

Are Altcoins Poised for a Widespread Rally?

Recent trends in altcoin liquidity.

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Overview

Bitcoin rallies have historically fueled altcoin seasons, during which investors rotate profits into altcoins, driving broad crypto market gains.

However, even if Bitcoin hits multiple all-time highs in 2024, many altcoins still haven't reached their 2021/22 peaks. Instead, altcoin trading activity has been increasingly concentrated within a few tokens.

This report examines altcoin volume and liquidity trends during recent rallies, exploring some of the factors shaping capital allocation and what a potential altseason might look like, given the broader context. Higher global interest rates have reshaped risk appetite, while Bitcoin's growing investment ecosystem in the U.S.—featuring spot ETFs, ETF options, and regulated derivatives—offers new ways for investors to gain exposure, altering capital flows.

This report was written by **Valentin Fournier, BRN** and **Dessislava Aubert, Kaiko**.



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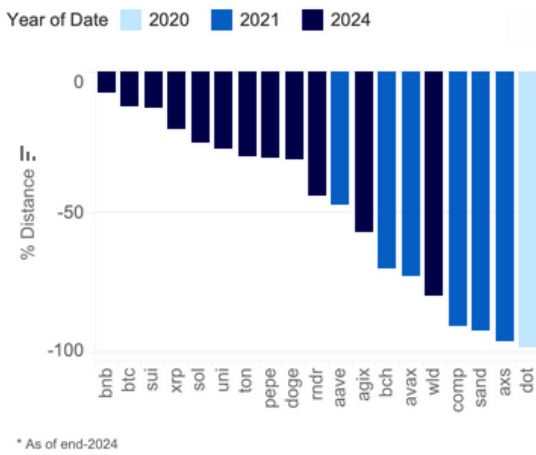
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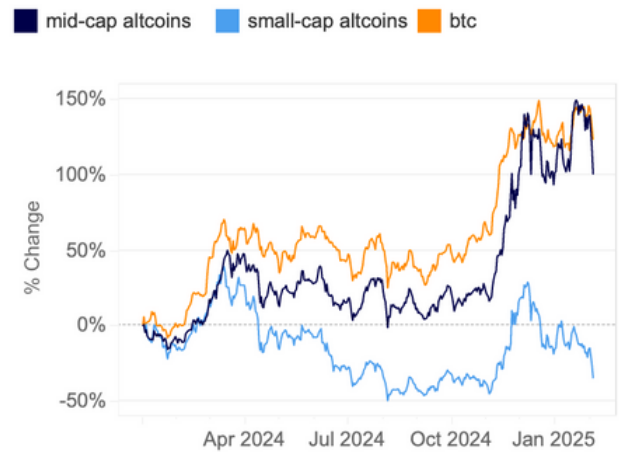
Altcoin Performance: A Mixed Bag

Altcoin performance has been a mixed bag following the U.S. elections. While Bitcoin hit new all-time highs in November, many tokens remained below their 2021–2022 peaks or March 2024 levels. Large caps like SOL and XRP surged, but mid and small caps experienced uneven results. In 2024, small-cap altcoins tracked by Kaiko’s Small-Cap Index have dropped over 30%, while mid-caps have struggled to keep pace with Bitcoin.

Distance to ATH (%)

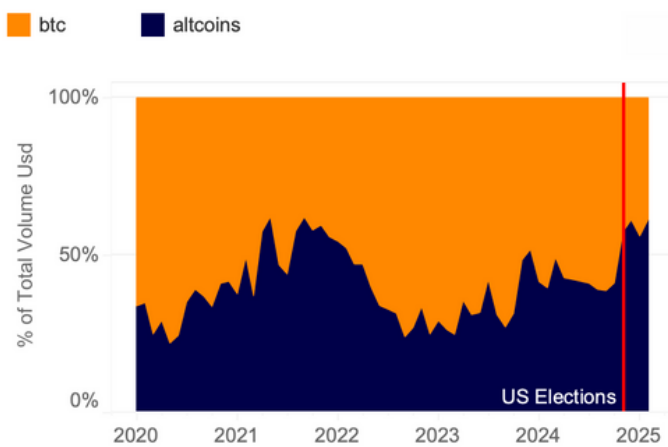


Altcoins Performance



Source: Kaiko Market Explorer -Assets; Analytics Solutions -Fair Market Value; Kaiko Indices -Small-Cap and Mid-Cap Altcoin Index.

