

Caladan Weekly 3/12/25): Why The Road Ahead for BTC Isn't as Bleak as it Looks: Macro, Structure, and the Path Forward

Summary

Bitcoin currently trades at \$87,000, down 32% from its October 6 all-time high of \$126,210. The correction has played out over nearly two months, with the most significant liquidation event occurring in mid-October.

Where we are now is less about parsing the drawdown itself (corrections of this magnitude are routine in Bitcoin bull markets) and more about assessing whether the structural conditions that supported the prior rally remain intact.

To put it bluntly, they definitely do.

QT has ended, rate cuts continue, institutional infrastructure is expanding, and on-chain data shows supply steadily migrating to long-term holders.

In this piece, we will examine the macro backdrop and market structure to contextualize the current setup.

Metric	Value
Current Price	~\$87,000
All-Time High	\$126,210.50 (Oct 6, 2025)
Drawdown from ATH	-32%
Fed Funds Rate	3.75% - 4.00%
Dec Rate Cut Probability	80-87%
Total ETF AUM	>\$100 billion

The Macro Backdrop: Why This Isn't 2022

QT Ends, Liquidity Returns

Quantitative tightening officially ended on December 1, 2025, removing a structural drain of approximately \$60 billion monthly from risk asset markets.

Since June 2022, the Fed has drained \$2.3 trillion from its balance sheet, which now stands at approximately \$6.6 trillion. The termination of QT removes a persistent headwind that weighed on liquidity conditions throughout 2024-2025.

The Rate Cut Path

The Federal Reserve has been on a rate-cutting path since September 2025. The October 29 FOMC meeting delivered a 25 basis point cut, bringing the target range to 3.75%-4.00%.

The vote was 10-2, with Governor Miran dissenting in favor of a larger 50bps cut and President Schmid dissenting for no cut.

Policy Metric	Current Status
Fed Funds Rate	3.75% - 4.00%
Last Cut (Oct 29)	-25 bps (Vote: 10-2)
Dec 9-10 Cut Probability	80-87%
QT Status	Terminated Dec 1, 2025
Balance Sheet Reduction	\$2.3 trillion (since Jun 2022)
Current Balance Sheet	~\$6.6 trillion
Terminal Rate Target	3.00% - 3.25% (mid-2026)
US Inflation (Sep 2025)	3.0%

With US inflation at 3.0% and the Fed funds rate at 3.75%-4.00%, real rates remain modestly positive but are expected to turn negative as the cutting cycle continues.

Market consensus points to 2-3 additional cuts through mid-2026. This trajectory echoes the 2019 "insurance cuts" that preceded Bitcoin's 2020-2021 bull run.

The Fiscal Reality

Fiscal Metric	Value
---------------	-------

US National Debt	\$38 trillion
Annual Interest Costs	\$1.2 trillion
Deficit/GDP Ratio	>6%
Recent Debt Growth	+\$1T in ~2 months

The US national debt surpassed \$38 trillion in October 2025, adding \$1 trillion in just over two months. Annual interest costs on federal debt have reached \$1.2 trillion, now exceeding defense spending.

This fiscal trajectory creates structural demand for non-sovereign stores of value. When governments run persistent deficits financed by central bank accommodation, assets with fixed supply tend to benefit.

Dollar Weakness, Gold Strength

Asset	Current Level	YoY Change
DXY (Dollar Index)	99.17	-6.83%
Gold (XAU/USD)	\$4,220/oz	+59.73%
Gold ATH	\$4,379.22	Oct 17, 2025
Bitcoin	\$87,000	-8.9% YTD

Both Bitcoin and gold are responding to the same macro forces: fiscal expansion and dollar debasement expectations.

Gold's 60% annual gain demonstrates that store-of-value assets are being bid aggressively; Bitcoin's relative underperformance reflects crypto-specific headwinds (ETF outflows, leverage unwinding) rather than a repudiation of the macro thesis. The correlation supports Bitcoin's thesis as a monetary asset.

