



THE INSIDER · BITCOIN INTELLIGENCE · RESEARCH

OUTLOOKS · THE INSIDER #0005

The Insider · Q2 2026 Strategic Outlook

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Amid weakening sentiment and ETF outflows, Alderlux examines the deeper forces shaping Bitcoin's future. This quarterly outlook explores market-cycle positioning, institutional adoption, liquidity conditions and the key signals that will determine whether recovery begins or correction continues.

Q2 2026 Strategic Outlook · Private & Confidential

"Where is the wisdom we have lost in knowledge? Where is the knowledge we have lost in information?"

— T. S. Eliot

The second quarter of 2026 has been characterised by weakening ETF demand, deteriorating investor sentiment and a continuation of Bitcoin's corrective phase.

Bitcoin is trading at approximately \$65,265 as of mid-June, having opened the month near \$72,575. The asset remains approximately 48.3% below its all-time high of \$126,296, while retaining a gain of roughly 322% above the cycle low of \$15,460 used in this report.

Investor sentiment remains in Extreme Fear. Bitcoin dominance has eased from 60% to 59%, and ETF demand has weakened materially. On the surface, these developments appear negative.

Markets are often driven by short-term emotion. Long-term outcomes are more often driven by structural trends. During this quarter, short-term conditions weakened — but several of the structural trends we monitor most closely remained broadly constructive.

Beneath the weaker price action, public company Bitcoin adoption continued to expand, institutional infrastructure remained firmly established, regulatory frameworks continued to mature and liquidity conditions appear more supportive than during the most restrictive phase of the interest-rate cycle.

For members of The Edge, the key question is not simply whether Bitcoin has fallen. It clearly has. The more important question is whether the underlying adoption trend has changed.

The Market Phase Framework

Our framework is built around five phases — not to predict every price movement, but to help members understand the broader environment in which market decisions are being made. The current phase informs every assessment that follows.

Phase I Pessimism, low public interest and limited media attention. Prices may be depressed, confidence is low and many participants have exited. Long-term, high-conviction investors often build positions quietly during this phase. Historically the foundation for future expansion.

Phase II Adoption improves, liquidity becomes more supportive and confidence returns. Institutional participation increases, infrastructure strengthens and renewed capital enters the market. Typically the longest phase — where the majority of sustainable gains are generated.

Phase IIIWidespread optimism, aggressive speculation and deteriorating risk discipline. Narratives detach from fundamentals, investors extrapolate recent gains indefinitely. This is usually when risk is highest — even though sentiment feels strongest.

Phase IVThe market works through excesses created during the prior expansion and euphoria phases. Sentiment deteriorates, volatility increases and weaker participants exit. Corrections often last longer than expected. While uncomfortable, correction is normal and creates the foundation for the next cycle.

Phase VSelling pressure begins to fade, market structure stabilises and confidence gradually returns. Adoption trends often continue improving beneath the surface. Improving liquidity, renewed institutional participation and strengthening adoption trends appear. Recovery bridges correction and the next expansion cycle.

Q2 2026 — What Developed

Constructive developments during the quarter:

- Public treasury companies increased from 190 to 199, with nine new corporate adoptions recorded during Q2 alone.
- Liquidity conditions improved during the quarter, offering a more supportive macro backdrop than the peak restriction phase.
- Regulatory frameworks continued to mature across key jurisdictions — a continuation of a multi-year trend rather than a Q2 event.
- Institutional infrastructure remained intact, preserving the long-term structural foundation for future expansion.

Negative developments during the quarter:

- ETF net outflows of approximately \$2.1 billion were recorded over the quarter — a meaningful withdrawal, though not indicative of institutional abandonment of the asset class.
- Investor sentiment remained anchored in Extreme Fear with no meaningful recovery during the period.
- Bitcoin continued its corrective phase, declining approximately 12% on the month and 33% year to date.
- Market participation remained cautious, with risk appetite at cycle lows — a condition that has persisted since the January 2025 peak.

Note: The positive structural developments above are slow-moving and long-term in nature, while the negative quarter-specific developments are immediate and measurable. This distinction

matters: the positives represent an enduring foundation; the negatives represent current cyclical conditions. These are not equivalent weights on the same scale.

The Macro & Liquidity Backdrop

The macroeconomic backdrop remains one of the most consequential variables for Bitcoin's medium-term trajectory, and it is one that has shifted materially over the course of the current cycle.

Global liquidity conditions improved during Q2 2026, continuing a gradual easing from the peak restriction phase that defined much of 2024 and early 2025. Central banks in several major economies have moved away from the most aggressive period of the current tightening cycle, with rate expectations shifting in a more accommodative direction. This is not a loose monetary environment — it remains restrictive by historical standards — but the directional shift matters. Risk assets, including Bitcoin, have historically responded to the inflection in liquidity conditions rather than to the level itself. The trend, not the absolute position, is what the market typically prices.

Sovereign debt expansion continues to form part of the long-term structural backdrop. Governments across the developed world continue to run significant fiscal deficits, and the cumulative debt burden raises persistent questions about currency debasement and long-term purchasing power. For investors exploring Bitcoin's role as a scarce, fixed-supply asset in a portfolio context, this backdrop remains a structural tailwind — though it operates over years and decades, not quarters.