Altcoin Dominance Increases



Source:Kaiko Market Explorer -Assets. Top 50 altcoins by market cap.

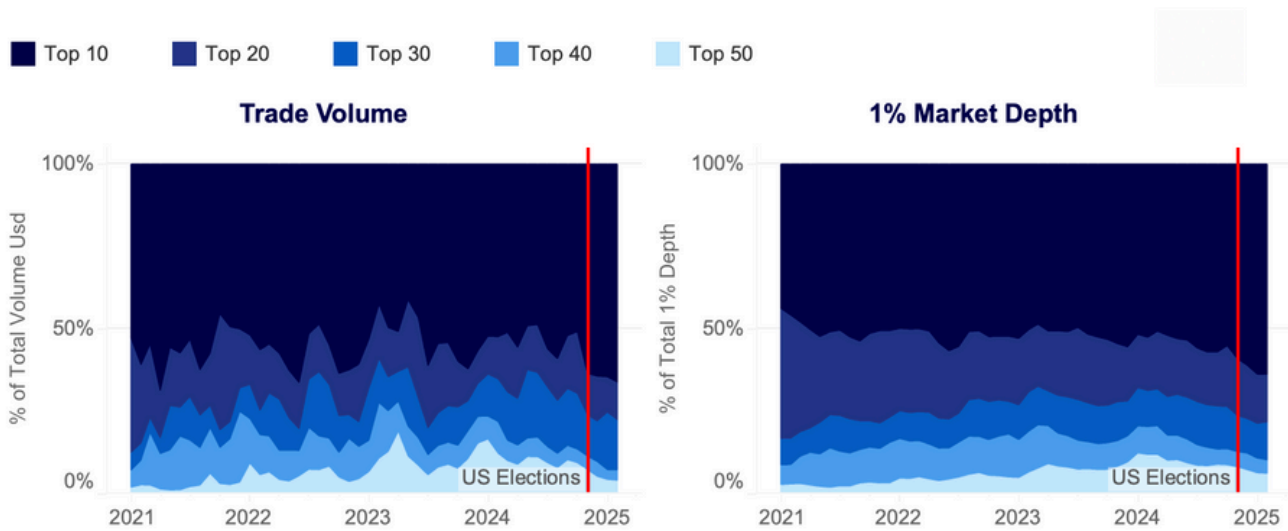
Despite this divergence, altcoin trading volume has surged since November, signaling a lower regulatory risk premium. Altcoin volume dominance relative to Bitcoin has climbed to levels not seen since 2021. However, unlike previous rallies, volume growth has been unevenly distributed across tokens.

Altcoin Market Concentration

A key difference between the 2021/2022 bull run and the recent rise of crypto assets is the increasing liquidity concentration among a few assets. Altcoin trade volume has returned to pre-FTX levels, but it is more concentrated than ever. The top 10 altcoins account for 64% of the total volume, indicating that investors are focusing capital on a select group. Market depth mirrors this trend, with the top 10 comprising over 60% of the 1% depth. This concentration notably accelerated after the U.S. elections.

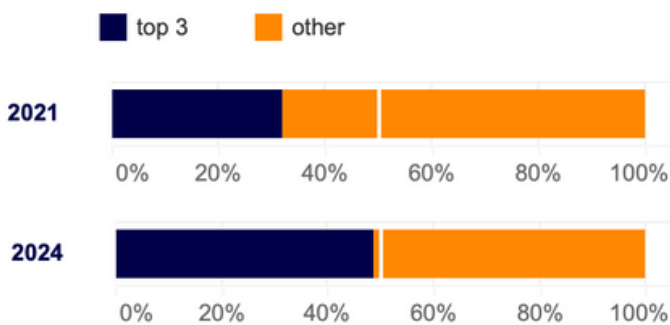
Altcoins Volume Concentration Has Increased

Market share of altcoin volume since 2020



Source: Kaiko Market Explorer - Assets.

