Market Pulse: January 2026

Digital Assets, Traditional Finance & Macro Outlook

Teroxx I Digital Assets Research
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Executive Summary

December 2025 was characterized by Bitcoin's struggle to sustain a foothold above the critical $90,000 psychological threshold, a level that ultimately proved difficult to hold as the asset retreated in recent sessions.

The market's inability to generate necessary momentum stemmed largely from a marked deceleration in institutional participation. This was starkly evidenced by persistent outflows from major spot Bitcoin ETFs, signaling a distinct shift towards profit-taking and reduced demand following rallies earlier in the year. Furthermore, the investment landscape was challenged by suppressed overall market liquidity, a lingering hangover from the October 11th flash crash.

Compounding this inertia, even the Federal Reserve's significant policy shift to cut interest rates to a target range between 3.5%-3.75% proved insufficient to act as a bullish driver. Buyers exhibited considerable reluctance to chase prices amid uncertain near-term catalysts and defensive year-end positioning.

Key Takeaways:

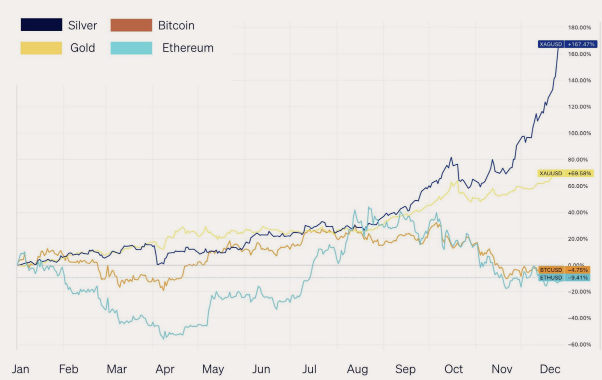
- Markets are now pricing in a continuation of Fed rate cuts into 2026, setting the stage for a liquidity-driven year-end close.
- Gold prices shattered expectations, hitting a new record above $4,500, reinforcing the global debasement narrative that continues to bolster the Bitcoin investment thesis.
- Global Stablecoin Market Cap breached a historic $308B, signaling a massive accumulation of on-chain dry powder ready to be deployed into digital assets.
- Ethereum Spot ETFs recorded their second-worst month on record with over $564M in net outflows, pushing the price constantly below the critical $3,000 support level and signaling temporary institutional fatigue.

Hard Money Divergence

Capital allocation has decisively shifted toward traditional inflation hedges this year, creating a stark performance gap where precious metals have significantly outperformed the digital asset market. Silver has been the standout, surging roughly 167% year-to-date to briefly rank as the world's third-largest asset, while gold is up about +69%. This aggressive rotation into tangible stores of value, drawing comparisons to the double-digit inflation era of 1979, highlights a current market preference for physical safety over digital risk.

However, the durability of this divergence is being challenged by proponents of digital scarcity who highlight the structural limitations of commodities. Unlike Bitcoin, silver lacks robust network effects and faces supply elasticity, as scrap metal availability can ramp up in under a month to dampen price spikes. This fundamental difference raises the prospect that as the "hard money" narrative evolves, investors may ultimately question the efficiency of holding physical assets that lack the strictly fixed supply cap of Bitcoin.

Precious Metals vs. Digital Assets YTD



Sources: Trading View, Teroxx

Market Performance – December Review

Equities - Volatility Outlook

December marked a period of stabilization and divergence rather than a uniform rally. While volatility persisted, market sentiment shifted towards cautious selectivity, allowing key equity indices to regain ground supported by falling yields, while digital assets consolidated.

December 2025 Performance:

- BTC: -2.97%
- ETH: -0.84%
- S&P 500: +1.23%
- NASDAQ: +0.62%

Key Insight

The month signaled a defensive consolidation for Digital Assets rather than the strong rebound initially expected. Ethereum demonstrated notable relative strength, significantly outperforming the market leader with a mild -0.84% decline, while Bitcoin faced steeper selling pressure (-2.97%). This suggests that while bearish momentum has slowed, investors are rotating into assets with better technical support levels.

In the equities sector, the recovery was driven by falling yields and renewed strength in semiconductors. Nvidia rebounded (+3.66%), acting as a primary driver for the broader indices alongside a surging DAX40. However, the recovery was uneven; high-cap laggards like Apple (-3.97%) weighed heavily on the Nasdaq's potential upside. This divergence indicates that investors remain highly selective, favoring specific growth narratives over general market exposure heading into the new year.

