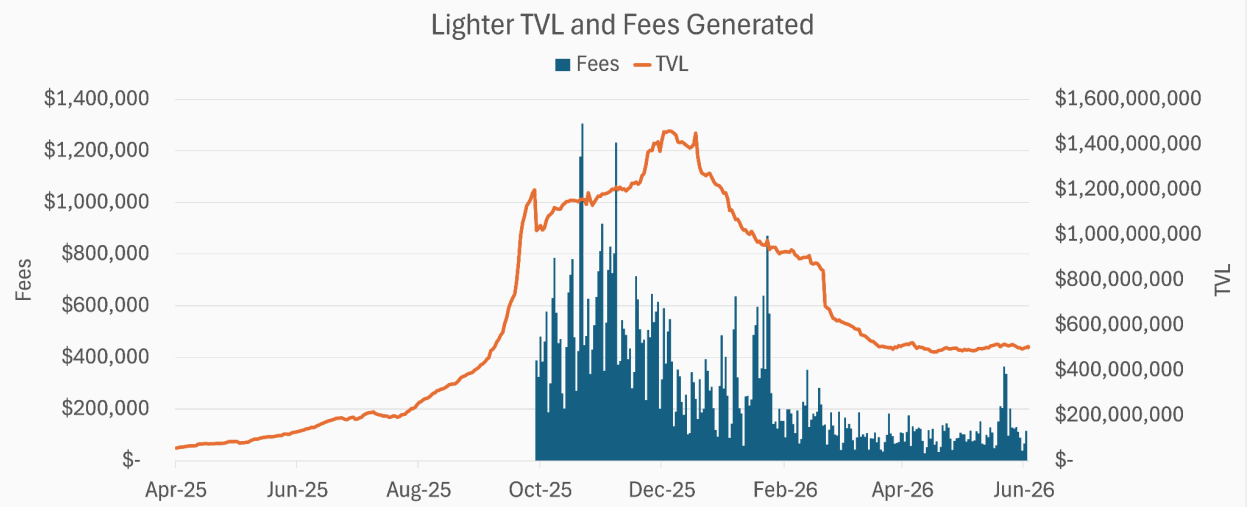
Conclusion (objective)

#Hyperliquid **shows much stronger consistency between volume, OI, and liquidations — a better signal of real activity.**

Source: *CoinGlass X Account*

This strongly suggests that a meaningful share of Aster and Lighter volume was derived from market makers trading with each other or users farming points on both sides of the book, not

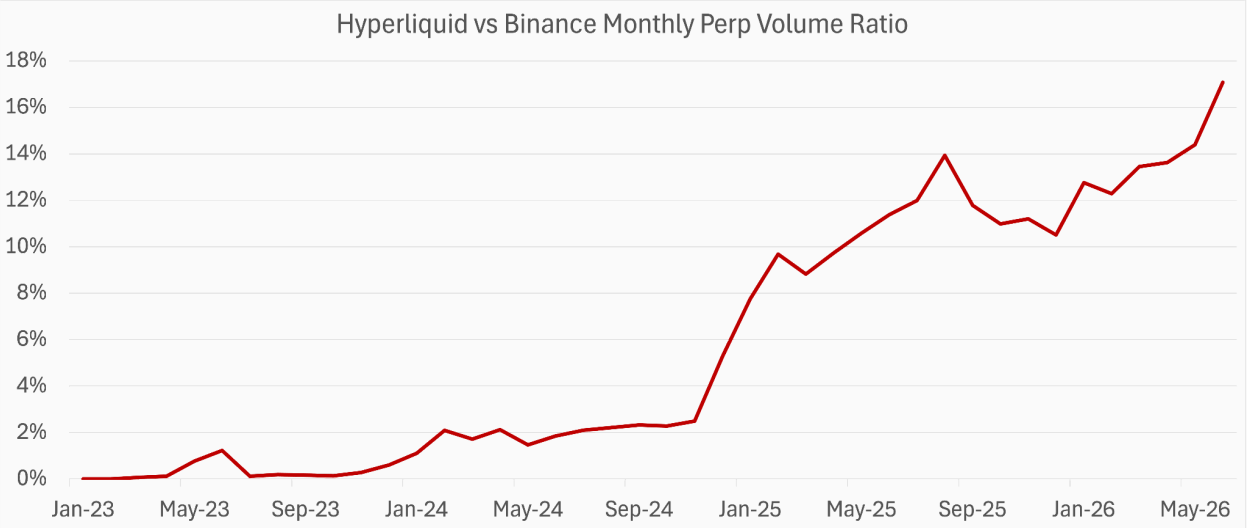
from organic trading activity. We saw this pattern play out after Lighter's airdrop as well: their volume market share has collapsed by 50% in a matter of six months once the token incentive disappeared. TVL and fees are generally down in the time since the airdrop:



Source: *DefiLlama*

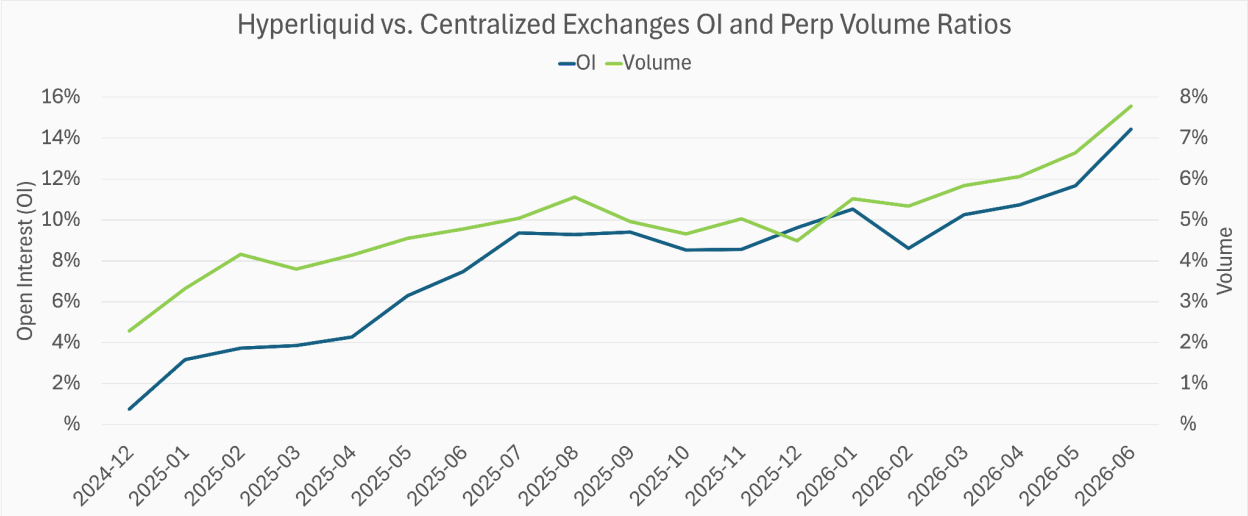
Hyperliquid vs. Binance (and other CEXs)

What makes Hyperliquid's traction especially compelling is that its success extends well beyond DeFi. In fact, it's beginning to take meaningful share from CEXs. Monthly perps volume is now ~17% of Binance's, up from effectively zero two years ago, while OI has reached ~21%. A DEX reaching that scale relative to Binance would have been hard to imagine just a few years ago. Per the chart, Hyperliquid has steadily gained share against Binance since inception:



Source: *The Block*

This isn't happening because Binance is shrinking or that they're losing market share in CeFi. Binance processed $25.1 trillion in derivatives volume in 2025 and remains the largest crypto derivatives exchange in the world by a wide margin. It's instead because Hyperliquid is growing market share into a growing market and is competing against all CEXs now:



Source: *The Block*

There are a few reasons here. First, execution quality is a key driver. Blockworks recently published an analysis showing that Hyperliquid's order book on BTC perps is tighter than Binance's within a few basis points of midprice, and offers better execution on larger trades. At ±1 basis point from mid, Hyperliquid showed ~$3.1 million in depth versus Binance's ~$2.3 million. At ±2 basis points, the gap widened further: ~$5.8 million versus ~$4.1 million. There's some nuance to the market microstructure, and we're not claiming that Hyperliquid is always more liquid than Binance. But the fact that the two are broadly on an even playing field says a lot, especially given Binance's longstanding dominance in liquidity. For professional traders and market makers, this kind of depth and tightness is what determines where they route flow and increasingly the answer is Hyperliquid.