Share of Top 3 Altcoins By Volume



Source:Kaiko Market Explorer -Assets.

This trend is even more pronounced when comparing past rallies: in November 2021, the top three most-traded altcoins accounted for 32% of the total volume, but by November 2024, that share had surged to 50%. This shrinking pool of market leaders reflects a shift from retail-driven speculation to institutional capital favoring a concentrated set of high-liquidity assets.

Factors Influencing Capital Allocation

MACRO ENVIRONMENT

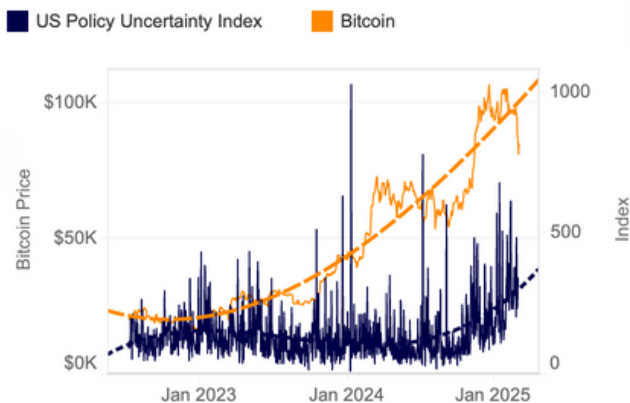
Global Liquidity Has Declined Compared to 2021/2022



Source: Kaiko Indices EGLX Index.

Rising interest rates have fundamentally altered capital allocation, setting the 2024 rally apart from the liquidity-driven 2021/2022 bull run. Unlike the previous cycle, where central banks expanded balance sheets, today's tighter monetary policy has made traders more cautious. Although Bitcoin has shown resilience to rising real rates, benefiting from an ETF-driven narrative since October 2023, traders have been slower to move along the risk curve into altcoins.

U.S. Policy Uncertainty vs. Bitcoin



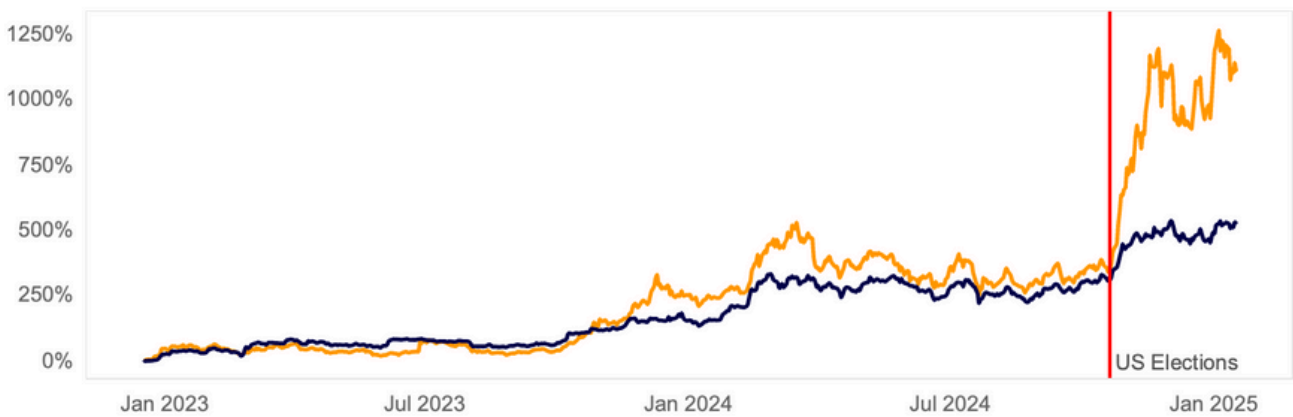
Source: Kaiko Analytics Solutions -Fair Value. Fred.

