MONTHLY MARKET INSIGHTS

MARCH 2026
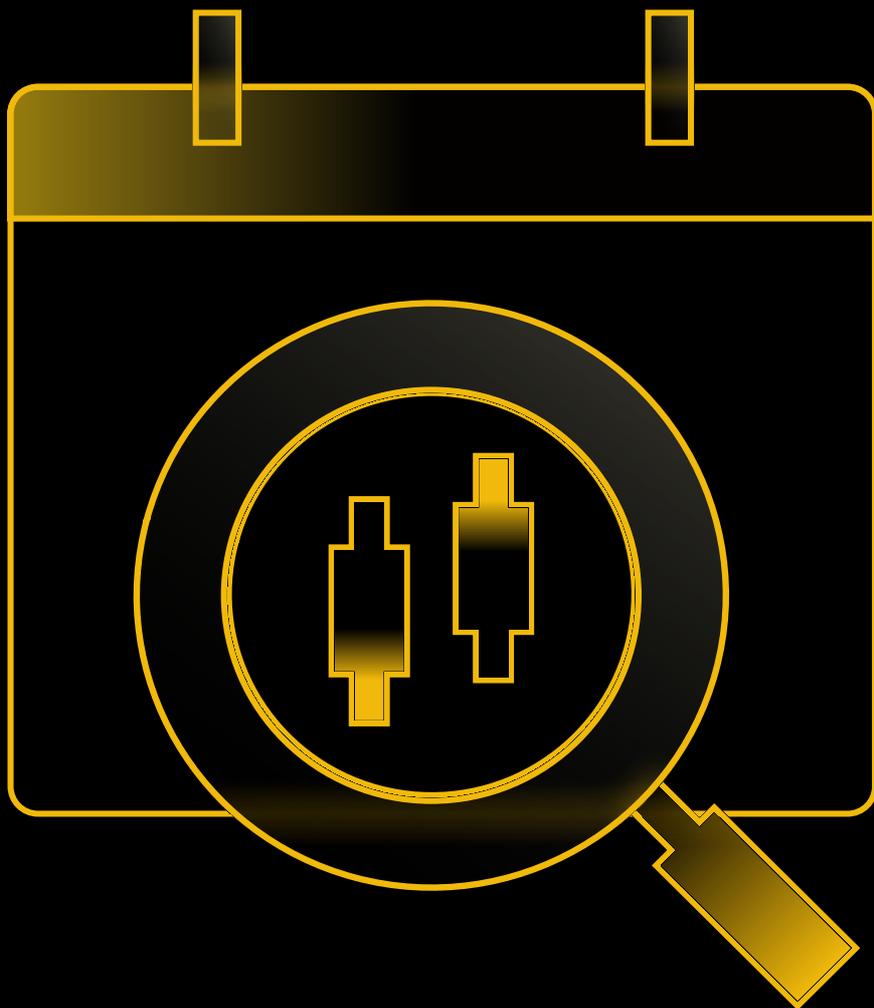
Table of Contents

01 / Key Takeaways

- In February, the crypto market's decline accelerated, suppressing sentiment into extreme fear throughout the month. Meanwhile, excessive leverage suggests that the recovery process may take longer. Looking ahead, as the market has already priced in multiple macro policy- and tariff-related uncertainties, spot BTC ETFs could once again bring fresh momentum to the market.

- AI disruption fears are suppressing Bitcoin – not crypto-specific news. As AI may erode software margins, the US$10T+ sector has sold off sharply, dragging BTC with it. For post-ETF institutions treat BTC and software equities as the same "tech risk factor," liquidating both simultaneously. Yet a floor is likely near. Software EPS growth (~14%+) still leads the S&P 500 (~13%+), and forward P/E has compressed to ~19x – below the S&P 500's 22x, a rare discount. Once AI panic subsides and software stabilizes, forced BTC selling should fade, and Bitcoin's monetary narrative can finally reassert itself.