The impressive part is that Hyperliquid does all this without holding users' funds in the same way that CEXs like Binance, OKX, Bybit, etc. exercise control. Every order, trade, liquidation, and position on Hyperliquid is recorded onchain and can be checked by anyone. This level of post-trade transparency is something CEXs don't offer.

The JELLY incident in March 2025 is an instructive example here. A trader attempted to manipulate the JELLYJELLY token (a low liquidity memecoin) by opening a large short on Hyperliquid while simultaneously driving the spot price up on other venues. When the short was liquidated, HLP took over a toxic position that briefly showed ~$13.5 million in unrealized losses. After the fact, the validator set got together, voted to delist the JELLY perp market, and

settled all positions at the pre-manipulation price. Affected users were compensated through the Hyper Foundation, and HLP ended the day with a positive P&L of ~$700k.

On the one hand, skeptics can assert this implies the system is centralized, and they're not entirely wrong. A small validator set made a discretionary decision about settlement pricing, which is a real centralization concern we'll address later in the risks section. But the more important point is how it happened. The manipulation, the validator vote, the settlement price, and the compensation plan all occurred onchain, in public, in real time. Anyone in the world could verify exactly what happened and why. The attacker's wallets, position sizes, timeline, and the eventual resolution were all visible within minutes. That transparency also gives traders the information they need to decide whether they're comfortable continuing to use the venue after seeing what they do in certain high-stress situations.

There was another incident a few weeks earlier in which a whale opened a ~$340 million long ETH position at 50x leverage and withdrew collateral to deliberately trigger a liquidation. She walked away with ~$1.8 million and HLP absorbed a ~$4 million loss. Importantly, the system worked as designed and the team responded by immediately reducing max leverage on BTC and ETH. The community could transparently see what happened and the team's response.

On the other side of the coin, if similar events happened on Binance, absolutely no one would know. CEXs have long faced numerous allegations of trading against customers, tolerating wash trading, and making opaque decisions about liquidations and socializing losses. They've also been accused of holding customer money hostage just for making EV positive trades. Whether any of these are true, and which exchanges they're relevant for, isn't really the point. What matters is there's no way to verify one way or the other, because all of the data lives on private servers controlled by the CEX.

The transparency isn't necessarily just a philosophical nice-to-have. It's actually a practical advantage that we think will compound over time. For starters, market makers can verify they aren't being front-run and traders can audit liquidation mechanics. Additionally, regulators can inspect the full history of any market they want. As institutional capital comes onchain, they'll increasingly demand verifiable execution and transparent post-trade reporting, which Hyperliquid is uniquely well-positioned to offer relative to CEX competitors. For the camp that says institutions don't want their trading activity out in the open and would rather use confidential systems—the exact opposite of Hyperliquid's radical transparency—there's no reason Hyperliquid couldn't eventually offer a dark pool product.

/ Growth Catalysts

Hyperliquid's core perps and spot business is already a cash cow generating high nine figures of revenue and growing. But the platform's product roadmap includes several catalysts that could meaningfully expand the TAM, increase capital flows, and increase the fundamental revenue base over the next 12-24 months. There are eight big ones right now, and likely more will show up in time.

Catalyst 1 - HIP-3: Permissionless Markets

Hyperliquid Improvement Proposal 3 (HIP-3) launched in October 2025 and to date is the single most important upgrade to the network. Prior to HIP-3, new market creation was governed by validators who determined which assets could be listed and set key parameters. With HIP-3, deployment on HyperCore became permissionless. Any entity that stakes at least 500k HYPE (~$31.5 million as of June 2026) can deploy a new perps market with full control over oracle configuration, leverage limits, and risk settings. Fees are split 50/50 between the deployer and the protocol, and deployers face slashing risk on their staked HYPE if their markets cause degradation or problems in the protocol.

This is really a fundamental shift for the exchange because it expands it beyond crypto-native perps into a broader venue for trading any asset that can be represented synthetically. For most of DeFi's history, activity has remained mostly self-referential and endogenous to the crypto ecosystem. People traded crypto for crypto, borrowed crypto using other crypto as collateral, and built derivatives based on crypto prices. But with HIP-3, we're now starting to see meaningful trading activity on non-cryptoassets.

Synthetic derivatives are everywhere in TradFi because many traders care more about getting exposure to an asset than actually owning it. If a trader wants to speculate on Apple, they don't necessarily need to buy AAPL stock. They want straightforward exposure, efficient leverage, and a clear way to exit the position. The same is true for retail traders speculating on gold, treasury desks hedging FX risk, or commodity producers locking in prices for future production.

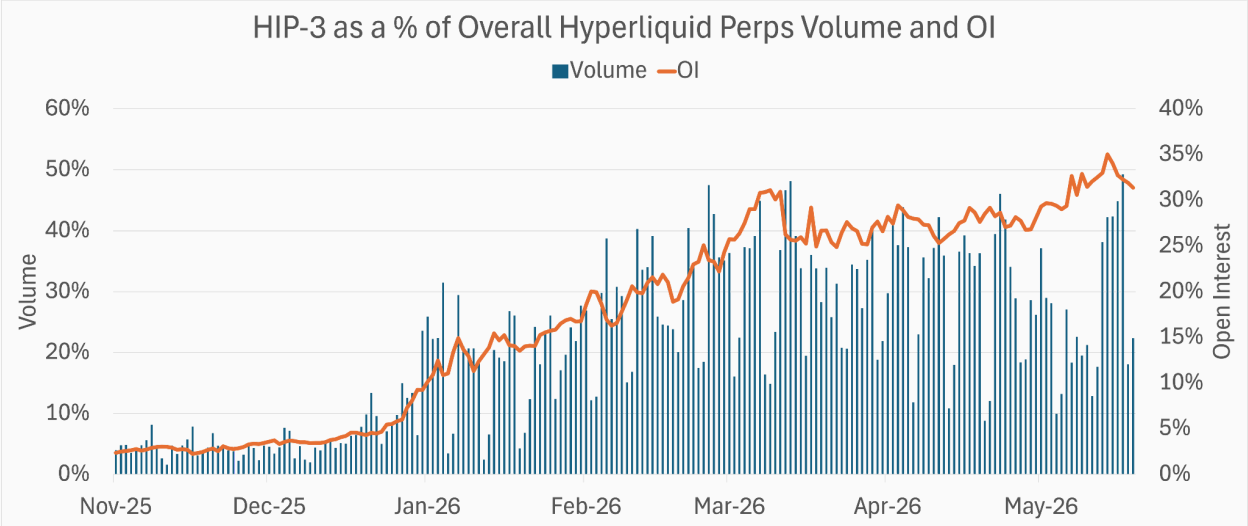
Trading volumes in TradFi dramatically eclipse those of crypto. If Hyperliquid is able to attract traditional traders that don't care about BTC, ETH, SOL, HYPE, etc, but rather just want a venue to trade risk on oil or silver, their addressable market grows orders of magnitude.

Source: *BIS*

Trade[XYZ], built by the independent team behind Unit, has been the most prolific HIP-3 deployer and currently accounts for ~90% of OI. Its markets now include perpetuals on WTI and Brent crude, gold, silver, the S&P 500, the Nasdaq, and individual stocks. On March 18, 2026, S&P Dow Jones Indices officially licensed the S&P 500 to Trade[XYZ] for what it described as the "first and only officially licensed" S&P 500 perpetual contract. While the public announcement doesn't confirm permanent contractual exclusivity, Trade[XYZ] was the sole licensed provider at launch, which we think matters. The deal is an important signal that the Hyperliquid ecosystem can win the trust of major financial institutions.