U.S. economic policy uncertainty has surged to its highest level since the COVID pandemic, affecting risk assets in 2025 and sidelining many traders. In the short term, this favors Bitcoin over altcoins, as investors seek stability in more liquid assets.

CRYPTO MARKETS REGULATION

Top 5 U.S. Crypto Assets Surpass Bitcoin Performance

■ BTC ■ EGLX (EAGLE Index: Benchmark for U.S. Cryptocurrency Performance)

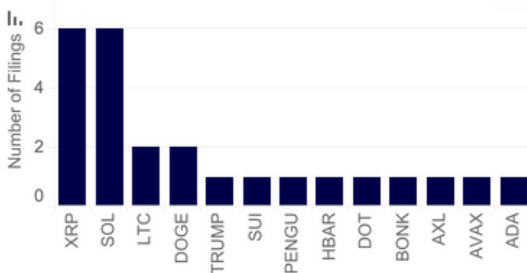


Source: Kaiko Indices EGLX Index.

Regulation is emerging as a key factor in determining where capital is allocated in crypto markets. The U.S. elections have fueled optimism, with the SEC dropping lawsuits and repealing restrictive rules (SAB 121). U.S.-based projects, tracked by Kaiko’s EAGLE Index (EGLX), have outperformed Bitcoin post-election, reflecting investor confidence.

However, this may not trigger a broad altseason, as Trump’s push to make the U.S. a crypto hub could favor domestic projects over international ones. Institutional interest is rising, evident in a wave of altcoin ETF filings, while retail sentiment remains weak.

Number of Active Spot ETF Filings



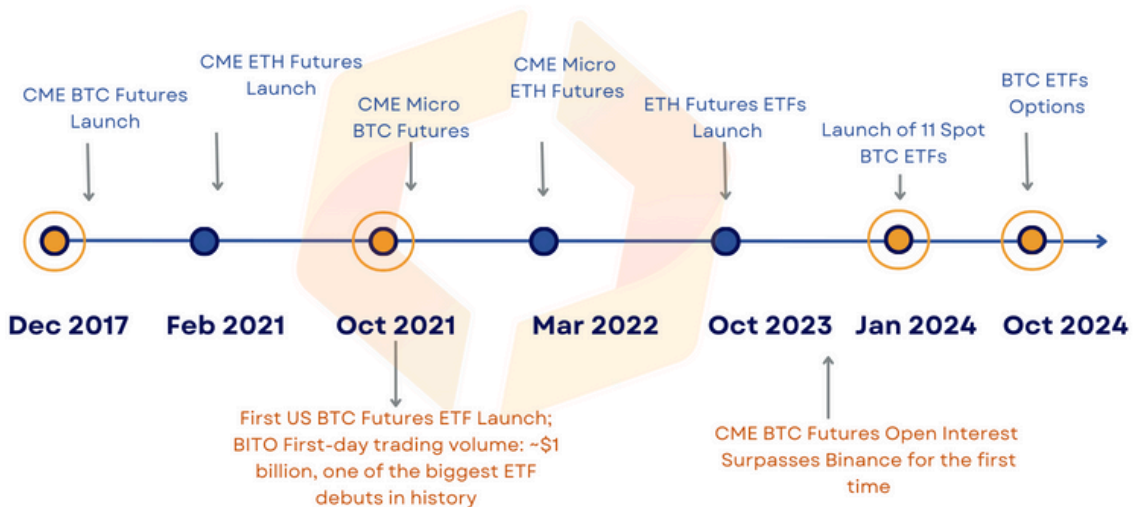
Source: SEC Filings, Bloomberg.

The rebound in institutional interest is evident in a wave of altcoin ETF filings. Data shows that despite worsening retail sentiment, institutions remain optimistic, driven by regulatory clarity.