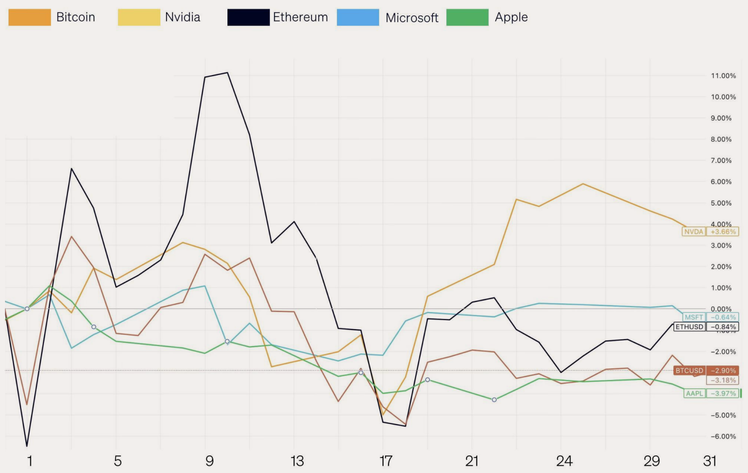
[1] *Source: TradingView, Teroxx*

Asset Performance by Key Asset Classes

Digital Asset Majors	Market Cap	Current Price	7D Change	30D Change	YTD Change
BTC	$1.8 tn	$88,333	0.8%	-2.97%	-5.5%
ETH	$ 358.9 bn	$2,974	1.0%	-0.84%	-10.9%
SOL	$ 70.6 bn	$125	2.3%	-1.07%	-33.8%
Equities	**Market Cap**	**Current Price**	**7D Change**	**30D Change**	**YTD Change**
S&P 500 ($)	~58.0 tn	6,896	-0.52%	1.23%	17.5%
NASDAQ ($)	~49.0 tn	23,419	-0.82%	0.62%	21.5%
DAX40 (€)	~2.4 tn	24,490	0.57%	3.82%	22.3%
Rates		**Yield**	**7D Change**	**30D Change**	**YTD Change**
U.S 10-Year Treasury		4.13	2.77%	-1.2%	-11.1%
10-Year Bund		2.85	1.13%	-1.8%	-1.5%
Currencies		**Current Price**	**7D Change**	**30D Change**	**YTD Change**
Euro (€/$)		$1.17	0.32%	-1.11%	-11.8%
Pound (£/$)		$1.35	-0.24%	1.70%	7.6%
Yen ($/¥)		¥157	0.35%	0.40%	-0.7%

Sources: Artemis Terminal, Google Finance, Investing.com, TradingView, Teroxx

Asset Performance by Key Asset Classes (Dec-2025)



Source: TradingView, Teroxx

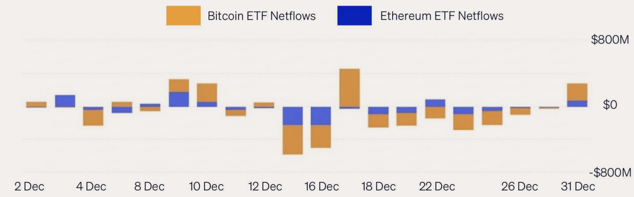
Story of the Month - The Liquidity Challenge

ETF Flows: Institutional Retraction

The month of December was characterized by a distinct cooling in institutional momentum, marked by consistent capital withdrawals across major products. Bitcoin ETFs recorded net outflows of approximately $804 million, making it the third-worst month in their history. A significant portion of this activity concentrated during the pre-Christmas week (Dec 15-19), with funds like BlackRock's IBIT and Ark's ARKB seeing heavy outflows as the market faced continued headwinds.

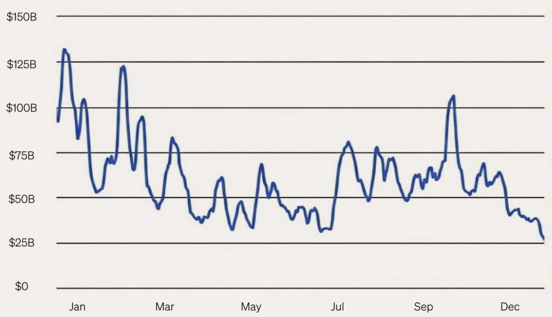
The situation was more acute for Ethereum, which faced steeper relative declines. Ether ETFs saw outflows exceeding $564 million, marking the second-worst month on record, trailing only the massive capitulation seen in November. Notably, BlackRock's ETHA—typically a leader in inflows—experienced a substantial reversal, shedding nearly $558 million in a single week. This sharp contraction signals a temporary pause in institutional appetite, resetting expectations for the asset class as we exit 2025.