- The N7 Index, an equal-weighted basket of NeoFi protocols, returned +3.5% YTD, outperforming BTC by ~27% and the DeFi Core Index by ~33%, as markets favor protocols with recurring fee income, productive tokenomics, and institutional convergence over pure governance models. Performance dispersion within DeFi suggests capital is rotating based on fundamentals rather than sector-wide positioning.

- Leading prediction markets are transitioning from a rapid growth phase into a period of stabilization, supported by gradual regulatory catchup. As the product offering expands beyond binary outcomes, the development of attention markets introduces sentiment-based trading as a new option. Meanwhile, more real-time trading pairs are emerging, helping bridge crypto-native solutions such as Chainlink to a broader user base.

- General-purpose Ethereum L2s are facing a structural inflection as advances in zkVMs and Ethereum's scaling roadmap erode the standalone "faster Ethereum" thesis, a narrative amplified by Vitalik's recent comments that questioned the original role of L2s. Recent data suggests L2 user activity is declining relative to L1: the L2-to-L1 DAU ratio fell to 1.12 in February 2026 from a June 2025 peak of 10.43 –representing a 68% drop year-over-year.

02 / Crypto Market Performance

In February, the total cryptocurrency market capitalization declined by 22.6% to US$2.36T. The selloff was driven by Federal Reserve policy uncertainty, tariff-related transition pressures, and a broader deleveraging event in the markets.

Throughout the month, the Fear & Greed Index remained below 20 and bottomed at 5, a historic low below levels seen in prior cycles. While leverage metrics continue to sit well above historical averages, confirming that deleveraging is in progress but still unfinished. The market has now registered five consecutive months of negative returns for major crypto assets, a rare streak not seen since the 2018 bear market when Bitcoin and broader crypto fell month after month before beginning a prolonged recovery cycle. Moreover, a potential Warsh-led Fed may stay hawkish if the job market strengthens further, and CME Fed Funds futures are now pricing in only two rate cuts for 2026, with the first not expected before June.

Bitcoin market dominance stood at 57.9%, declining modestly by 1% this month, while Ethereum's dropped 2% to 10.8% as its monthly price return fell further, reflecting softer performance in major coins' market share amid the liquidity crunch.

Looking ahead, March could prove optimistic and mark an inflection point after the recent significant downturn, especially as spot BTC ETFs appear to be moving back toward net inflows, suggesting conditions that may support a period of consolidation. Additionally, the peak of the tax refund season expected over the next four weeks could provide incremental liquidity for risk assets.

Figure 1: Monthly crypto market capitalization decreased by 21.4% in February

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2026	-1.0	-22.6										
2025	4.3	-20.2	-4.4	10.8	10.3	2.6	13.3	-1.7	4.3	-6.1	-15.4	-3.8
2024	0.4	40.0	16.3	-11.3	8.6	-11.4	5.6	-12.4	8.0	2.8	39.9	-4.5
2023	30.4	3.4	9.3	3.2	-6.0	3.3	1.0	-8.8	2.6	19.0	11.0	15.2
2022	-22.6	-0.3	25.3	-18.1	-25.2	-31.7	21.8	-11.4	-2.1	7.2	-18.0	-4.5
2021	33.9	39.6	31.1	11.4	-25.7	-5.9	12.5	25.2	-9.9	42.9	-1.0	-15.0