The traction on HIP-3 has been staggering. HIP-3 OI grew from effectively zero at launch to over $2.9 billion in just six months, a more than 100x increase. Less than half of the top 30 markets on Trade[XYZ] are crypto markets, and the rest are commodities, equities, and indices. On peak days, HIP-3 markets account for nearly half of all trading activity on Hyperliquid and now make up 33% of Hyperliquid's overall OI.

Source: *Artemis*



Source: *Dune, @yandhii*

HIP-3 proved its value very clearly during the Iran conflict in late February 2026. After U.S.-Israeli airstrikes caused a 30% jump in oil prices, traditional commodity exchanges closed for the weekend. Traders then used Hyperliquid's WTI perps as one of the only liquid, globally accessible venues for real-time oil price discovery while traditional commodity exchanges were closed. CL-USDC saw over $1.2 billion in daily volume and briefly overtook ETH perps as the platform's second-largest market. We don't think this was just a one-off event. Hyperliquid acted as essential financial infrastructure during a crisis because it runs around the clock, unlike CME and ICE.

Here's a WSJ snapshot:

March 14, 2026 6:35pm ET

24/7 Oil Futures Hold Steady Above $100

By Vicky Ge Huang

While traditional oil markets take a break over the weekend, digital platforms are providing a 24/7 preview of where crude prices are headed.

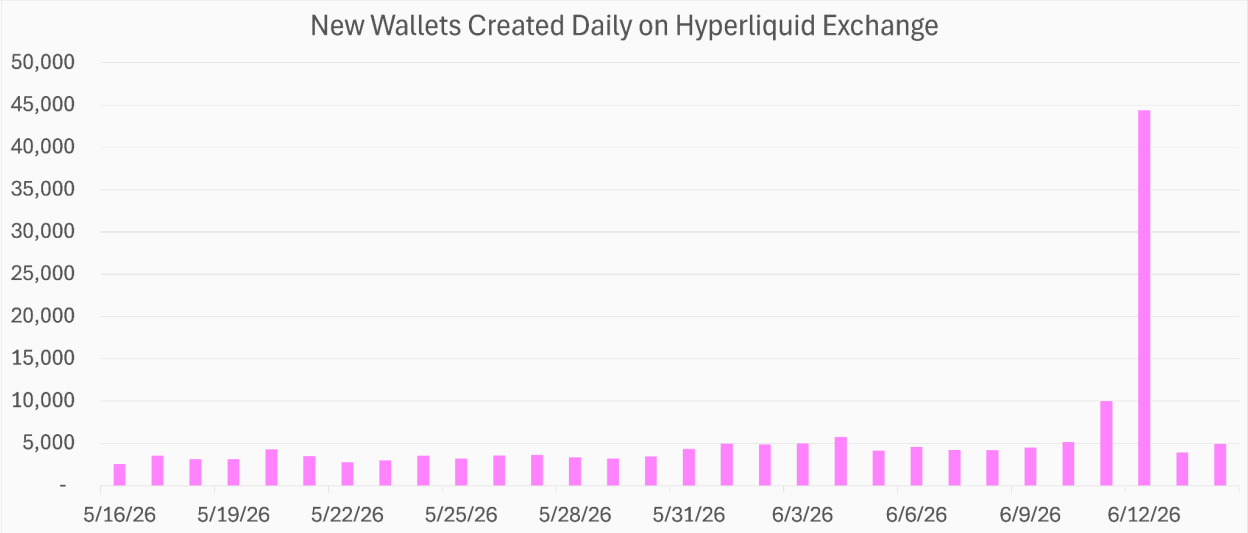
On the crypto exchange Hyperliquid, prices for contracts linked to the West Texas Intermediate crude traded at around $102 a barrel as of 6:20 p.m. ET on Saturday, up about 5% over the previous 24 hours.

In traditional markets, the U.S. oil benchmark officially finished the week at $98.71 a barrel on Friday and will resume trading at 6 p.m. ET on Sunday.

Since the U.S.-Israeli airstrikes in Iran began, overseas traders have rushed to bet on oil prices on Hyperliquid as fighting in the Middle East unfolded over the weekends. The cumulative volume on the exchange's oil futures surged to about $7.3 billion on Thursday from $339 million on Feb. 28, according to crypto data provider Kaiko.

Source: *The Wall Street Journal*

There were two other notable events in the HIP-3 universe recently. First, during the Cerebras IPO on NASDAQ, a Morgan Stanley trader on the floor of the stock exchange had Hyperliquid's (Trade[XYZ]'s) Cerebras pre-IPO chart open on their screen. This demonstrates that Hyperliquid is becoming a real price discovery engine for new assets coming to the public markets. Similarly, during the SpaceX IPO, the SPCX pre-IPO and then live market became the second most traded asset on Hyperliquid and did over $1 billion of volume. As a side note, volumes continue to remain elevated even after the initial IPO excitement. From a customer acquisition standpoint, there was also a 10x increase in new wallets created on Hyperliquid on the day of the SpaceX IPO:



Source: *HyperTracker*

In our opinion, the magnitude of this can't really be overstated. HIP-3 makes Hyperliquid accessible to more than just crypto-native leverage traders who just trade on crypto momentum in a lot of cases. The recent coverage in the WSJ is also a strong boost for broader protocol PR. With RWA-linked perps, new users such as macro traders, commodity hedgers, and equity speculators can get involved (these are groups that don't just follow crypto trends that would go away during crypto bear markets). As HIP-3 keeps growing, we expect it to help smooth Hyperliquid's revenue cyclicality and expand its reach and TAM.

Catalyst 2 - HIP-4: Prediction Markets and Options

HIP-4, announced in early 2026, lets users build prediction markets and options directly on HyperCore. This upgrade adds outcome-based contracts, which are fully collateralized instruments with set payoff profiles and fixed dates. These contracts don't depend on margin or liquidations and act as a core feature for both prediction markets and options trading.

We believe both categories have had a hard time finding product-market fit in DeFi for two main reasons: performance limits and lack of distribution. General-purpose L1s and L2s have generally lacked the speed and capacity these products require. Most options protocols and prediction markets were also built as standalone applications, separate from existing venues where traders already held collateral and open positions.

HIP-4 solves both issues. With Hyperliquid, prediction markets and options run as fast and reliably as HyperCore's trading engine, all within an exchange that already has deep liquidity, many active users, and capital ready for margin. Traders can use collateral from their perps

positions to participate in prediction markets without moving funds elsewhere. Standalone platforms like Polymarket can't offer this kind of cross-margining.

The TAM here is very significant. Prediction markets are doing $21 billion / month right now in volume. Crypto options generate over $180 billion in monthly volume during peak periods, and Coinbase's acquisition of Deribit for $2.9 billion is a good signal for how valuable this market can be. If Hyperliquid can replicate even a fraction of its success in perps across either category, the revenue opportunity would be meaningful, especially because both could support higher take rates than the core perps business.

Catalyst 3 - Portfolio Margining

Portfolio margining is probably the most underappreciated catalyst for Hyperliquid. This is a feature that's been standard on CEXs for years but is harder to implement onchain.

Portfolio margin lets users utilize their whole margin balance together, rather than splitting it up for each position. For example, if Alice is long BTC and short ETH at the same time, she maybe wouldn't have to put up full collateral for both trades separately. The system could see that these positions offset each other and are correlated, so it would free up some of her capital. Also, any unused portfolio margin balance on Hyperliquid will automatically earn yield through a borrow or lend protocol when she's not trading with it, which makes her capital work more efficiently.

The basis trade (popularized by Ethena's USDe stablecoin) becomes a lot more capital efficient with portfolio margining enabled. For example, imagine Alice holds 1 BTC in spot and shorts 1 BTC-USDC perp with leverage. If BTC moves drastically in either direction, one of her positions will be in the money and the other one will be losing (if it's the perp position losing with a lot of leverage she can be liquidated). But with portfolio margin, her unified collateral accounting would recognize the positive P&L from the spot long and free up collateral and not liquidate her. This type of model extends to all sorts of carry trades that are done by professional trading firms.

