

Doubts over the Institutional Bid

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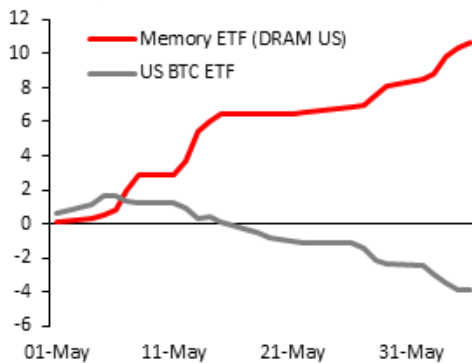


Edmond Fok, Analyst

- *ETF fund flows indicate a rotation from digital assets to AI stocks since May*
- *Strategy's surprise BTC sale cracked its permanent-buyer narrative*
- *Hong Kong opens a regulated crypto-financing channel*

Rotation from crypto to AI stocks since May'26

Net inflows, USD bn



Source: Bloomberg, DBS

ETF flows and tighter liquidity drove the sell-off.

U.S. spot Bitcoin ETFs had recorded around USD2.4bn of outflows in May, followed by another USD1.7bn across June 1–5. The crypto sell-off coincided with capital rotation into AI-linked equities, with Roundhill Memory ETF (DRAM US) having attracted USD8bn in May. Macro news compounded the rotation—strong U.S. payrolls and energy-driven inflation have reversed expectations of a Fed rate cut to a hike, while the BoJ is also expected to raise rates in mid-June. A tightening of global liquidity has dampened sentiment towards digital assets, with BTC & ETC falling by 18% & 26% since end April.

Strategy's first Bitcoin sale since 2022 delivered an additional outsized sentiment shock.

The DATCO sold 32 BTC for USD2.5mn during 26–31 May to fund its preferred-share distributions. The sale is immaterial compared to its 843,706 BTC holding and USD900mn cash reserve, but it calls into question the assumption that Bitcoin's most prominent advocate would never sell. Equally important is that it highlighted DATCOs' reliance on continued access to equity and preferred-share funding: if financing becomes expensive while dividend obligations remain, corporate treasuries could shift from marginal buyers to occasional sellers.

Hong Kong is bringing crypto further into regulated finance.

On 27 May, the HKMA allowed regulated institutions financing virtual-asset trading to accept Bitcoin, Ether and licensed stablecoins as collateral, subject to risk controls. The move expands crypto's role beyond investment and trading into secured bank financing, giving institutional holders greater flexibility without immediately selling their assets. It is unlikely to reverse global prices by itself, but it creates another regulated use case and supports Hong Kong's broader push to integrate digital assets into banking and wealth management.

ASSET MARKET RETURNS

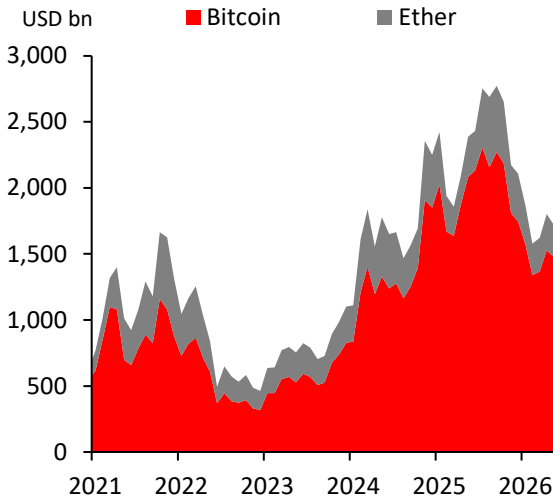
Market prices, capitalization, and returns

Market metrics (in USD)	Bitcoin	Ether	S&P500	Gold
Price*	63,639	1,766	7,584	4,475
Market capitalization (trn)	1.3	0.2	0.0	30.1
Monthly return (%)	-13.5%	-11.9%	0.1%	-1.4%
Year-to-date return (%)	-27.3%	-40.5%	10.8%	3.6%
1Y return (%)	-40.6%	-29.1%	22.2%	35.5%
5Y return (%)	81.5%	-22.3%	76.5%	152.8%