Source: CoinGecko, Binance Research
As of March 2, 2026

**Figure 2: Monthly price performance of the top 10 coins by market capitalization**
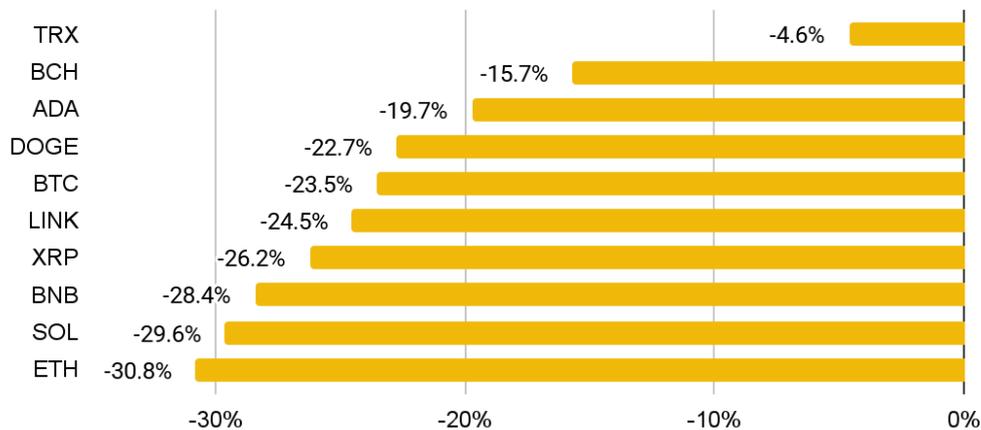
Source: CoinMarketCap, Binance Research
As of March 2, 2026

In descending order of performance:

◆ TRX declined just 4.6%, demonstrating relative resilience amid ongoing liquidity drainout.

◆ BCH and ADA declined 15.7% and 19.7%, respectively, as selling pressure broadened across the altcoin market.

◆ DOGE declined 22.7% for the month, despite a notable 14% single-day surge on February 14 following speculation around X's Smart Cashtags announcement.

◆ BTC has declined approximately 50% from its all-time high and is now approaching its realized price near ~US$54K, a level historically associated with late-stage deleveraging phases.

◆ LINK further dropped by 24.5%. However, recent collaboration with Canton Network and Ondo Finance for tokenized assets provides support for its future outlook.

◆ XRP declined 26.2%, although ecosystem developments continued, with Flare launching lending and borrowing for FXRP (wrapped XRP) through a Morpho integration, expanding DeFi access for XRP holders.

◆ BNB fell 28.4%, SOL 29.6%, and ETH 30.8%, reflecting the broader risk-off move across crypto markets.