There are also meaningful cross-margining opportunities across HIP-3, HIP-4, and Hyperliquid's core exchange markets. BTC is increasingly traded as a macro asset, with its price driven by liquidity, interest rates, inflation, risk appetite, ETF flows, and the dollar. But expressing those views still requires traders to spread their positions across several venues. A trader might be long BTC on a crypto perps exchange, hedge equity exposure through E*TRADE, manage rates elsewhere, and use Kalshi or Polymarket for event risk. Hyperliquid has an opportunity to bring those markets together under a single risk engine, allowing traders to manage related positions and collateral in one place.

One simple example is trading BTC against equities. A trader who wants to go long BTC while hedging broader market risk could pair a BTC perp position with a short position in the HIP-3 Nasdaq market or an S&P 500 perp. To take a stronger stance on hard money, she could go long on both BTC and gold while shorting equities. If she is concerned that higher real yields could put pressure on BTC, she might combine a BTC long with a short position in rates or Treasury futures. These are all macro trades, and they become much more capital-efficient when both sides are margined together instead of being split across different venues.

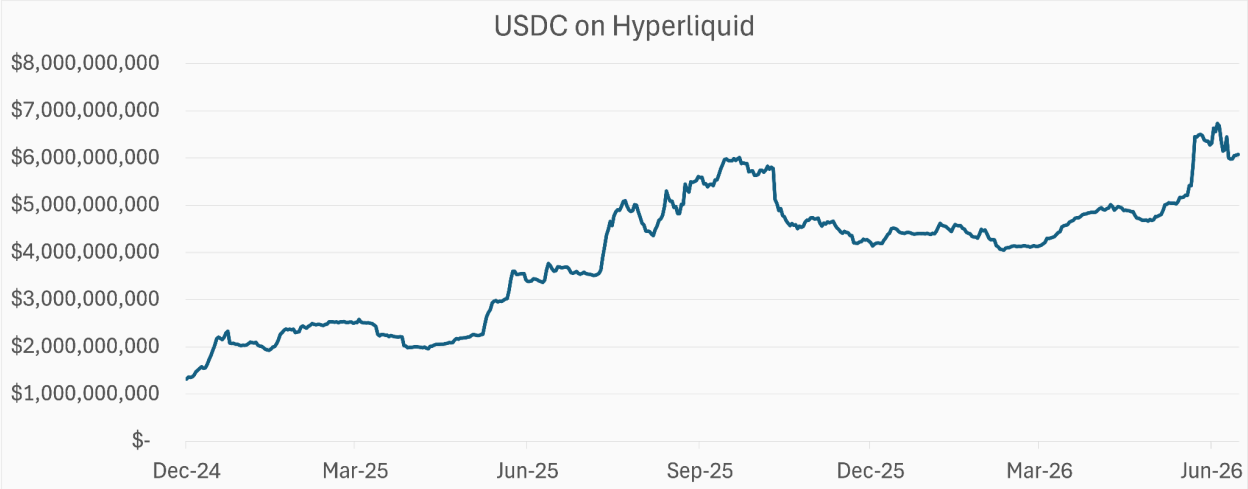
HIP-4 brings an extra advantage since many major macro risks come from specific events. For example, a BTC trader can hedge around an FOMC meeting, a high CPI report, or changes in the 10-year yield using an outcome market, all while keeping her main BTC position on the same platform. Market makers also gain from this. If someone is quoting prices in these event markets, they can hedge with BTC, ETH, gold, Nasdaq, oil, or rates within the same account. This should help make those markets more efficient and practical.

Catalyst 4 - Coinbase Deal

Hyperliquid ran a bake-off last year to choose a native stablecoin partner. Native Markets, a Hyperliquid ecosystem company, won that process and launched USDH. The idea was pretty simple: Hyperliquid has billions of dollars of stablecoin collateral sitting on the exchange, and historically most of the economics on that float accrued to Circle and Coinbase through USDC. USDH was the first attempt to bring some of that revenue back into the Hyperliquid ecosystem.

In May, Coinbase stepped in and offered to cut a much better version of that deal. That deal was accepted, and Coinbase is now the official USDC treasury deployer on Hyperliquid. Native Markets is currently transitioning out of that role, and Coinbase has the right to acquire the USDH brand assets. So Hyperliquid keeps USDC as the collateral users already know and trust, while recapturing a large share of the float economics that previously accrued entirely to Circle and Coinbase.

That matters for two reasons. First, it's real revenue. The exact number hasn't been disclosed, but the Aligned Quote Asset docs reference an approximate 90% revenue share. **At ~$6.13 billion of USDC collateral on Hyperliquid and a 3.65% gross treasury yield, a 90% revenue share would imply more than $200 million of annualized revenue to the token.**



Source: *DefiLlama*

Second, it shows Hyperliquid can get serious commercial deals done. This started as a community bake-off with a smaller native issuer, and a year later they're negotiating directly with Coinbase and restructuring the economics of stablecoins on the platform. That's a big proof point that they're increasingly acting like a serious financial exchange with real business-development leverage.

Catalyst 5 - Builder Codes

Builder codes allow third-party front ends to route order flow into the Hyperliquid core exchange in exchange for a share of fees. In effect, Hyperliquid is outsourcing distribution while retaining the liquidity layer. Any wallet, trading app, or aggregator can connect to the same underlying CLOB and earn a share of the revenue it generates.

The largest builder code operators today include Phantom, MetaMask, Insilico, Based, and Hyperdash, collectively driving approximately mid nine figures in daily trading volume to Hyperliquid. Phantom alone has over 17 million monthly active users, and its Hyperliquid integration has surpassed $43 billion in cumulative perps volume since launching in July 2025, while generating ~$22 million of revenue for their business.

Builder codes haven't been a runaway success like HIP-3 has to date. However, the ingredients are there. The way most front ends in crypto historically have made money is by being brokerages and/or exchanges. As we've said on many occasions, trading is the king money making business in this industry. It feels inevitable to us that most wallets, neobanks, front ends, aggregators, etc. will want their users to be able to access perps. Rather than building out a whole new derivatives DEX, acquiring liquidity (and probably paying for it), getting

distracted with a token, etc., all of these order flow engine operators can just route to the most liquid perps exchange, which is by far and away Hyperliquid.

This model is strategically interesting for Hyperliquid because it means the core team doesn't need to acquire users directly, it just needs to maintain deep liquidity. The flywheel will compound as well: more builder integrations bring more volume, which deepens liquidity, which improves execution, which attracts more builders. In the meantime, per our *DeFi Protocols Don't Capture Value, DeFi DAOs Manage Risk* framework, the HYPE token should continue growing in market cap and liquidity, which we believe should make the platform even safer relative to competitors.

Builder codes is the same dynamic that made Binance's Link ecosystem so valuable, except here it's permissionless and revenue-shared at the protocol level rather than through bilateral bespoke business development deals.

Catalyst 6 - HyperEVM

Over 175 development teams have deployed on HyperEVM as of early 2026, including lending protocols (HyperLend), dark pools (Silhouette), stablecoin infrastructure (Felix), and liquid staking (Kinetiq).

HyperEVM's main value proposition is composability with HyperCore. Through read precompiles, smart contracts can access live CLOB data, including prices, positions, and margin information, without cross-domain latency. Because these applications run on the same chain as the exchange, they can use Hyperliquid's liquidity, prices, and CLOB directly. A lending protocol could use live perps prices for liquidations, a structured product could hedge through the CLOB in the same transaction, and a stablecoin could rely on Hyperliquid's native price feeds rather than an external oracle.

The ecosystem is still early, and interoperability between HyperCore and HyperEVM remains a work in progress. But as the integration deepens, it gives Hyperliquid something no other derivatives venue has: a vertically-integrated financial stack where the exchange, the risk engine, and the DeFi application layer all operate within a single system. Every new application built on HyperEVM creates another reason for capital to flow onto Hyperliquid and another source of demand for the HYPE token as gas.

Catalyst 7 - Regulatory Efforts and Increasing Acceptance of Perps in the U.S.

