Digital Asset Ecosystem Commentary: Q2 2026

Galaxy Asset Management

April

In Q1 we saw a period of fragile stabilization, but April delivered a shift to broad risk-asset recovery. Markets entered the month cautiously, with the geopolitical overhang still unresolved, before pivoting higher as a US/Iran ceasefire deal and the deal's subsequent extension opened up risk appetite across equities and crypto. US equities tracked their best month since 2020. Bitcoin (BTC) posted its first positive month since September, ending a five-month losing streak, though its price remained below 2025 year-end levels.[1]

The dominant macro driver was the US/Iran escalation cycle. Conditions in the Strait remained unstable, with intermittent attacks, restricted transit, and mounting pressure on global energy flows. Oil prices broke $120 at the end of the month reflecting supply uncertainty.[2] Despite the energy price shock, equity markets proved remarkably resilient, buoyed by a strong Big Tech earnings cycle. Five of the Magnificent Seven reported in the final week, with Google and Meta raising capital expenditure (CapEx) guidance; Google's disclosure that nearly 75% of its new code is AI-generated effectively silenced near-term ROI concern for AI-related investments.[3]

In crypto, the technical and structural backdrop improved materially in April. BTC's early April dip below $66,000 cleared residual leverage and reset positioning, setting the stage for the recovery that followed.[4] The US/Iran ceasefire announcement on April 7 alone triggered $420 million in short liquidations of perpetual futures.[5] Nine consecutive days of US spot BTC ETF inflows, totaling $2 billion in the second half of the month, matched the longest streak since BTC's all-time high of $126,000 in October 2025.[6] By early May, BTC's push above $80,000 signaled a constructive backdrop for an opportunity of further price appreciation.[7]

CLARITY Update: The CLARITY Act remains a central pillar of the US regulatory agenda for digital assets, intended to establish a formal market structure framework. However, progress has been constrained by a narrow set of complex and politically sensitive issues. These include the regulatory treatment of DeFi, the extent to which non-custodial developers should be subject to Anti-Money Laundering (AML) and money transmitter requirements, restrictions on stablecoin yield-sharing, the Treasury's sanction authority, and potential conflicts of interest involving public officials. Disagreements across these areas ultimately delayed earlier efforts to advance the bill, underscoring the difficulty of achieving durable bipartisan consensus.

May

Unlike April's broad-based risk-asset recovery, in May US equities extended their advance to successive all-time highs while the crypto market declined materially.[8] The defining tension was one of competing narratives. An AI and semiconductor investment thesis with visible earnings support sustained stocks' momentum despite the persistent geopolitical uncertainty of the unresolved US/Iran standoff, elevated energy prices, and the most challenging inflation print since mid-2023.

Equity markets entered May with five consecutive weeks of gains and extended that run through month end, absorbing Iran headline volatility and a materially hawkish rate outlook.[9] April's Consumer Price Index (CPI) and Producer Price Index (PPI) came in above consensus estimates with CPI at 3.8% YoY and PPI at 6.0% YoY.[10] Meanwhile the personal consumption expenditures (PCE) deflator, the Fed's preferred measure, also printed 3.8% YoY, its highest reading since May 2023.[11] The market's expectation of multiple Fed rate cuts by the end of 2027 effectively evaporated, with some corners beginning to price a hike as the more likely next move.[12] Jerome Powell's tenure as Fed Chair expired on May 15, with Kevin Warsh formally assuming leadership; his preference for less scripted guidance and a more hawkish reading of the pandemic-era balance sheet adds a layer of policy uncertainty heading into the second half of 2026.

BTC entered May around $76,000 carrying what appeared to be a constructive technical setup: 67 consecutive days of negative perpetual futures funding rates had built an historically unusual structural short base, and a short squeeze against the 200-day moving average near $82,500-$83,000 appeared compelling to many observers.[13]

ETH, Etherium's crypto currency, underperformed even within the crypto complex, weighed down in part by a deepening identity crisis at the Ethereum Foundation and growing investor confusion over ETH's value accrual thesis.[14] As broader risk assets rallied on Iran de-escalation and AI momentum, the weakness in crypto was plainly idiosyncratic rather than macro-driven.

The price decline found structural confirmation in the simultaneous retreat of the two largest BTC demand sources of the prior 18 months. Approximately $4.3 billion was pulled from US spot BTC ETFs between May 15 and June 4 culminating in a record 13-day outflow streak that flipped cumulative 2026 flows negative.[15]

On the regulatory front, May delivered a meaningful result that failed to lift prices. The Senate Banking Committee advanced the CLARITY Act out of committee. Separately, President Trump signed an executive order directing the Fed to evaluate whether non-bank financial institutions, including digital asset firms, should be permitted access to Reserve Bank payment accounts, a development with significant longer-term implications for crypto-native financial infrastructure.