2.1 Decentralized Finance (DeFi)

Figure 3: TVL share of top blockchains
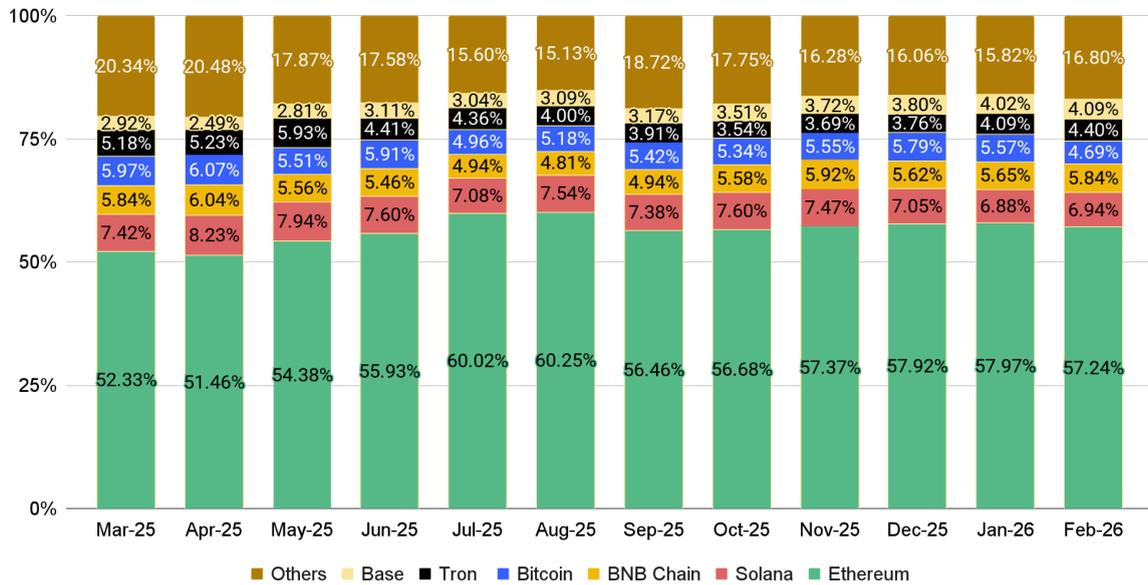
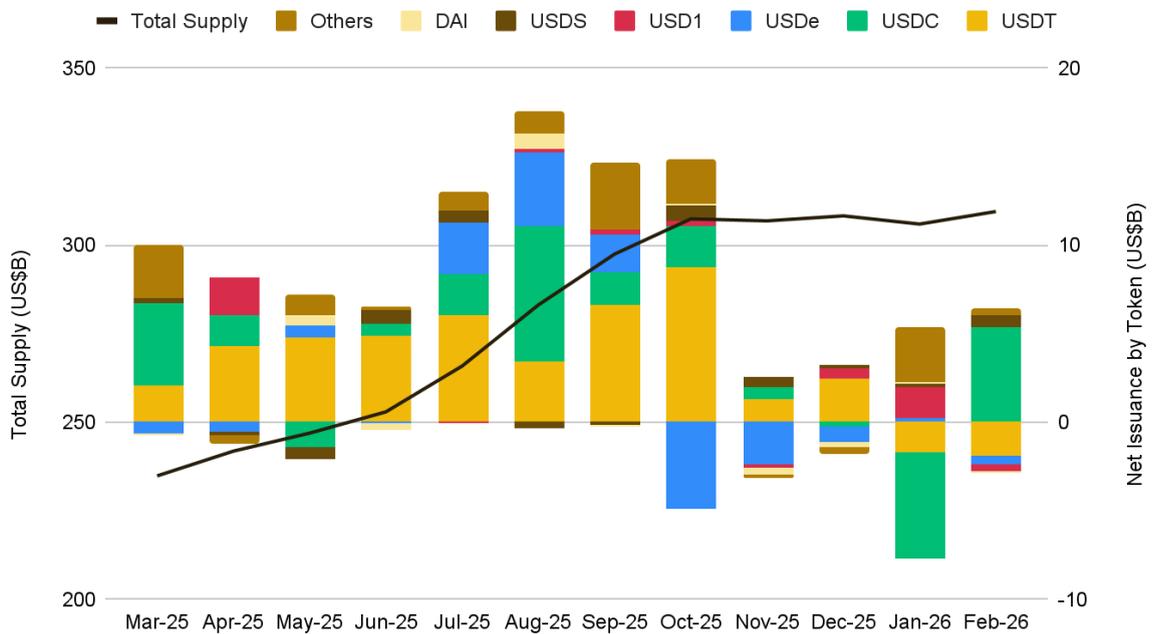
Source: DeFiLlama, Binance Research
As of February 28, 2026

In February 2026, DeFi Total Value Locked (TVL) stood at approximately US$95.7B, edging down by -18.4% month-on-month (MoM). Among the top five DeFi ecosystems, only Ethereum recorded a modest decline in market share this month. Vitalik Buterin has recently emphasized accelerating mainnet scalability improvements alongside Ethereum's rollup-centric roadmap, while also highlighting the importance of long-term quantum resistance research.

Additionally, Base's TVL continued to rise steadily, now accounting for 46.5% of total L2 DeFi TVL. As Base consolidates around its own implementation within the OP Stack framework, this could reshape revenue dynamics within the Superchain ecosystem, particularly given Base's outsized contribution to sequencer fees and user activity.

2.2 Stablecoins

Figure 4: Monthly net issuance for stablecoins

Source: DeFiLlama, Binance Research
As of March 2, 2026

Stablecoin supply remained firm at US$315B in February (+3% MoM), holding near cycle highs despite sustained risk-off conditions across crypto markets. The absence of contraction suggests capital rotated into stable assets rather than exiting the ecosystem. The CLARITY Act, particularly Senate negotiations on stablecoin yield payments, reserve requirements, and issuer standards, continue to be critical focal points, as formal regulatory alignment could materially influence future issuance and institutional participation.