Hyperliquid also seems to be taking regulation more seriously. The launch of the Hyperliquid Policy Center in Washington, D.C., led by Jake Chervinsky, is a clear signal that the ecosystem

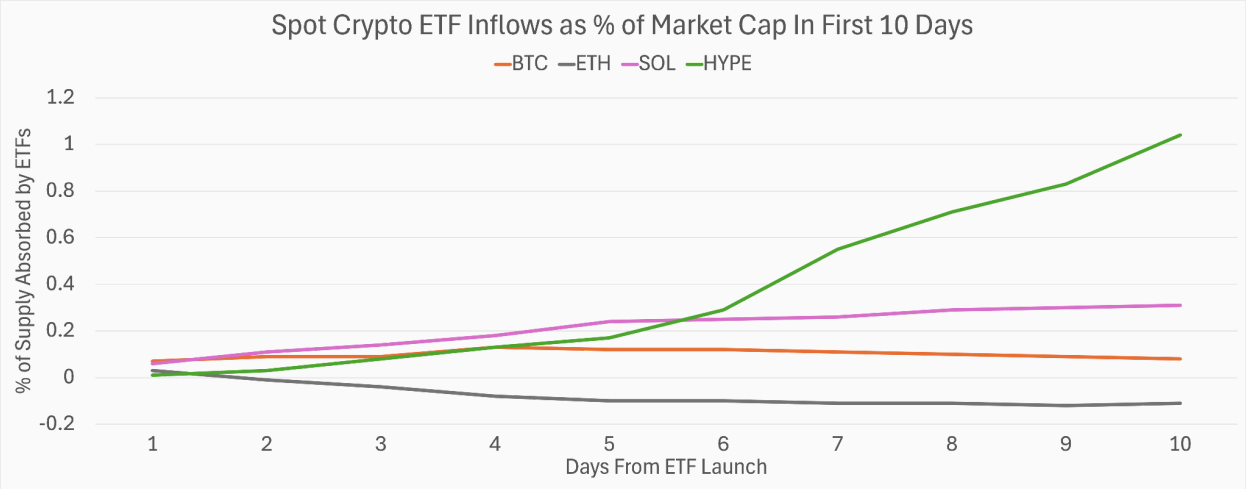
doesn't want to just sit outside the U.S. forever. The goal is to educate policymakers and regulators on DeFi markets, perps, and onchain financial infrastructure. That matters because regulatory risk has always been one of the biggest overhangs for any perps venue. Hyperliquid is now putting real resources behind the argument that DeFi perps can fit into a workable U.S. framework.

The timing is notable because U.S. regulators are beginning to take a more positive approach to perps. While the perpetual contract was first theorized in 1993 and implemented by an offshore centralized exchange in 2016, U.S. access has not been permitted until recently. In May 2026, the CFTC let registered CeFi exchanges list a true bitcoin perp contract, followed quickly by other major digital asset perps. Chairman Michael Selig said this was part of bringing one of crypto's most liquid products into the U.S. regulatory system. Hyperliquid doesn't directly benefit from these approvals yet – in fact, the approvals increase global CEX products in competition with Binance – but the main point is that perps are shifting from being only offshore products to ones that U.S. regulators are now willing to consider. There's wood to chop to go from regulated centralized perps access to onchain access, but the first step is availability of the product set itself.

Catalyst 8 - ETFs and New Pools of Capital

This last catalyst is less fundamental than the others, but still important. Most TradFi asset managers, RIAs, family offices, hedge funds, allocators, etc. can't easily buy HYPE, custody it, trade on offshore venues, or underwrite any of the operational complexity. Even with Coinbase's recent HYPE listing, many institutions are still not comfortable trading on crypto-native venues or holding the token directly. But HYPE should be an extremely compelling asset for them to own, given the underlying cash flow profile, particularly relative to virtually all other large cryptoassets (with a few exceptions, like SOL). Even if those managers understand the thesis, there's a structural barrier that historically could prevent them from owning it.

That barrier is now gone though. In May 2026, 21Shares' Hyperliquid ETF began trading on Nasdaq, followed shortly after by Bitwise's BHYP on the NYSE and Grayscale's competing HYPG Hyperliquid Staking ETF. By all measures, the launch of HYPE ETPs has been wildly successful. Interestingly, spot HYPE ETFs absorbed over 1% of HYPE supply in their first 10 trading days, which is the strongest debut of any spot crypto ETF to date:



Source: *Kairos Research*

ETFs flows (or the emergence of digital asset treasury companies like Hyperliquid Strategies and Hyperion) aren't the core thesis, but they expand the buyer base at the exact moment Hyperliquid's fundamentals are becoming easier for traditional investors to understand. You have real revenue, buybacks of HYPE tokens, a new stablecoin float revenue line, new HIP-3 and HIP-4 markets, and a credible path toward becoming a much broader financial exchange via cross-margining. ETFs and DATs hopefully will let HYPE capture the interest that all of those catalysts generate.

/ Risks

While there's a lot of upside to the HYPE thesis, there are also ample risks. Below, we outline these risks and explain why we think they're manageable.

Risk 1 - Decentralization and Governance

People often criticize Hyperliquid for being "centralized." This is clearly the most frequently cited concern about Hyperliquid, and it deserves some thought. As of June 2026, the network operates with 27 validators, up from four at launch. That's orders of magnitude fewer than Ethereum's ~887k validator set or Solana's 742. The node code has been closed sourced for the first two years of the network's existence. And as the JELLY incident demonstrated, a small validator set can convene in minutes and make consensus decisions about market and blockchain mechanics.

These are legitimate concerns. A 27-validator set means the network's liveness and censorship resistance depend on a relatively small group of operators, many of whom receive foundation

delegation. The closed-source code has also historically made it harder for outsiders to independently audit the core trading engine.

We don't dismiss these concerns, but there are several mitigating factors. Hyperliquid is purpose-built for high-performance derivatives trading, where the tradeoff between validator count and execution speed is different from that of a general-purpose L1. Sub-second finality and capacity for 200k orders per second are easier to achieve with a smaller, low-latency validator set. Whether that tradeoff is acceptable depends on what you're optimizing for.

Second, the validator set is growing, not shrinking. The Foundation Delegation Program actively works to increase validator diversity, with KYC/KYB requirements for participants to ensure geographic and operational distribution. The trajectory is toward greater decentralization over time, even if the current state falls short of maximalist standards.

Third, and most importantly, the response to the JELLY incident was quick, coordinated, and fully transparent. During a CEX meltdown, similar decisions are typically made behind closed doors, with little or no public audit trail. Hyperliquid sits somewhere in the middle. It's more centralized than Ethereum or Solana, but still far more transparent and verifiable than a traditional CEX. For its target users, particularly professional traders who care most about execution quality and post-trade transparency, that tradeoff appears acceptable. This is evidenced by the fact that the platform has continued to grow despite repeated governance controversies.

We think Hyperliquid's spot on the trust spectrum is actually a strong one for a derivatives DEX and users have shown through their actions that they're comfortable with the trust assumptions of the venue. The team has signaled that they want to open source when they feel confident that it's secure to do so, and we expect that, as security tools catch up to active threats across the ecosystem, they will be more comfortable opening the system up.

Risk 2 - Regulatory

Hyperliquid currently operates in a regulatory grey area. As a permissionless onchain perps protocol, anyone worldwide can directly access the network. Front ends generally block users in places like the U.S. where access isn't allowed, but it's hard to tell how many users or how much trading comes from restricted areas, whether through direct access or by using proxy setups to frustrate geoblocking.

Perps, which are still the core offering, continue to be a novel instrument with uncertain legal status, particularly in interpretation of swap treatment and futures treatment under U.S. law. As noted, the CFTC recently authorized large cap digital asset perps for regulated CEX exchanges

in the U.S.; however, this authorization doesn't extend to U.S. user access to offshore venues or onchain perps products. And while the CFTC characterized the newly authorized perps as futures, the CME promptly sued the CFTC over the authorization, highlighting their perception that perps are mischaracterized as futures. If the CFTC were to take enforcement action against the Hyperliquid protocol, the protocol developers, or its validators, it could materially impact the platform's growth trajectory and the value of HYPE.