The interest rate environment, while improving in direction, remains a headwind to near-term speculative appetite. Elevated rates compress the risk-taking capacity of leveraged participants and reduce the relative attractiveness of non-yielding assets at the margin. As conditions continue to ease, this headwind should diminish.

Liquidity conditions and interest rate trajectories rarely drive Bitcoin in isolation. They establish the environment in which adoption, sentiment and ETF demand either accelerate or stall. A more supportive macro backdrop increases the probability that structural tailwinds can translate into sustained price recovery — but only if the cyclical indicators confirm the transition.

Market Assessment

The market currently presents a mixed picture. ETF demand has weakened. Sentiment remains fragile. Bitcoin is materially below its all-time high and the market remains defensive.

However, the broader adoption narrative remains intact. Corporate treasury adoption continues to expand. Institutional infrastructure remains firmly established. Liquidity conditions continue to

improve gradually, and regulatory frameworks are becoming increasingly mature across key jurisdictions.

Members should recognise that a constructive long-term outlook does not necessarily imply immediate price appreciation. Long-term adoption and short-term price action can diverge for extended periods.

Our base case is that the correction which began following Bitcoin's January 2025 peak remains unfinished. The market may require additional time to fully absorb the excesses of the previous expansion phase — and history suggests that major corrections often persist longer than most participants expect.

Importantly, Alderlux highlighted the risk of a significant correction earlier in the cycle. In the Q1 edition of *The Insider*, when Bitcoin was trading near \$120,000, we identified the \$54,000 region as a potential downside target should market conditions deteriorate. That level was not selected arbitrarily — it emerged from our market-cycle framework, historical correction analysis and broader liquidity assessment.

ETF flows require careful interpretation. The Q2 net outflow of approximately \$2.1 billion is notable, but must be read in context. Against a total US spot Bitcoin ETF AUM of approximately \$87.5 billion and cumulative net inflows of roughly \$56 billion since inception, the quarter's outflow represents approximately 2.4% of AUM and 3.7% of cumulative inflows. This reflects cautious repositioning within a corrective market environment rather than a structural reversal of institutional adoption. The trend in flows over coming quarters will be more revealing than any single quarter's figure.

Bitcoin dominance declined from 60% to 59% during the quarter. In isolation, a one percentage point movement is not a significant structural signal. However, its interpretation within a corrective phase is worth noting. Dominance declining during a period of broad market weakness may indicate that some capital is rotating into higher-risk altcoins — typically a late-cycle behaviour — rather than consolidating into Bitcoin as a relative safe haven within the digital asset space. Alderlux will monitor whether this decline continues, stabilises or reverses, as sustained dominance erosion in a corrective environment would represent a mildly cautionary data point.

The alternative scenario is that the majority of the correction has already occurred, and Bitcoin establishes its cycle low significantly sooner — potentially during the second half of 2026. Under this outcome, improving liquidity conditions, continued institutional adoption and stabilising ETF demand would provide the foundation for renewed expansion.

The key question for the remainder of 2026 is whether improving liquidity conditions and continued institutional adoption can offset weakening ETF demand and cautious investor sentiment.

In practical terms, this would require evidence that new sources of capital and adoption are entering the market faster than existing participants are withdrawing. Sustained growth in corporate treasury adoption, improving liquidity conditions, stabilising ETF flows and renewed

institutional participation would suggest that the underlying demand for Bitcoin remains strong despite current market weakness.

If these developments emerge, the market may establish a durable low sooner than expected and begin transitioning from Correction into Recovery. If they fail to materialise — and negative ETF flows, weak sentiment and declining participation continue to dominate — the probability of an extended corrective phase persisting into 2027 increases materially.

Signals We Are Watching

Bullish signals to watch for:

- Sustained ETF inflows returning to positive territory
- Meaningful improvement in investor sentiment
- Accelerating corporate treasury adoption
- Material expansion in global liquidity conditions

Bearish signals to watch for:

- Continued or accelerating ETF outflows
- Deterioration in global liquidity conditions
- Regulatory tightening in key jurisdictions
- Slowdown or reversal of treasury adoption

Base Case & Alternative Case

Base Case The correction which began following Bitcoin's January 2025 peak remains unfinished. The market requires additional time to absorb the excesses of the prior expansion phase. A durable cycle low forms during the first half of 2027, providing the foundation for the next major expansion cycle.

Alternative Case The majority of the correction has already occurred. Improving liquidity conditions, continued institutional adoption and stabilising ETF demand provide the foundation for an earlier-than-expected recovery, with the market transitioning into renewed expansion before year end.

The central question is not whether volatility will occur — volatility is normal. The more important question is whether the adoption trends underpinning Bitcoin continue to strengthen. At present, we believe they do.

The primary development capable of altering our current base case would be the emergence of a sustained impulsive advance supported by strengthening structural indicators. Should liquidity conditions improve materially, ETF demand recover to sustained positive inflows and market structure transition decisively from correction towards recovery, the probability of a durable cycle low having already formed would increase materially. In that environment, Alderlux would reassess its base case and potentially adopt a more constructive outlook ahead of the next expansion phase. Until those conditions are confirmed, patience over urgency remains our central recommendation.

Current Bias · Confidence Level: Medium-High



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