2.3 Tokenized Real-World Assets (RWAs)

**Figure 5: RWA net monthly growth by category**
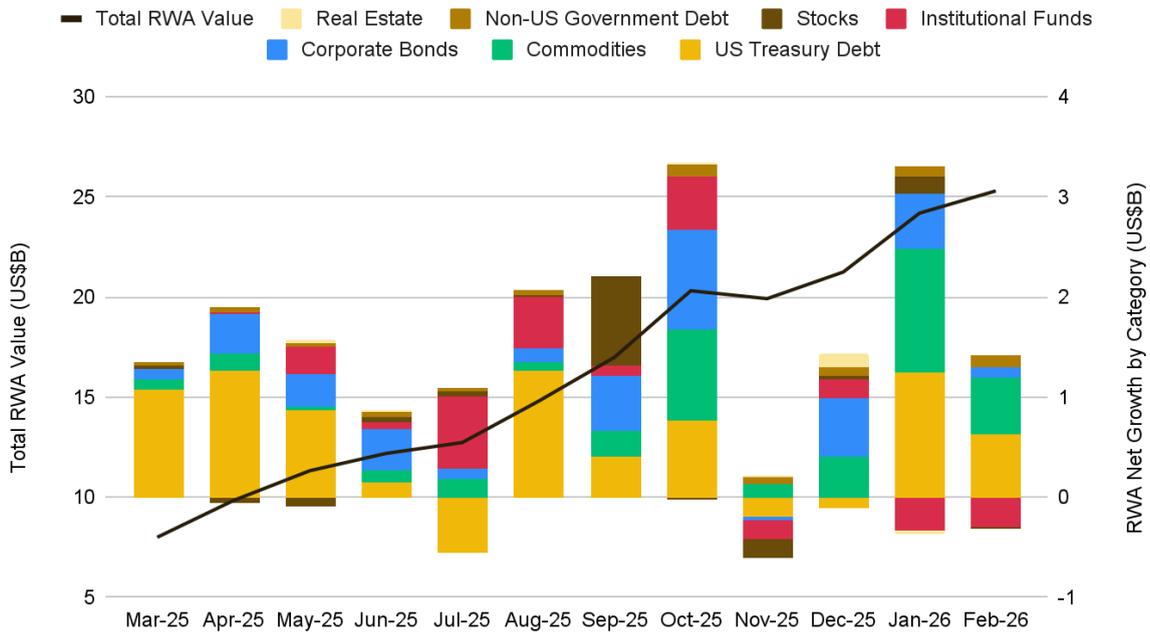
Source: rwa.xyz, Binance Research
As of March 2, 2026

Tokenized RWAs continued to expand in February, with incremental growth across Treasury-backed products and renewed attention toward tokenized gold amid elevated global bullion prices. Total on-chain asset value reached roughly US$25.4B, representing a moderate ~4.7% increase MoM, accompanied by a notable rise in the number of holders. This steady growth comes amid broader market volatility, suggesting that RWA tokenization maintains structural interest from institutional and retail participants.