There are several mitigating factors here. The regulatory environment has shifted materially toward a pro-crypto stance. The SEC and CFTC signed a formal MOU in March 2026 establishing coordinated rulemaking. CFTC Chairman Selig has directed staff to explore facilitating the onshoring of perps. The CLARITY Act, which establishes a two-track framework for digital asset regulation, has passed the House and is working through Senate reconciliation. And in March 2026, the CFTC issued a no-action letter to Phantom confirming that wallet software enabling users to access regulated derivatives wouldn't trigger registration requirements, a signal that the regulatory posture toward DeFi front ends is softening. Two months later, the CFTC opened a path for Kalshi and others to launch U.S.-based large cap digital asset perps on their regulated CEX exchanges.

Additionally, the Hyperliquid Policy Center was formed in early March 2026 and seeded with 1 million HYPE tokens by the Hyperliquid Foundation. The HPC is an active effort to work with regulators and explore ways for U.S. individuals and institutions to access Hyperliquid alongside traditional finance. This shows that the team is taking regulatory engagement seriously.

Risk 3 - Competition

The exchange sector has historically been the most competitive market in crypto. Many CEXs and DEXs have risen to dominance only to be displaced. Mt. Gox, Bitfinex, and dYdX are all cautionary examples. Binance is the major exception. It has held the top position for roughly eight years and remains an extremely well-run and well-capitalized organization despite all of its regulatory and legal challenges over the years. In our view, it's probably the biggest long-term threat to Hyperliquid.

On the DEX side, Aster and Lighter are the two most notable competitors. Aster, backed by YZi Labs and endorsed by CZ, briefly captured ~70% of DeFi perps market share in September 2025 before fading. Lighter, built by ex-Citadel engineers and backed by a16z and Lightspeed at a $1.5 billion valuation, uses ZKPs for trade verification and a zero-fee model. There are also credible derivatives DEXs on Solana, including Phoenix, Drift, and Bulk Trade, though none of them are at meaningful scale yet. These groups are largely relying on certain features upgrades to Solana market structure, including advancements from some of the large validator clients

(Agave and Firedancer), as well as Jito's BAM infrastructure for application-controlled execution. These upgrades would allow Solana DeFi derivatives venues to offer some features that Hyperliquid has today like maker cancellation priority. Realistically, some competing DEX volumes appear more sensitive to incentives than Hyperliquid's, but that doesn't mean competition in DeFi derivatives is irrelevant in perpetuity.

There's also a chance that more regulated derivatives exchanges will appear in the U.S. and offer real perp contracts. We're already seeing early signs of this with Kalshi and Coinbase. If CME and ICE start offering perps to U.S. traders, they might attract demand before Hyperliquid becomes available in the U.S.

We think Hyperliquid's edge is wider than the headline market-share numbers suggest. Like we mentioned before, we believe plenty of rivals are propped up by users farming points for airdrops, and thus their numbers in our view are dubious. Just look at what happened after Lighter's airdrop: its market share has tanked by about 50% on DeFi perps volume since. Hyperliquid, on the other hand, has real staying power because of its deep liquidity, strong execution, and builder integrations. That's a tough combo to copy with short-term tactics and rewards. Honestly, we believe it would take a major step function improvement in innovation, like a technical or product breakthrough, and we haven't seen anyone come close to that yet.

Risk 4 - HyperCore/HyperEVM Interoperability

Ethereum and Solana achieved their massive scale largely because of thriving ecosystems of third-party developers building on top of them. The breadth of projects leveraging both chains has created powerful networks of stakeholders who are deeply incentivized to see the underlying ecosystems and tokens succeed. Hyperliquid hasn't yet achieved an ecosystem of that caliber.

HyperEVM is what could solve that, but interoperability and composability between HyperEVM and HyperCore are still largely unsolved. Read precompiles allow HyperEVM smart contracts to access HyperCore state, but write functionality (the ability for EVM contracts to place orders or modify positions on HyperCore) is still in development via CoreWriter. Until this bridge is more fully built out, HyperEVM applications will remain somewhat limited in how deeply they can integrate with the core exchange.

The main mitigant is that Hyperliquid doesn't need a large EVM ecosystem for its core business to work. The exchange already generates ~$878 million in annual revenue, with little meaningful contribution from HyperEVM. We therefore view HyperEVM as call option value rather than a strict requirement for the thesis.

Builder codes and HIP-3 have also given third-party developers ways to build on Hyperliquid without deploying EVM smart contracts. Phantom's builder code integration is a good example, routing order flow directly to HyperCore without touching HyperEVM. If HyperEVM composability improves, it could become a meaningful catalyst. If it doesn't, though, we don't think it changes the outlook for the core exchange.

Risk 5 - Token Value Capture and Dilution

The investment case for HYPE depends on the durability and credibility of its value capture mechanisms. If token economics are weakened through dilution, misaligned incentives, or governance decisions, HYPE may fail to capture the economic value the platform generates, or capture less than investors are forecasting.

The primary dilution concern is the contributor unlock schedule. Core contributors receive ~9.92 million HYPE per month through 2028, which at current prices represents ~$625 million per month in potential sell pressure. Whether the buyback-and-burn mechanism can offset this supply expansion depends on fee growth outpacing unlocks, but we're very far away from that still.

The main safeguard here is that the product's revenue and the token's value are closely linked. There's no complicated equity structure or preferred shares to worry about. Everyone's economic interest in the protocol's success is tied to HYPE, so customers/traders, token holders, and the team all share the same goal. The team has already shown they're willing to reduce their own token distributions. For example, after releasing 1.2 million tokens in January 2026, they cut the next month's unlock by almost 90%, down to just 140k tokens. We see this as a strong sign that the team is focused on long-term alignment and cares about the token's price.

Furthermore, 99% of protocol revenue flows to the HYPE Assistance Fund for buyback and burns. As of June 2026, the fund has accrued over 45 million HYPE from the open market, worth ~$2.8 billion right now. The assistance fund creates a structural bid under the token that's directly tied to platform usage.

We'll discuss token supply dynamics more in the valuation section below, but suffice to say we believe that current fully diluted valuation numbers are significantly overstated, particularly on most investors' time horizons.

Risk 6 - Bad Debt

In some respects, Hyperliquid faces more bad debt risk than a CEX. CEXs can use KYC, account-level controls, withdrawal reviews, internal risk teams, and, in some cases, legal recourse against known counterparties. Hyperliquid doesn't have those same tools because anyone can deposit collateral, take leverage, and trade. That openness is central to the product, but it also leaves the protocol with fewer options for dealing with manipulation or undercollateralized losses after a sharp market move.

This matters more as Hyperliquid lists more assets, especially through HIP-3 and HIP-4. The long-tail of markets will include assets with weaker liquidity, less reliable reference pricing, more concentrated ownership, and more event-driven gap risk. If a trader builds a large position in an illiquid market and the market gaps through liquidation levels, the protocol can be left with bad debt. In a CEX, they can sometimes slow withdrawals, haircut accounts, pursue the user, or use off-platform risk controls. Hyperliquid has to solve more of this at the protocol and market-design layer.

The good news is that Hyperliquid has already been through the largest liquidation event in crypto history. On October 10, 2025, more than $19 billion of leveraged positions were liquidated across the market, including roughly $1.25 billion on Hyperliquid. Despite the scale and speed of the move, Hyperliquid remained solvent and continued operating, providing an important real-world test of its liquidation and risk systems.

Obviously this doesn't eliminate risk, but the venue has already operated through a once-in-cycle liquidation cascade and held up extremely well. In fact, compared to Binance (its biggest competitor), 10/10 was a meaningful win for Hyperliquid. On Binance, several synthetic assets lost their peg, including USDe (Ethena's stablecoin), BNSOL, and WBETH. Because these assets were widely used as collateral on Binance, more liquidations occurred than were necessary.

Separate from just relying on previous success, Hyperliquid has a built-in advantage that most DEXs lack: it runs on its own L1. Most DEXs are just applications built on another blockchain's settlement layer. They can pause trading, change risk settings, or use an insurance fund, but after transactions settle and collateral leaves the app, they have limited ways to contain losses.

Hyperliquid validators have more tools because the Hyperliquid matching engine, risk system, L1 accounting, and bridge all work together in one system. In a worst-case scenario, validators could come together to reach distributed consensus on managing withdrawals, bridge actions, or the system's state before losses become permanent, as was seen in the JELLY incident.