STATE STREET INVESTMENT MANAGEMENT

Tokenization: The Quiet Stage

While crypto markets faced turbulence in May with bitcoin ETF outflows picking up and prices softening, tokenization activity showed no sign of slowing down.[16]

A slew of announcements in April involved settlement infrastructure, product issuance, and liquidity plumbing. What distinguishes this moment is less about a single announcement, but the fact that infrastructure builders, product issuers, and ancillary enablers are all moving at the same time and filling different layers of the onchain finance stack. Here's what we observed in May.

Infrastructure builder: The most structurally significant and visible activity came from firms at the center of how securities are cleared and settled today. The Depository Trust & Clearing Corporation (DTCC) announced its upcoming tokenization service is targeting an October launch, and it will also connect to the Stellar public blockchain, in addition to Canton. Boerse Stuttgart announced that Seturion, its settlement platform, will work with Societe Generale's SG-FORGE on tokenized structured securities and settle transactions using stablecoins while allowing Nasdaq's European venues to trade and settle these tokenized securities. While Seturion has not disclosed which blockchain it will connect to, the settlement layer is clearer: SG-FORGE's CoinVertible stablecoins run on Ethereum, meaning Ethereum is in the mix.

Tokenized products: Tokenized money market funds have emerged as an attractive option in the early adoption of tokenization because it brings risk-free USD rates to onchain finance. The Tokenized Money Market Fund (tMMF) market has grown from under $1 billion in 2024 to over $15 billion today[17], and new entrants are reinforcing how fierce the competition is. What is notable about this growth is not just the pace and size, but where it is happening. The new funds are built predominantly on public blockchains, with issuers layering compliance controls on top rather than opting for private chain infrastructure.

Liquidity products: While the previous two products are the main driver of the tokenization movements, the third layer of product in tokenization is less visible but shows the most important sign of market maturity. This layer tries to fix the frictions of TradFi rails and bring greater efficiency to tokenized products. Grove launched Basin, a credit facility providing up to $1 billion in daily stablecoin liquidity for instant redemption for tMMFs. It solves the issue of liquidity and cycle mismatch between tokenized funds' 24/7 model and the underlying instruments' settlement mechanism on TradFi rails. Basin provides immediate stablecoins supply and is repaid when settlement is completed.

These three categories are routinely collapsed into a single term, but they differ meaningfully in what they aim to change, who builds them, and what they mean for the digital asset ecosystem. What ties them together is a shared directional shift: institutional involvement is deepening from pilots into production, converting years of experimentation.

June

Unlike May's clean divergence, when US equities pressed to record highs even as crypto sold off, June brought both asset classes under pressure. Equities absorbed two sequential shocks: a round trip in the Iran War premium and a gradual questioning of the AI valuation and capital-expenditure cycle. Yet despite the S&P's retreat, equities still closed their strongest quarter since 2020.[18]

Crypto enjoyed no such offset. BTC extended May's decline, falling 20.14% on the month as the institutional demand that had dominated since late 2024 went absent; ETH fared worse, sliding 21.77%, and the broad market, as measured by the Bloomberg Galaxy Crypto Index (BGCI), fell roughly 20%.[19]

Meanwhile, inflation remained sticky: headline CPI rose to 4.2% YoY and the European Central Bank delivered its first interest-rate hike since 2023 while the Fed held rates steady but adopted a more hawkish tone, pushing US Treasury yields to their highest levels since early 2025 and leading traders to begin pricing a September hike.[20]

The month's second test came from the AI trade. Investors increasingly questioned whether AI-related valuations had run ahead of fundamentals after another quarter of massive hyperscaler capital spending. Micron's earnings, widely viewed as a bellwether for AI infrastructure demand, ultimately reinforced the view that memory demand remained exceptionally strong. Rather than broad de-risking, market leadership rotated away from the most crowded mega-cap technology names during the last week of June.

BTC entered June in the low $70,000s and tumbled to $59,360 in the first week.[21] BTC reclaimed roughly $66,500 mid-month as the Iran truce firmed and spot ETF flows briefly turned positive.[22] However, that stability did not hold. BTC slipped from near $65,000 to fresh lows around $58,000 into month-end, clinging to $60,000 as the quarter closed.[23]

The weakness was, once again, a story of flows. US spot bitcoin ETFs recorded their worst month since their 2024 launch, shedding roughly $4.5 billion on net, with outflows running seven consecutive sessions into June's final week.[24] Strategy, whose accumulation had underpinned the corporate-Treasury thesis, introduced a Digital Credit Capital Framework on June 29, signaling it may sell more bitcoin as part of a broader turnaround. With both the ETF bid and the Strategy bid in retreat, the absence of institutional conviction dragged crypto prices down.