03 / Charts of the Month

Crypto: The Unintended Victim of AI Panic

Figure 6: BTC–Software Correlation Surges as S&P 500 Link Breaks Down
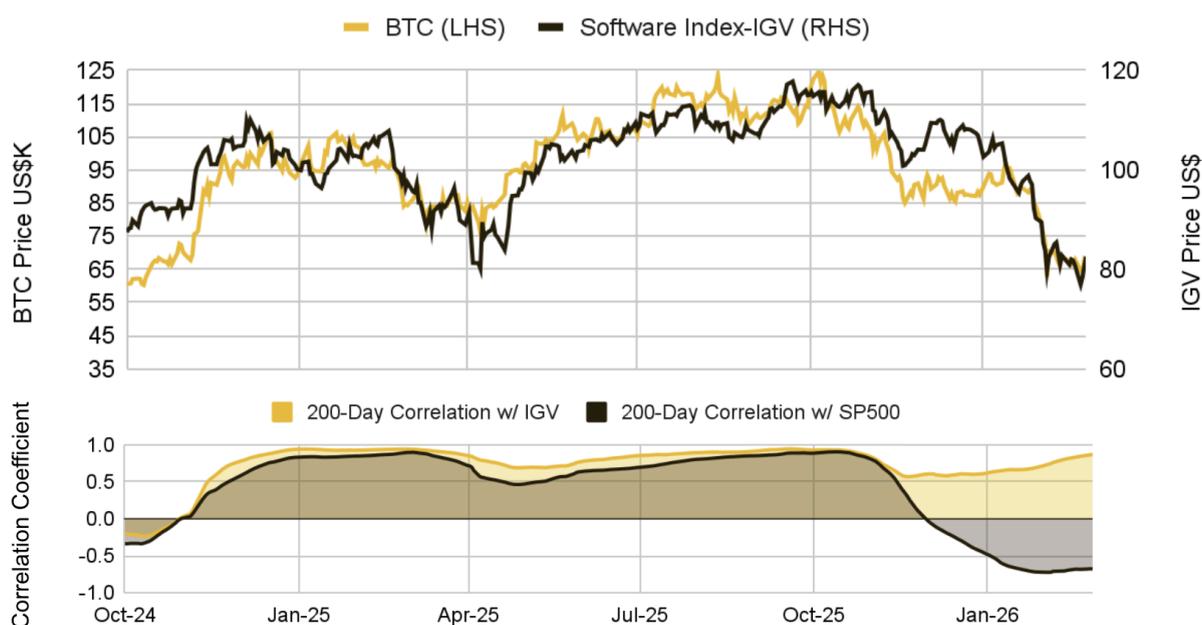
Source: Tradingview, Binance Research
As of February 28, 2025

The sentiment contagion from the "AI disruption" shock, transmitted via the software sector to BTC, is the core reason why the crypto market has continued to slide despite the absence of significant negative catalysts.

As the capabilities of large AI models continue to expand, the speed at which they are displacing traditional software functions has exceeded early market expectations. Consequently, traditional SaaS companies face systemic downward **pressure on both revenue growth forecasts and valuation multiples**. The software sector, represented by indices like the IGV (iShares Expanded Tech-Software ETF), has undergone a sustained and deep correction under this impact.

Against this backdrop, a critical market observation has emerged: BTC's price action shows **a high degree of synchronization** with the IGV software index – not only in rhythm but also in the magnitude of the decline. For instance, the **IGV has fallen nearly 35%** from its September highs. It is worth noting that the market capitalization of the stocks in this index **exceeds US$10 trillion**, **several times the size of the entire crypto market.**

Because the massive entry of traditional asset management giants like BlackRock and Fidelity has fundamentally altered the structure of BTC ownership. Institutional investors

who simultaneously **hold technology equity portfolios and BTC ETFs have become the dominant force**. When these institutions' quantitative risk models face structural declines in the software sector, BTC is treated within the same risk factor framework. The continued slide in software stocks triggers risk exposure compression, and BTC – as a highly liquid risk asset – becomes a priority target for liquidation when institutions deleverage at the portfolio level.

This marks a fundamental shift in market framing for this cycle: Bitcoin is no longer primarily treated as a standalone monetary hedge, but rather bundled with software equities as a high-risk technology asset and sold in tandem when risk aversion rises.

Crucially, however, it is important to note that the fundamental floor for software remains robust. The 2026 EPS growth expectation for the **U.S. Software & Services sector is approximately 14%+,** which remains higher than the **S&P 500's aggregate of ~13%.** Supported by this strong earnings foundation, the software sector is unlikely to fall indefinitely; finding a bottom is simply a matter of time. For instance, the **median forward P/E of IGV components has dropped to around 19.0x – significantly lower than the S&P 500's 22x**. This is a rare occurrence, suggesting that relative valuations may have already reached a trough.