Under the Hood: On-Chain and Flow Data

ETF Flows: Stress, Not Collapse

November 2025 marked a record month for Bitcoin ETF outflows at \$3.5 billion, surpassing February 2025's previous record. BlackRock's IBIT alone saw over \$2 billion in redemptions.

ETF Metric	Value
November 2025 Outflows	\$3.5 billion (record)
BlackRock IBIT Outflows (Nov)	>\$2 billion
Total US Spot ETF AUM	>\$100 billion
BlackRock IBIT Holdings	~800,000 BTC
IBIT % of BTC Supply	3.8%
Total ETF % of Supply	5.7%

Context matters: US spot Bitcoin ETFs still hold over \$100 billion in assets under management. BlackRock's IBIT crossed 800,000 BTC in October (approximately 3.8% of Bitcoin's total supply). The outflows reflect risk-off sentiment and year-end rebalancing, not structural abandonment of the product category.

A single month of outflows does not invalidate a product that attracted over \$30 billion in its first year.

Whale Behavior: Distribution Meets Accumulation

Long-term holders have been distributing at 26,000 BTC per day, doubling from early July levels. This represents a \$43 billion sell-off since July, including liquidation of some 15-year-old holdings by OG whales taking profits after a decade of conviction.

On-Chain Metric	Value
LTH Daily Distribution	26,000 BTC/day
Whale Accumulation (Nov)	+45,000 BTC
Whale Entities (1,000+ BTC)	1,417 (up from 1,392)
Large Txns (\$100k+) per Week	102,900
LTH Sell-off Since July	\$43 billion

Yet whales (entities holding 1,000+ BTC) added over 45,000 BTC in November, the second-largest weekly accumulation of the year. The number of whale entities increased from 1,392 to 1,417 in a single week.

This divergence is typical of late-stage profit-taking rather than capitulation: older holders who bought below \$10,000 are realizing generational gains, while newer institutional capital absorbs supply at higher price levels.

The rotation from OG whales to institutional whales is a sign of market maturation.

Exchange Reserves: Supply Leaving the Market

Reserve Metric	Value
Current Exchange Reserves	2.3-2.6 million BTC
January 2025 Reserves	2.72 million BTC
Reserve Level Comparison	Lowest since 2018-2019
Permanent Holders (2025)	345,000 BTC (up from 159k)

Bitcoin reserves on exchanges have dropped to approximately 2.3-2.6 million BTC, the lowest level since 2018-2019. Investors are moving holdings to cold storage for long-term ownership rather than positioning for near-term selling.

Permanent holders (wallets that have never sent Bitcoin to an exchange) have increased holdings from 159,000 BTC to 345,000 BTC in 2025.

The supply squeeze seems to be structural: ETFs and corporate treasuries continue absorbing supply that historically would have circulated through exchange order books.

Leverage Structure

Leverage Metric	Value
Perp Futures Open Interest	~\$787 billion
ETF AUM (Comparison)	~\$135 billion

The nearly 6:1 ratio of perpetual futures to ETF assets explains the violence of price moves during corrections. Leveraged positions amplify both upside and downside, and cascading liquidations can push prices far beyond what spot market fundamentals would suggest.

The October liquidation event cleared significant leverage from the system; funding rates have since normalized.

Mining Network Health

Mining Metric	Value
Mining Difficulty	149.30 trillion
Next Adjustment (Dec 11)	149.80T (+0.34%)
Hash Price	\$38.3/PH/s
Hash Price vs. Halving	-60% since Apr 2024
Break-even Threshold	~\$40/PH/s
Miner Reserves	1.89 million BTC
US Hash Rate Share	44%

Bitcoin's network hash rate reached one zettahash in April 2025, reflecting continued infrastructure investment even as prices declined from their highs. Hash price hovers at \$38.3/PH/s, below the \$40 break-even threshold for many operations.

Despite margin compression, hash rate continues climbing, signaling long-term conviction from mining operators who are betting on price appreciation to restore profitability.

Post-Halving Cycle Context

The April 19, 2024 halving reduced block rewards from 6.25 to 3.125 BTC. At 25% into this epoch, Bitcoin has risen 31% from its halving-day price of \$63,762, the weakest post-halving performance on record in percentage terms.