Source: Bloomberg, Coinmetrics, DBS

*As of 04 Jun 26

Cryptocurrencies Market Capitalization



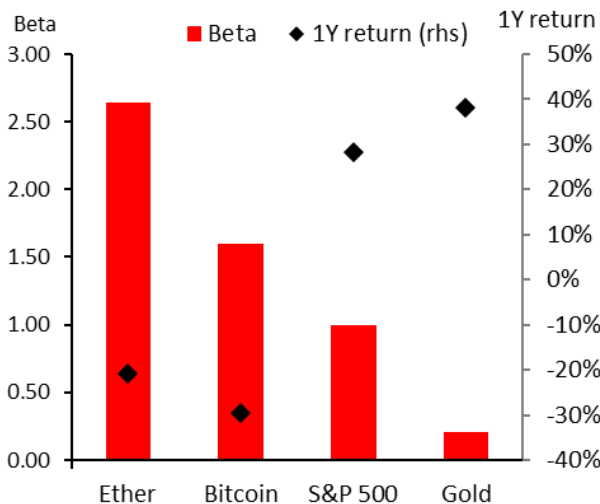
Source: Coinmetrics, DBS

Crypto 5Y return correlations

	Bitcoin	Ether	S&P500	Gold
Bitcoin		0.83	0.52	0.12
Ethereum	0.83		0.59	-0.07
S&P500	0.52	0.59		0.21
Gold	0.12	-0.07	0.21	

Source: Bloomberg, DBS

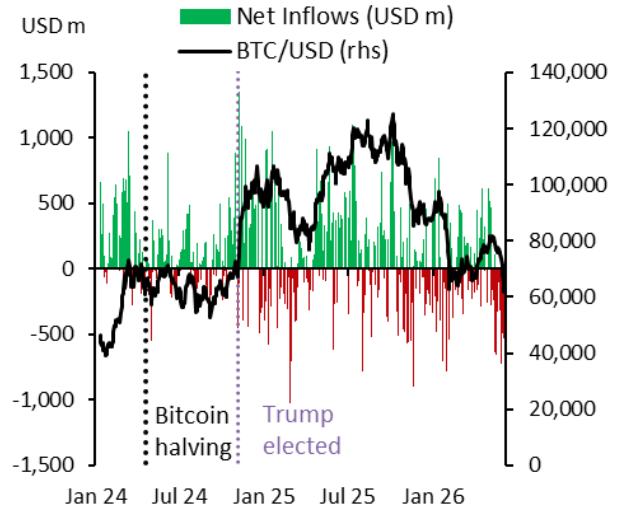
5Y CAPM betas vs 1Y spot return (%)



Source: Coinmetrics, Bloomberg, DBS

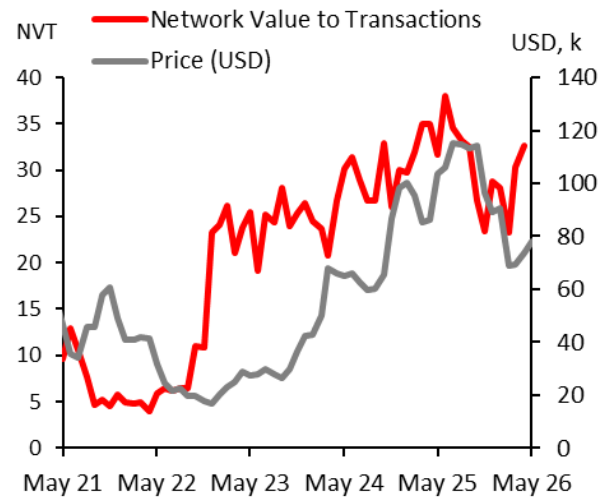
FLOWS & NETWORK METRICS

BTC: US ETF daily net inflows and price



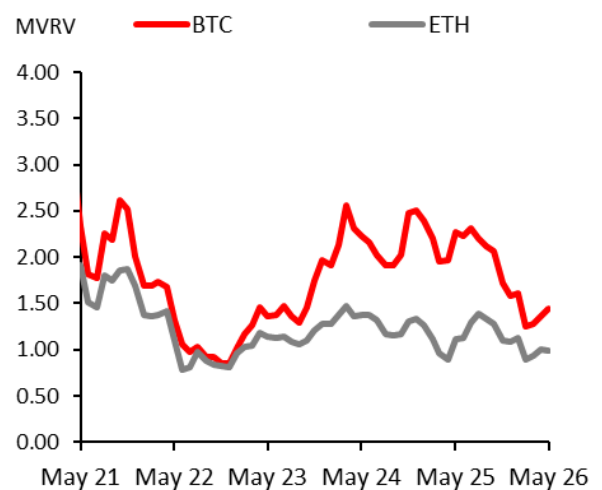
Source: Bloomberg, DBS

BTC: Network value to transaction volumes



Source: Coinmetrics, DBS

Market value to Realized value ratio



Source: Coinmetrics, Blockchain.com, DBS

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