Therefore, the most critical condition for a reversal is the stabilization of sentiment regarding AI disruption. Once software equities find this durable valuation floor and steady themselves, **the mechanical linkage between tech stocks and BTC should fade. This would allow Bitcoin's monetary-asset narrative to reassert itself.** In this context, this month's NVIDIA earnings and Anthropic's enterprise updates may represent meaningful – if early – steps in that direction

The NeoFi Quality Premium

Figure 7: N7 Index outperforms other major crypto sectors by 27–52% YTD
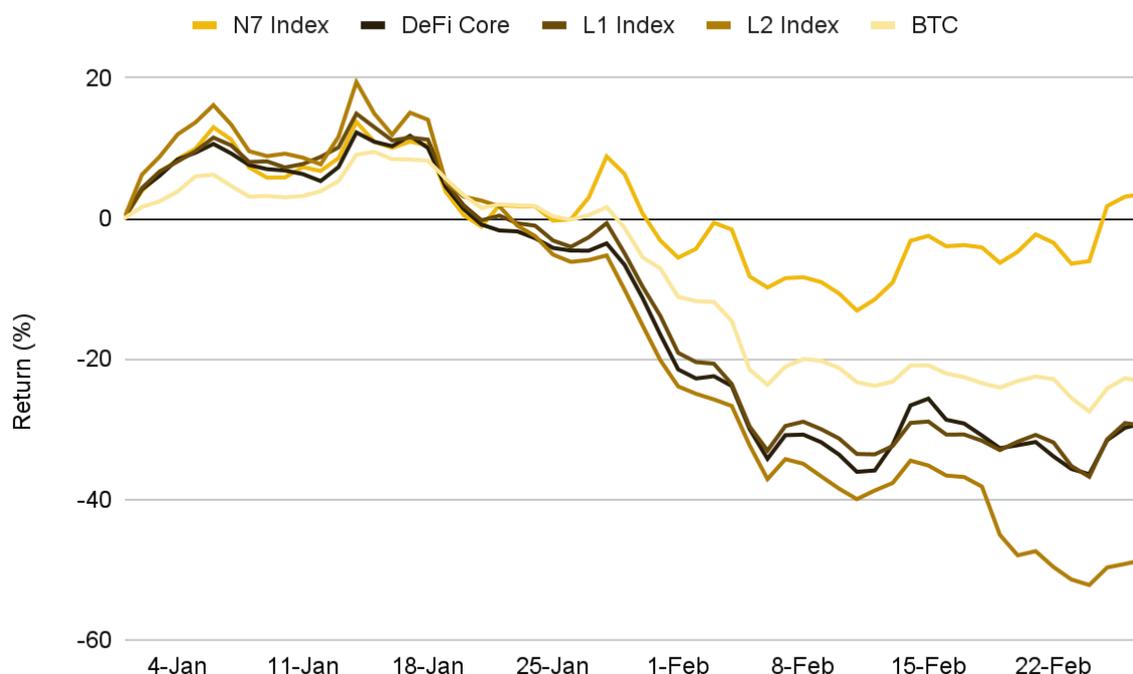
Source: Dune Analytics (@chispy), Binance Research
As of February 27, 2026

The N7 Index, an equal-weighted basket of NeoFi protocols, has returned **+3.5% YTD**, making it one of the only areas in positive territory in 2026. Against BTC and the DeFi Core Index, it has outperformed by **~27% and ~33%** respectively. The basket peaked at +13.7% in mid-January, corrected to -13.1% during the February selloff, and **recovered within two weeks**, a resilience pattern not seen elsewhere. This suggests the market is increasingly differentiating between DeFi protocols based on underlying fundamentals rather than treating the sector as a single trade.

What the N7 constituents share is **recurring fee income**, **productive tokenomics** with **fee distribution**, and **growing adoption by institutions as on-chain infrastructure**. This sits within a broader trend sometimes called "Neo Finance" (or DeFi Mullet), where financial institutions increasingly use DeFi protocols as backend rails for lending, yield, settlement, among others. Partnerships such as BlackRock with Uniswap and Apollo with Morpho are recent examples of this convergence in practice.