On the policy front, the calendar worked against crypto's marquee legislation. Galaxy Research lowered its estimate that the CLARITY Act becomes law in 2026 to even odds, down from 60% at the start of the month, as competition for Senate floor time and the looming August recess narrowed the runway.[25]

ETF Flows Signal Waning Institutional Conviction

The huge outflows reflect an absence of institutional dip-buying, in contrast to previous market pullbacks when lower prices were often met with renewed ETF inflows as investors took advantage of attractive entry points. In June, however, institutions continued withdrawing capital even as prices stabilized, suggesting allocators remain cautious amid macro uncertainty and the rotation of capital from crypto to AI. On top of that, we are also seeing older coins begin to move to different addresses, potentially signaling renewed selling pressure. While the amount distributed is not yet significant when compared with historical norms, it bears watching as additional supply could weigh on prices if the trend accelerates.

Beyond BTC and ETH, altcoin ETF inflows have remained resilient. Solana ETFs recorded their first month of net outflows since launch, albeit a modest $1.7 million, while products tied to Hyperliquid's HYPE and XRP continued attracting positive inflows.[26] HYPE has been one of the strongest ETF success stories of the year, consistently generating positive inflows despite weakness across the broader crypto market. XRP has likewise continued to attract capital, although approximately 84% of inflows have come from retail investors and its price moved in the opposite direction, having dropped more than 55% from its January high.[27] Investors appear to be concentrating capital around differentiated investment theses supported by strong protocol fundamentals such as revenue generation, while reducing broad-based exposure to more mature assets such as BTC and ETH.

The shift is significant because spot ETFs have been one of crypto's largest structural sources of demand since their launch in 2024. Persistent outflows suggest that one of the market's most reliable buyers has stepped back, leaving BTC and ETH increasingly dependent on other sources of demand to absorb supply. That dynamic has become particularly relevant as another major institutional narrative, the Digital Asset Treasury (DAT) trade, has also come under pressure.

Conclusion

Coming into July, the equity backdrop has stabilized on the surface even as the components underneath remain unresolved. A softer-than-expected June jobs report has eased fears of further Fed tightening, sending Treasury yields lower and prompting markets to scale back expectations for a near-term rate hike.[28] That has provided fresh support for risk assets, but with the Fed still emphasizing data dependence, each inflation and labor market release is likely to carry outsized influence over the policy outlook.

The AI trade’s positioning remains crowded, particularly in semiconductors, making a positioning-driven deleveraging event a more immediate risk than a deterioration in underlying demand. Iran has shifted from an active conflict to a fragile stand-down, removing the immediate tail risk but replacing it with a slower-burning one: implementation of the ceasefire framework and progress toward a lasting nuclear agreement remain uncertain, leaving scope for geopolitical risk premiums to re-emerge with little warning. Seasonality offers little directional guidance, and with political uncertainty gradually building ahead of this year's midterm elections, we expect rotation and dispersion to dominate over a clean directional move through July.

At the time of writing, crypto has benefited from the softer rates backdrop, rebounding alongside broader risk assets as lower yields improve liquidity conditions and support investor appetite for higher-beta assets. However, the institutional retreat that defined June has not yet found a floor. BTC US spot ETF continued to experience outflows, and capital continues rotating toward AI equities rather than returning to digital assets. BTC is currently trading around $62,000—if it holds that level, it could support the base case of consolidation while the market rebuilds.[29]