Bitcoin and Ethereum ETF Netflows (Dec-2025)



Source: CoinMarketCap, Teroxx

Daily Exchange Volume (7DMA)



Source: Coinglass, Teroxxx

Liquidity Drought & Seller Exhaustion

Concurrently, the broader market infrastructure signaled a retreat in participation, driven by a severe liquidity drought. Trading activity plummeted to annual lows in December, contrasting sharply with the volatility spikes observed in Q3 and November. This "drying up" of volume indicates that the market has entered a phase of seller exhaustion—those who intended to sell have already done so.

This anemic activity creates a "thin" market environment where price action is flat not due to stability, but due to a standoff between buyers and sellers. The sharp drop in the moving average confirms that the speculative froth has been washed out. While this lack of liquidity prevented a year-end rally, it crucially underlines that the bearish momentum has run out of fuel, leaving the market quiet and primed for a liquidity injection in the new year.

Macro Outlook & Fed Policy

Throughout December, market sentiment was heavily weighed down by fears surrounding the Bank of Japan's December 19th policy meeting. With the BoJ raising rates by 25 basis points to 0.75%—the highest level since 1995—investors braced for a repeat of the "Yen Carry Trade" unwind. Historically, the Yen has served as a critical funding currency for global risk markets; investors borrow JPY at near-zero rates to deploy capital into higher-yielding assets like Bitcoin. When Japan raises rates, this liquidity window tightens, often forcing a rapid sell-off to repay loans.

This dynamic was the primary driver behind the sharp corrections observed earlier in the cycle. Specific interest rate hikes in March 2024, July 2024, and January 2025 triggered immediate risk-off behavior, leading to significant drawdowns in digital assets. However, the anticipated collapse failed to materialize this December, validating the thesis that the event was fully priced in. Unlike those previous instances where hikes struck when Bitcoin was at leverage-heavy highs, the market entered this meeting with cleaner structural positioning, having already absorbed a ~30% correction.

Despite this resilience, the market remains highly vigilant. The lack of an immediate sell-off suggests that while short-term capitulation was avoided, the structural headwind remains. Investors are now closely monitoring the BoJ's forward guidance, as the potential for further rate hikes in 2026 continues to loom over the global liquidity landscape.

Bank of Japan Interest Rates Hikes Impact on Bitcoin Price (Jan 2024 - Dec 2025)

Source: CME Group, Teroxx

Digital Asset Market Performance – Intersection with TradFi

As 2025 came to a close, crypto equities faced heavier selling pressure than the underlying digital assets. While Bitcoin saw a mild correction of -2.97%, infrastructure stocks lagged significantly, signaling a decoupling between asset stability and equity sentiment.

Performance of "Crypto" Equities (December 2025)

Ticker	December Return	Commentary
Circle	+4.42%	Stocks recovery after the recent sell-off
HOOD	-8.23%	Pulled back as part of a broader correction in global financial markets.
GLXY	-9.84%	Declined sharply amidst a period of widespread market instability.
COIN	-12.97%	Followed the general downward trend seen across risk assets this month.

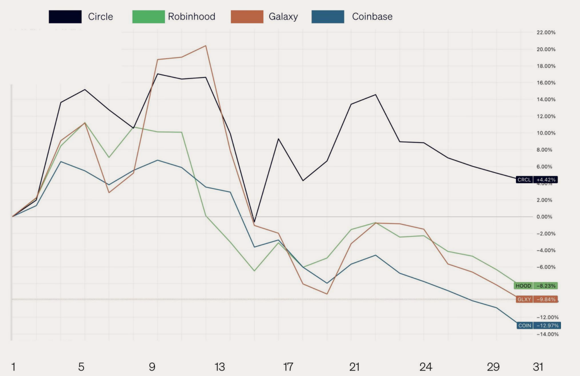
Sources: TradingView, Teroxx

The key insight: Equities underperformed the macro crypto market. Coinbase (-12.97%) and Galaxy (-9.84%) saw declines far steeper than Bitcoin or Ethereum (-0.84%). This suggests equity investors were de-risking aggressively into year-end, ignoring the relative resilience of the token market.

Performance was notably fractured rather than synchronized. While the Total 3 index dropped -5.00% alongside Robinhood (-8.23%), Circle (CRCL) bucked the trend entirely, finishing up +4.42%.

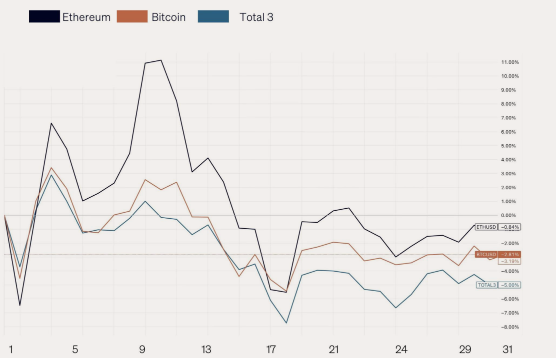
What this means: The "1-to-1" correlation is breaking. With specific stocks like Circle rising while the broader sector fell, investors must now look beyond broad market beta. Stock-specific fundamentals, rather than just crypto price action, are becoming the primary driver of returns.