/ HYPE Token

We've written extensively about the challenge of designing DeFi tokens that actually capture value. Most don't. The questions we always ask are: Does the token have a direct claim on protocol revenue? Can it be forked out? Does it suffer from the velocity problem? Is usage organic or incentive-driven? Is there utility value from holding it?

HYPE passes every one of these tests. It has one of the cleanest token designs we've seen in crypto across every dimension. It's important to note that Hyperliquid has no separate equity layer. There's no cap table, no preferred stock, and no group of equity investors with an economic claim that sits apart from HYPE. The team, users, and tokenholders all participate in the success of the same asset. We think that creates unusually tight alignment and gives Hyperliquid a structural advantage over most other major crypto protocols.

Token Distribution

Since the team never raised external funding, there isn't an investor allocation in the HYPE distribution. The total supply of one billion tokens was divided as follows: 31% was airdropped to early users at launch (310 million tokens, fully unlocked), 38.9% is set aside for future community emissions, 23.8% is allocated to core contributors, and the rest is reserved for the foundation and ecosystem grants.

Team tokens were subject to a one-year lock from launch, with vesting running through 2027 and 2028. Core contributors receive ~9.92 million HYPE per month, roughly $625 million at current prices. This is the primary source of potential sell pressure on the token.

HYPE Utility

HYPE serves five distinct functions within the Hyperliquid ecosystem:

1. Most importantly, **99% of protocol revenue flows toward buying back and burning HYPE** via the Assistance Fund. This is the mechanism that directly ties platform usage to token value.
    a. The remaining ~1% is used to support protocol operations and related business expenses.

2. Second, staking tiers unlock trading fee discounts, incentivizing traders to hold and stake rather than sell. This creates a velocity sink: active traders accumulate HYPE not for speculative reasons but because holding it reduces their cost of doing business on the platform.

This changes how competitive a market maker can be because the ones with the lowest fees can offer spreads and fill trades that others wouldn't be able to. On Hyperliquid, a trading firm seeking discounted fees must verifiably hold or stake the required amount of HYPE, which means the token has to be acquired from an existing holder or purchased in the open market.

3. Third, it's the gas token for all transactions on the Hyperliquid L1. Every order, trade, and interaction on HyperEVM requires HYPE for gas, creating baseline demand that scales with network activity.

4. Fourth, it can be staked to secure the network and earn yield. Validators must stake a minimum of 10k HYPE to participate, and delegators earn staking rewards from a combination of protocol inflation and trading fee distributions. Current staking APY is ~2.25%, with the rate adjusting dynamically based on total stake, a design inspired by Ethereum's staking curve.

5. Lastly, HYPE carries governance powers for validators over protocol upgrades and changes. Validators participate in stake-weighted votes on proposals including market delistings, parameter changes, and, as demonstrated in the Assistance Fund burn vote, permanent supply decisions.

In our BNB follow-up report, we introduced what we called the "equation of exchange tokens":

> *Exchange token network value = value created by exchange × efficiency of token value capture*

The first term (value created by exchange) is measured by trading volume, revenue, users, liquidity depth, and management quality. Basically how well the exchange is doing from a fundamental perspective. We've laid out the case for Hyperliquid's dominance on these metrics throughout this report.

The second factor, which is how efficiently the token captures value, is where HYPE really stands out. The token collects 99% of protocol revenue using an automated, daily buyback system that runs without any manual decisions. There's no equity layer competing for cash flows and no investors with special rights or board seats. Economically, HYPE is the primary instrument through which the protocol's cash flows accrue. This is the clearest example of the exchange token model we've seen. It's simpler than BNB, HT, DYDX, UNI, or any CEX equity structure, because it's always clear where the value goes.

/ HYPE Valuation

Hyperliquid generated ~$878 million in the last 12 months (TTM), 99% of which flows back to token holders via buyback-and-burns through the HYPE Assistance Fund. TTM protocol earnings was thus ~$869 million.

The notable part is that nearly all of it predates any meaningful HIP-3 contribution. The platform roughly doubled its free cash flow run rate between the beginning and end of 2025, without the benefit of all of the various product upgrades now coming online. RWA-linked perps via HIP-3, prediction markets and options via HIP-4, portfolio margining, the Coinbase stablecoin deal, builder code expansion, and the growing HyperEVM ecosystem all represent incremental revenue streams that aren't yet reflected in the trailing numbers.

Hyperliquid has also kept "growth mode" enabled for HIP-3 markets, which effectively reduces the platform's take rate by 90% in order to encourage liquidity and trading activity. That subsidy made sense when the markets were still early, but HIP-3 has now become a meaningful part of the platform. As growth mode is gradually reduced or removed, Hyperliquid should capture a much larger share of the economics from those markets, creating a meaningful margin tailwind without requiring any additional volume growth.

Valuation Framework

For this valuation, we use a cash flow multiple methodology, consistent with the approach we've applied in prior reports on BNB and DRIFT. We assume that 99% of protocol revenue will continue to accrue to HYPE token holders through the buyback-and-burn mechanism, which is the current and stated design of the system.

DEXs, both derivatives and spot, are among the highest-margin businesses in existence. CEX margins are strong, but they carry costs for customer support, global licensing, servers, custody infrastructure, and compliance teams. Hyperliquid has a fraction of the costs imposed on larger CEXs. The protocol is already sustainable with a small team, and in the long-state economic equilibrium we believe it will remain a 95%+ margin business. For our valuation model, we exclude expenditures because the protocol is already cash-flow positive and the cost structure is negligible relative to revenue.

We also will take into account the revenue generated from the Coinbase USDC deal given the magnitude of the cash flow and the fact that it should scale pretty linearly with the growth of the core exchange business. It's also a live revenue line as of today.

Assumptions

We built our base case around four assumptions that we believe are conservative:

1. Our first assumption is that total crypto derivatives volume will grow at a 35% compound annual growth rate through 2028. For comparison, CeFi derivatives volume grew at 44.8% per year from 2020 to 2025, hitting $85.7 trillion in 2025. We're using a slower growth rate, which we believe is very conservative based on the long-term trends discussed in this report.

2. Our second assumption is that derivatives DEXs will make up 32% of the crypto derivatives market by 2028, up from about 16% today. DeFi's share grew from almost nothing in 2022 to 16% in just three years. Reaching 32% in the next two years is in line with previous year growth, and it seems realistic given ongoing improvements in execution, the loss of trust in CeFi after recent failures, supportive regulations, and the growth of RWA-linked products. The biggest piece here by far is the opportunity for HIP-3 and RWA volumes.

3. The third assumption is that Hyperliquid holds its current ~30% share of the derivatives DEX market. We aren't modeling any market share gains within DeFi, even though Hyperliquid has been gaining share for most of the past two years and currently controls over 59% of OI (they're lower in terms of volume market share, probably for farming purposes as we've discussed in this report.)

   This is deliberately conservative because we want to show that the investment case works even if Hyperliquid's competitive position doesn't improve from where it stands today. For context, we believe it will be significantly higher as exchanges have liquidity network effects (see Binance for spot/perps and then Deribit for options).

4. The fourth assumption is that USDC balances on Hyperliquid will grow roughly in line with trading volume. Over time, the platform should add assets that support higher leverage, such as FX pairs, but also attract a less risk-on trader base. We assume those effects largely offset, leaving average leverage on the platform roughly unchanged.

Base Case

Under these assumptions, total crypto derivatives volume would reach ~$210 trillion by 2028. That would only represent ~6% of today's OTC FX and interest rate derivatives turnover, which together annualize to ~$3.7 quadrillion. These look like large numbers, but at ~6% of current OTC FX and rates turnover we believe they aren't a stretch.

At $210 trillion of annual volume, derivatives DEXs would then make up 32% of that, or $67.2 trillion of annual volume. With Hyperliquid's market share remaining constant at 30% (a conservative steady state), that gets us to ~$20.16 trillion of annual volume. At that notional volume, USDC on the platform would increase ~7x to ~$43 billion, creating a ~$1.41 billion revenue line (assuming a steady state in interest rates, which impact USDC revenue).

