

October 2025

Digital Asset Ecosystem Commentary

Galaxy Asset Management

“Uptober” delivered on its promise of strong starts but not its guarantee of strong finishes. Both risk and defensive assets surged to record highs early in the month before reversing course, as optimism over monetary easing collided with renewed trade tensions and a late-month shift in monetary policy tone.

Early in the month, strong corporate earnings, persistent AI enthusiasm, and dovish Federal Reserve signals set the tone for a broad-based rally across asset classes. Chair Jerome Powell’s remark that the Fed’s balance sheet runoff could conclude “in the coming months” reinforced the perception that policymakers were leaning toward a more accommodative stance, which sent Bitcoin (BTC) to its all-time high above \$126,000 on Oct. 6.¹

By mid-October, that momentum faltered. The catalyst came from renewed US/China trade tensions after President Trump proposed 100% tariffs on Chinese imports, sparking a sharp risk-off shift. The shock triggered the largest liquidation event in crypto history, wiping out over \$19 billion in leveraged positions in one day on Oct. 10.² During the crash, BTC fell 13% intraday, Ether (ETH) dropped 20%, and some altcoins lost up to 75%.³ High leverage combined with shallow liquidity and one macro headline sparked the crash.⁴ The selloff cascaded through digital assets but also coincided with modest pullbacks in equities as volatility picked up globally.

Later in the month, rate-cut expectations began to fade as policymakers turned more cautious. In his press conference following the October meeting of the Federal Open Market Committee (FOMC), Chair Powell warned that further easing was “not a foregone conclusion,” prompting a repricing in rates and tightening of financial conditions. Treasury yields rose and the dollar strengthened.

As October closed, markets were recalibrating to a world of more selective liquidity and less certain policy support. The weakness extended into early November, with BTC dipping below \$100,000 for the first time since June. As Galaxy’s Head of Firmwide Research, Alex Thorn, observed in a client note, “heavy whale distribution, rotation into competing narratives like AI, gold, and stablecoins, and weak performance from BTC treasury companies” had weighed on sentiment. The Oct. 10 leverage wipeout also left lingering scars, while market composition shifted from speculative traders toward slower, more institutional capital.

October’s synchronized rallies and subsequent reversals underscored how dependent markets remain on liquidity and policy expectations. Until greater clarity emerges on the trajectory of economic growth and monetary easing, price action is likely to stay rangebound, reactive, and driven by macro headlines rather than fundamentals.

US Wall Street Keeps Warming to Crypto

On Oct. 10, Morgan Stanley removed longstanding restrictions on crypto fund access for its financial advisors, allowing them to allocate digital assets to all clients across any account type.⁵ Advisors can now proactively recommend crypto investments, a privilege previously limited to high-net-worth investors with elevated risk tolerances. In its newest published report, the firm suggested clients allocate up to 4% of portfolios to digital assets, a conservative but nontrivial endorsement from one of the largest US wirehouses.⁶ The report framed the asset class as both a hedge against inflation and a long-term growth opportunity.

The wealth channel is one of the last remaining distribution bottlenecks in US financial markets for digital assets. It encompasses roughly 300,000 financial advisors managing about \$30 trillion in client assets.⁷ If even a modest 2% allocation to bitcoin ETFs emerged across this channel, that would translate to roughly \$600 billion in potential inflows, a figure comparable to the entire global gold ETF market (~\$472 billion) and more than 3x the US spot bitcoin ETF AUM (~\$146 billion).⁸

The barriers to crypto access in wealth management are now beginning to recede. As institutional adoption accelerates, particularly in a more pro-crypto regulatory environment, banks are building their own custody and trading infrastructure, which serves as the critical backbone needed to close the loop internally and offer secure, scalable crypto access through their wealth platforms. The Trump administration's recent executive order allowing 401(k) plans to include crypto as an option has added further legitimacy, helping wealth channels grow more comfortable with crypto's risk profile.⁹

Once the large advisory platforms fully open access to crypto ETFs, financial advisors will be able to integrate crypto directly into traditional balanced portfolios. This shift represents a change in how digital assets are distributed: moving from retail-driven speculation to advisor-led portfolio construction.

And the impact could be substantial. New inflows may follow as wealth managers begin allocating to the asset class, potentially pushing total bitcoin ETF AUM to \$500 billion within a few years, assuming just a 1% average allocation across managed portfolios. Such flows would reshape market dynamics and reinforce bitcoin's position as a mainstream, investable asset.

At the same time, advisory compliance frameworks should make these allocations more permanent and disciplined, reducing the impulsive turnover often seen in retail trading. The result could be greater price stability and deeper market maturity, as long-term holdings replace short-term speculation.

In effect, the opening of the wealth channel could mark the point where crypto transitions from a niche investment to a standard portfolio component, alongside equities, bonds, and gold.

To learn more about the digital asset ecosystem, visit [**State Street's digital asset hub**](#).

Footnotes

1. Bloomberg Finance L.P., as of October 6, 2025.
2. CoinGlass, as of October 31, 2025.
3. Bloomberg Finance L.P., as of October 10, 2025.
4. Galaxy Research, as of October 15, 2025.
5. CNBC.com, "Morgan Stanley drops restrictions on which wealth clients can own crypto funds."
6. Morgan Stanley: Asset Allocation Considerations for Cryptocurrency.
7. Cerulli Associates, as of January 16, 2025.
8. Bloomberg Finance L.P., as of October 15, 2025.
9. Whitehouse.gov: Democratizing Access to Alternative Assets for 401(K) Investors.

Definitions

Altcoin: Any cryptocurrency other than bitcoin.

Bitcoin: A peer-to-peer digital currency created in 2009 that offers the promise of lower transaction fees than traditional online payment mechanisms. Unlike government issued currencies, bitcoin is run and 'regulated' by its own users using a technological infrastructure called a "blockchain". Bitcoin was created by someone whose identity has not yet been verified who goes by the name of Satoshi Nakamoto.

Cryptocurrency: Cryptocurrency, or crypto, is a digital currency designed to work as a medium of exchange through a computer network that is not reliant on any central authority, such as a government or bank, to uphold or maintain it.

Stablecoin: A type of crypto asset that is pegged to a stable asset, such as a fiat currency like the US Dollar or a commodity like gold.

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