---

[1] Bloomberg Finance L.P., as of March 31, 2026. The Bloomberg Galaxy Bitcoin Index posted a return of 3.33% in March 2026 with the Bitcoin/USD rate ending the month at $68.193.95 compared to $87,647,54 as of December 31, 2025.
[2] Bloomberg Finance L.P., as of April 30, 2026.
[3] If AI Is Doing 75% of Google's New Coding, the Stock Might Be Underpriced, Yahoo! Finance. April 2026.
[4] Bloomberg Finance L.P., as of April 30, 2026.
[5] Coinglass as of April 30, 2026.
[6] Bloomberg Finance L.P., as of April 30, 2026.
[7] Bloomberg Finance L.P., as of May 5, 2026. On May 5, 2026 Bitcoin/USD rate closed higher than $80,000 for the first time since January 2026.
[8] Bloomberg Finance L.P., as of May 31, 2026. The S&P 500 hit all-time-highs 11 times over the course of May 2026.
[9] Bloomberg Finance L.P., as of May 31, 2026.
[10] Bloomberg Finance L.P., as of May 31, 2026.
[11] Bloomberg Finance L.P., as of May 31, 2026.
[12] Bloomberg Finance L.P., as of May 31, 2026.
[13] Bloomberg Finance L.P., and Glassnode as of May 31, 2026.
[14] Bloomberg Finance L.P., as of May 31, 2026.The Bloomberg Ethereum Index returned 1.49% in May compared to 4.65% for the broader Bloomberg Galaxy Crypto Index.
[15] Bloomberg Finance L.P., as of June 4, 2026.
[16] Bloomberg Finance L.P., as of June 30, 2026.
[17] Rwa.xyz as of May 31, 2026. On May 31, 2026 tokenized money market fund (tmmf) AUM was $15.2 billion.
[18] Bloomberg Finance L.P., as of June 30, 2026.
[19] Bloomberg Finance L.P., as of June 30, 2026.
[20] Bloomberg Finance L.P., as of June 30, 2026.
[21] Bloomberg Finance L.P., as of June 30, 2026.
[22] Bloomberg Finance L.P., as of June 30, 2026.
[23] Bloomberg Finance L.P., as of June 30, 2026.
[24] Bloomberg Finance L.P., as of June 30, 2026
[25] Galaxy Research as of June 30, 2026.
[26] Bloomberg Finance L.P., as of June 30, 2026.
[27] Bloomberg Finance L.P., and Bloomberg Intelligence as of June 30, 2026.
[28] Bloomberg Finance L.P., as of June 30, 2026. Based on the implied rate for the September, October, and December 2026 FOMC meetings. Implied rates hit a high on June 22, 2026 before pulling back lower as of June 30, 2026.
[29] Bloomberg Finance L.P., as of June 30, 2026.

Definitions

Altcoin: Any cryptocurrency other than Bitcoin.

Anit-money laundering (AML): The laws, rules, and procedures used to stop criminals from hiding illegal money inside the regular financial system. These tools help banks and businesses find and report suspicious money transfers.

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.

Blockchain: A decentralized, distributed, and immutable digital ledger that securely records, stores, and verifies data across a network of computers, eliminating the need for intermediaries.

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.

Decentralized Finance (DeFi): Financial services that operate with blockchain technology to facilitate transactions directly between participants. DeFi uses blockchain and peer-to-peer networks to facilitate financial services like lending, staking, and trading. DeFi services operate without a central authority.

Digital Asset Treasury (DAT): The corporate practice of holding and managing cryptocurrencies, stablecoins, or tokenized assets on a company's balance sheet instead of relying purely on cash.

Ethereum: A decentralized blockchain platform that enables programable financial transactions through smart contracts. It supports a wide range of financial applications, including decentralized finance (DeFi) services like lending, borrowing and trading without intermediaries. Ethereum’s native cryptocurrency, Ether (ETH), is used to pay for transaction fees and services on the network, and the platform operates on a Proof of Stake (PoS) system to validate and secure transactions.

Hyperliquid: A blockchain built with the vision of a fully onchain open financial system. Liquidity, user applications, and trading activity synergize on a unified platform that will ultimately house all of finance.

Hyperscaler: A company that operates massive data centers and cloud infrastructure at scale, such as Amazon Web Services, Microsoft Azure, or Google Cloud.

Onchain: Any activity, transaction, or data that is recorded and executed directly on the blockchain network itself.

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.

Tokenized Mondey Market Fund (tMMF): A traditional money market fund—which invests in low-risk, short-term debt like US Treasury bills—with shares represented as digital tokens on a public or private blockchain.

Tokenized Securities: A financial instrument that meets the definition of a “security” under the federal securities laws but that is formatted as, or represented by, a crypto asset, with ownership records maintained in whole or in part on one or more crypto networks.

Important Risk Information

State Street Global Advisors (SSGA) is now State Street Investment Management. Please click here for more information.

Investing involves risk, including the risk of loss of principal.

This communication is not intended to be an investment recommendation or investment advice and should not be relied upon as such.

The views expressed in this material are the views expressed in the Galaxy Asset Management Team's Monthly 2026 Market Commentary from April 1, 2026 through the period ended June 30, 2026, and are subject to change based on market and other conditions. This document contains certain statements that may be deemed forward looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor’s particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor.

This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs’ net asset value. Brokerage commissions and ETF expenses will reduce returns.

The trademarks and service marks referenced herein are the property of their respective owners. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data and have no liability for damages of any kind relating to the use of such data.

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without SSGA’s express written consent. This communication is not intended to be an investment recommendation or investment advice and should not be relied upon as such.

The performance data quoted represents past performance. Past performance does not guarantee future results.

State Street Investment Management, One Congress Street, Boston, MA 02114

8878341.2.1.AM.RTL

Exp. Date: 10/31/2026