With trading fees staying constant from 2025 at 3.28 bps (we remove HLP's take rate from consideration as it's becoming less and less meaningful for the business), annual earnings would increase from $869 million to $6.6 billion from trading fees + $1.41 billion = ~$8 billion. We hold the 2025 net take rate constant rather than assuming fee expansion, even though HIP-3, HIP-4, and portfolio margining could change the revenue mix over time, probably in a higher margin way.

We want to be clear about what this model excludes. It assumes slower growth in the broader derivatives market than historical patterns, zero market share gains for Hyperliquid within DeFi, nor does it include any significant contribution from prediction markets and options, or HyperEVM gas flows, all of which represent real, meaningful catalysts for growth that we've documented earlier in this report. It also assumes that DeFi eats into CeFi at the same rate it has for the last three years. This is, by design, a low estimate of what the business could look like in two years.

Adjusting Supply

There were 1 billion total HYPE tokens created at inception. However, we believe it's appropriate to adjust that figure. We use Hyperliquid Strategies' framework for calculating the true outstanding supply. Because we're using 2028 for our model, we add back in staking emissions until the end of 2028, which gets us to ~502 million HYPE in the float for our model:

Category	Tokens
Initial token supply	1,000,000,000
Less: Future emissions and community rewards	(413,974,849)
Less: Hyper Foundation	(60,231,731)
Less: Assistance Fund	(45,249,136)
Less: Community grants	(2,848,334)
Less: HyperCore and HyperEVM fees	(1,148,847)
Current outstanding supply	476,547,103
Add: Expected staking emissions through 2028	25,303,563
2028 outstanding token supply	501,850,666

Source: *Hyperliquid Strategies*

Price Targets

At a current price of ~$63, HYPE trades at a ~$32 billion valuation against $869 million in earnings, representing a ~36x earnings multiple on a trailing-twelve-months (TTM) basis against current circulating float. If you include the Coinbase deal which would drive ~$200 million of earnings on a go-forward basis at current USDC notional on the platform, HYPE is effectively trading at ~30x forward earnings.

We apply a 20x earnings multiple to our projected 2028 protocol earnings of $8 billion. For context, COIN currently trades at a ~24x 2028 consensus P/E multiple, CME at ~17x, and HOOD at ~32x. These businesses aren't perfect comparables, but they provide a useful reference point for how the public markets value scaled exchanges and trading platforms.

A 20x multiple for a business that would still be growing earnings at a tremendous rate, with this level of operating leverage, this quality of token value capture, and many unrealized catalysts, is in our view quite reasonable. We also note that unlike most DeFi protocols where "revenue" includes interest paid to liquidity providers or lenders, Hyperliquid's $869 million in TTM earnings represents actual protocol-level cash flow that accrues to token holders through a direct, programmatic buyback mechanism, making it a cleaner comp to traditional earnings than most crypto metrics.

At a 20x multiple on $8 billion in earnings in our base case, we arrive at a $160 billion valuation, which on an adjusted supply of 502 million tokens implies a HYPE price of over $319, representing more than 5x upside from current levels under conservative assumptions.

To illustrate the sensitivity of this analysis, we present bear and bull cases using different assumptions.

Our bear case will assume that the overall crypto derivatives market will only grow 10% CAGR through 2028 and DEX market share will only get to 20%. We also assume no meaningful contribution from HIP-4 or HyperEVM gas. Again, USDC growth will be linear with trading volume growth.

With those bear case assumptions, Hyperliquid would generate ~$2.73 billion of protocol earnings. At a 20x multiple, that gets us to ~$55 billion adjusted market capitalization, or ~$109 per HYPE token.

Our bull case assumes that the derivatives market will explode due to the factors discussed in this report. We assume it will grow at 50% CAGR. We also assume derivatives DEXs will reach 50% of the overall market for crypto derivatives. With those assumptions, we get to ~$17.3

billion of cash flow. At a 20x multiple, that gets us to ~$346 billion adjusted market capitalization, or ~$689 per HYPE token.

1. Bear case: 20x multiple on $2.73 billion earnings = ~$55 billion valuation = ~$109 per token
2. Base case: 20x multiple on $8 billion earnings = ~$160 billion valuation = ~$319 per token
3. Bull case: 20x multiple on $17.3 billion earnings = ~$346 billion valuation = ~$689 per token

Options and prediction markets via HIP-4 haven't reached any scale yet, and portfolio margining is in alpha. Builder code integrations and new HIP-3 deployers are expanding and are a truly unique source of customer acquisition across all of tech. Each of these represents potential upside that isn't captured in our base case.

Taken together, we believe the market is undervaluing HYPE. Right now, HYPE trades at about the same earnings multiple as established DeFi protocols, even though it has much higher growth, a stronger product pipeline, and better token value capture. It's also priced similarly to traditional exchanges and brokerages, which are less innovative than Hyperliquid. The risk-reward looks attractive because there's already a clear cash-flow base that limits downside, while the upside depends on how big onchain derivatives get and how much market share Hyperliquid can win.

/ Conclusion

Hyperliquid is the most significant new crypto exchange to launch since Binance. We don't say this lightly. After seven years investing in exchange infrastructure and watching every major platform come and go, we believe Hyperliquid has found product-market fit in a way very few exchanges have.

The Binance parallel is hard to ignore. In 2017, Binance went from nothing to the dominant CEX in six months. The market didn't appreciate how quickly liquidity compounds, how powerful the flywheel between product quality and volume can be, or how much value the BNB token could capture. We published our BNB report at $10 in 2019 when the exchange was already widely adopted and entrenched, and it trades at ~$563 today.

Hyperliquid is following the same playbook, but with structural advantages Binance never had. It's non-custodial, execution is fully onchain and verifiable, and revenue flows to token holders through an automated, daily buyback mechanism with no equity layer in between. Additionally,

it’s also expanding into commodities, equities, prediction markets, and options, markets that are often harder for CEXs to enter because of licensing and regulatory constraints.

The numbers speak for themselves. In 2025, Hyperliquid generated ~$873 million in revenue across ~$2.9 trillion in trading volume, grew its user base to ~923k, and accumulated ~$6 billion in OI, more than all DeFi competitors combined. Its BTC perps order book is tighter and deeper than Binance's. And the entire operation was built and run by a small team who never took a dollar of outside capital.

We’re excited about where Hyperliquid stands today, but the larger opportunity is still ahead. RWA-linked OI on HIP-3 has already passed $2.9 billion, and the officially licensed S&P 500 perp generated more than $100 million in daily volume during its first week. HIP-4 will add prediction markets and options, while portfolio margining will close one of the largest remaining feature gaps with CEXs. Builder codes and HIP-3 are also expanding distribution by allowing wallets and third-party applications to route order flow directly to Hyperliquid. Together, these create two major paths for growth: vertical expansion into new market types like options and prediction markets, and horizontal expansion into new TradFi asset classes.

Each of these catalysts reinforces the others. New products and broader distribution bring more volume to the platform. That volume generates more fees, which are used to buy back and burn HYPE. As the ecosystem grows, Hyperliquid becomes more attractive to traders, builders, market makers, and institutions, creating the potential for a powerful flywheel.

There are real risks. Hyperliquid still faces open questions about decentralization, governance, regulatory clarity, growing competition, and whether HyperEVM will mature into a robust ecosystem. We’ve discussed these risks throughout the report and believe they’re manageable compared to the potential upside. The team has already navigated manipulation attempts, a competitive market share battle with Aster, and a challenging bear market in the early years. In each case, the team responded quickly and emerged stronger, which is a sign of their tenacity and hunger.

At ~$63, HYPE trades at roughly 36x TTM earnings, or approximately 30x forward earnings including the now-live Coinbase/USDC agreement. Under our base case assumptions, we project $8 billion in annual earnings by 2028, implying a ~$319 price at a 20x multiple. If any of the catalysts we've outlined come to fruition, the upside is substantially higher. For all of these reasons, we’re bullish HYPE and expect it to outperform the broader crypto market significantly in the coming years.