Performance of "Crypto" Equities (December 2025)



Source: TradingView, Teroxx

Performance of Digital Asset Majors and Altcoins (December 2025)



Source: TradingView, Teroxx

January Outlook & Portfolio Strategy

Stabilization over Celebration

December concluded 2025 with a negative performance for Bitcoin. While this falls short of the historical average return of +4.16%, crucially, it represents a successful arrest of the bearish momentum seen in November (-17.67%). The market did not deliver a euphoric "Santa Rally," but it successfully defended key support levels, signaling that the selling pressure has finally been exhausted.

Bitcoin Monthly Returns - January Outlook

Time	January	February	March	April	May	June	July	August	September	October	November	December
2026	+0.31%											
2025	+9.29%	-17.39%	-2.3%	+14.08%	+10.99%	+2.49%	+8.13%	-6.49%	+5.16%	-3.69%	-17.67%	-2.97%
2024	+0.62%	+43.55%	+16.81%	-14.76%	+11.07%	-6.96%	+2.95%	-8.6%	+7.29%	+10.76%	+37.29%	-2.85%
2023	+39.63%	+0.03%	+22.96%	+2.81%	-6.98%	+11.98%	-4.02%	-11.29%	+3.91%	+28.52%	+8.81%	+12.18%
2022	-16.68%	+12.21%	+5.39%	-17.3%	-15.6%	-37.28%	+16.8%	-13.88%	-3.12%	+5.56%	-16.23%	-3.59%
2021	+14.51%	+36.78%	+29.84%	-1.98%	-35.31%	-5.95%	+18.19%	+13.8%	-7.03%	+39.93%	-7.11%	-18.9%
2020	+29.95%	-8.6%	-24.92%	+34.26%	+9.51%	-3.18%	+24.03%	+2.83%	-7.51%	+27.7%	+42.95%	+46.92%
2019	-8.58%	+11.14%	+7.05%	+34.36%	+52.38%	+26.67%	-6.59%	-4.6%	-13.38%	+10.17%	-17.27%	-5.15%
2018	-25.41%	+0.47%	-32.85%	+33.43%	-18.99%	-14.62%	+20.96%	-9.27%	-5.58%	-3.83%	-36.57%	-5.15%
2017	-0.04%	+23.07%	-9.05%	+32.71%	+52.71%	+10.45%	+17.92%	+65.32%	-7.44%	+47.81%	+53.48%	+38.89%
2016	-14.83%	+20.08%	-5.35%	+7.27%	+18.78%	+27.14%	-7.67%	-7.49%	+6.04%	+14.71%	+5.42%	+30.8%
2015	-33.05%	+18.43%	-4.38%	-3.46%	-3.17%	+15.19%	+8.2%	-18.67%	+2.35%	+33.49%	+19.27%	+13.83%
2014	+10.03%	-31.03%	-17.25%	-1.6%	+39.46%	+2.2%	-9.69%	-17.55%	-19.01%	-12.95%	+12.82%	-15.11%
2013	+44.05%	+61.77%	+172.76%	+50.01%	-8.56%	-29.89%	+9.6%	+30.42%	-1.76%	+60.79%	+449.35%	-34.81%
Average	+3.56%	+13.12%	+12.21%	+13.06%	+8.18%	-0.14%	+7.60%	+1.12%	-3.08%	+19.92%	+41.12%	+4.16%
Median	+0.46%	+12.21%	-2.30%	+7.27%	+9.51%	+2.20%	+8.20%	-7.49%	-3.12%	+14.71%	+8.81%	-2.97%

Source: Coinglass, Teroxx

Following the sharp correction in November, December served as a critical period of accumulation. The price action indicates a classic battle between year-end tax-loss harvesting—investors selling to offset gains—and strategic institutional entry. The fact that the market remained essentially neutral despite these seasonal selling pressures suggests a strong underlying bid.

The fiscal visibility restored post-shutdown provided the necessary guardrails to prevent further downside. As we close the books on 2025, the narrative shifts from defensive preservation to capital allocation. While the broader tech sector remains a key reference, digital assets are starting to chart their own course once again.

As we turn the page to 2026, the environment is primed for the "January Effect." Historically, January has been a positive month (averaging +3.56% and closing green in 2025 with +9.29%). We enter the new year with a verified base of support. However, to ensure a positive trajectory for 2026, the market now critically needs a sustained injection of liquidity and institutional participation to drive the next leg of growth.

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