What Bitcoin Means for Investors

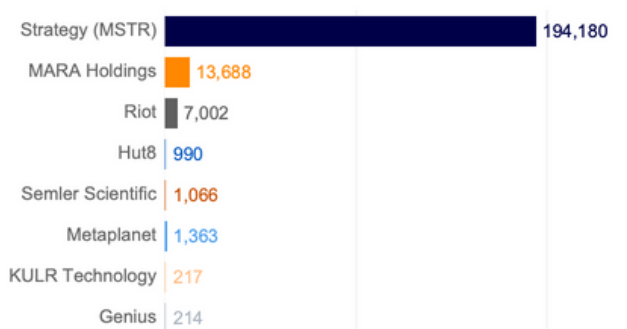
Bitcoin has solidified its position as an investable asset following the approval of spot BTC ETFs, attracting conservative investors such as pension funds, corporations, and university endowments. This growing institutional interest has further reinforced Bitcoin’s dominance, positioning it ahead of many altcoins in the competition for capital.

Growing Depth of BTC and ETH Derivative Products



The development of a robust, regulated Bitcoin structured products ecosystem—encompassing futures, ETFs, and ETF options—has also provided institutional and retail investors with alternative ways to express bullish views. As this ecosystem expands, it could slow the traditional flow of capital into altcoins during market upcycles.

Bitcoin as a Treasury Asset Corporate BTC Holdings in Q4 2024 (in BTC)



Source: Kaiko, SEC Filings.

Bitcoin’s adoption as a treasury asset has gained momentum. The 2023 FASB accounting standards make it more cost-effective for companies to hold Bitcoin at fair value. MicroStrategy (MSTR) added over 200K BTC in Q4. This trend could attract even more institutional capital into BTC and potentially strengthen its ‘digital gold’ narrative.

Key Narratives to Watch

Regulatory Favoritism

If the Trump administration prioritizes U.S.-based crypto projects, we could see a significant shift in market leadership. This could benefit assets that align with regulatory frameworks while making it harder for offshore projects to attract institutional capital.

Real-World Utility

As competition for liquidity increases, tokens tied to real-world assets (RWA), decentralized finance (DeFi), and AI integrations could be among the strongest performers. The market may favor projects with clear utility and sustainable revenue models over speculative meme coins.

Evolving Liquidity Trends

Tracking where institutional money is flowing will be key. With over 45 new altcoin-linked ETF filings, fresh capital could enter the market and is likely to flow into a select few altcoins.

Digital Gold

Bitcoin's 'digital gold' status is strengthening as regulated products attract institutional capital. With more companies adopting BTC as a treasury asset and the U.S. approving a strategic reserve, its dominance in the crypto space grows.

Are Altcoins Set for a Broad Rally?

Instead of a broad rally, the altcoin rally seems to be concentrated in only a few assets, particularly when it comes to institutional demand.

- Selective winners: Only a handful of assets may see significant upside, rather than a widespread altcoin boom.
- A shift to revenue-generating protocols: The influence of institutional investors in altcoin selection is likely to shift priority to utility-driven and revenue-generating protocols, excluding memecoins.
- Liquidity first: Capital rotation may be more measured, favoring assets with deep liquidity and real-world use cases.

Conclusion

The past two years have challenged the traditional altseason playbook. Liquidity is increasingly concentrated in Bitcoin and a select few altcoins, regulations are evolving, and Bitcoin's growing adoption as a treasury asset further complicates the landscape.

Looking ahead, altseasons may become a thing of the past, necessitating a more nuanced categorization beyond just 'altcoins,' as correlations in returns, growth factors, and liquidity among crypto assets are diverging significantly over time. While opportunities in altcoins remain, their growth and long-term viability will likely depend on strong liquidity, real-world adoption, and institutional support.

Could 2025 be the year of strategic altcoin-picking rather than a full-fledged altseason? The data suggests this might indeed be the case.

Disclosure

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