Halving Date	4-Month Return	12-Month Return
1st Halving Nov 2012	+600%	+8,447%
2nd Halving Jul 2016	+11%	+283%
3rd Halving May 2020	+21%	+300%+
4th Halving Apr 2024	-8%	+31% (to Apr 25)

However, this cycle is structurally different: institutional participation through ETFs, corporate treasury adoption, and regulatory clarity have dampened the explosive volatility of previous cycles while potentially extending the duration of the bull market.

Parabolic 10x moves may be replaced by more sustained, grinding appreciation. History suggests significant upside typically occurs 12-18 months post-halving, placing the target window in late 2025 through mid-2026.

The Institutional Foundation

Corporate Treasury Adoption

Strategy (formerly MicroStrategy) holds 650,000 BTC as of December 2, 2025, at an average cost of \$74,436 per coin (approximately \$48.4 billion total investment). The company established a \$1.44 billion USD reserve for dividends and debt service.

Corporate Metric	Value
Strategy (MSTR) Holdings	650,000 BTC
Strategy Avg Cost Basis	\$74,436/BTC
Strategy Total Investment	~\$48.4 billion
Strategy USD Reserve	\$1.44 billion
Listed Companies Holding BTC	172
Corporate Reserves (Q3 2025)	\$117 billion (+40% QoQ)
Institutional % of Supply	12.5%

Corporate Bitcoin reserves across all public companies rose 40% in Q3 2025 to \$117 billion, with 172 listed companies now holding Bitcoin. Institutional investors now control approximately 12.5% of Bitcoin's total supply, up from single digits in 2024.

This institutional base creates structural demand that did not exist in previous cycles. When Strategy, BlackRock, Fidelity, and sovereign wealth funds own Bitcoin, they are not selling into corrections; they are rebalancing and potentially adding.

Stablecoin Liquidity

Stablecoin	Market Cap	YTD Change
USDT (Tether)	\$182 billion	+33%
USDC (Circle)	\$72 billion	+70%
Total Stablecoin Supply	~\$268 billion	
USDC Monthly Volume	\$2.7 trillion	

Total stablecoin supply has reached approximately \$268 billion.

This represents dry powder that can deploy rapidly into Bitcoin during sentiment shifts. The expansion of stablecoin supply throughout 2025, despite price weakness, indicates sustained capital formation on the sidelines rather than flight from the ecosystem.

What Could Invalidate the Bull Case

The data supports a constructive view, but risks remain.

Bear case triggers to monitor:

- **Sustained ETF outflows** beyond 3 months (currently at 1 month)
- **Break below \$75,000** on elevated volume (structural breakdown level)
- **Fed pivot back to hawkish policy** (inflation reacceleration, rate hike rhetoric)
- **Macro liquidity contraction** (QT restart, credit event)

It is important to note that, currently - NONE of these conditions have been triggered (or even close to triggering).

Forward Outlook

Level Type	Price Range	Significance
Critical Support	\$83,000 - \$85,000	October-December low zone
Near-term Resistance	\$90,000 - \$92,000	Prior support turned resistance
IBIT Cost Basis	~\$84,000	ETF avg entry
Bear Invalidation	\$75,000	Structural breakdown
Mid-2026 Target	\$110,000 - \$135,000	Bull case target

Near-term (December 2025): Range-bound trading likely between \$85,000 and \$105,000. The December 9-10 FOMC meeting outcome will be the primary catalyst.

Q1 2026: Constructive base-building expected. Seasonal January tailwinds, full effects of QT termination working through the system, and potential for ETF flow reversal. Key confirmation signal: multiple consecutive days of \$200 million+ ETF inflows.

In Sum

The macro setup (QT termination, rate cuts, dollar weakness, gold strength) is more favorable than any point since early 2021. ETF infrastructure is under stress but not breaking.

Onchain data shows distribution from long-term holders being absorbed by new institutional capital. Exchange reserves at multi-year lows indicate structural supply constraints.

The bull market thesis remains intact; only the *timing* of its next leg is in question.