In a weakened altcoin environment where pure governance tokens without fee accrual are being repriced, the market is placing a **growing premium on protocols with these fundamentals**. Whether this persists remains to be seen, but regulatory progress and the continued growth of tokenised RWAs, stablecoins, and crypto payment rails could deepen this trend further, drawing institutional capital toward the capital-efficient on-chain verticals the N7 represents.

Prediction Markets Enter New Territory

Figure 9: Monthly Prediction Market Notional Volume / Active Traders Exceeds 600K
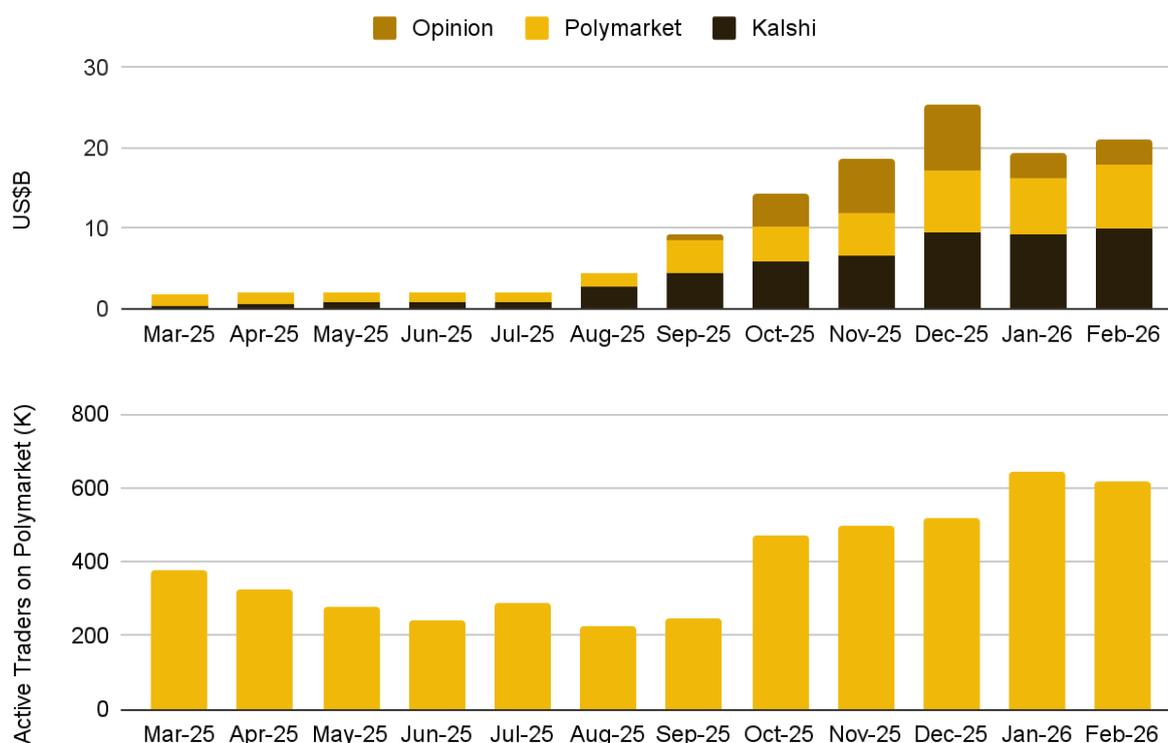
Source: Dune Analytics (@datadashboards, @rchen8), Binance Research
As of March 2, 2026

Prediction market volumes eased from their December peak of **~US$25B to ~US$21B** in February, but held firm relative to the broader crypto drawdown. Polymarket and Kalshi hold the largest combined market share at **~US$18B in notional**, with Opinion steadily gaining ground since its launch. Active traders on Polymarket stabilized around **600K**, nearly triple mid-2025 levels.

February also marked a step change in what the sector offers. Attention Markets launched through a partnership between Polymarket and Kaito AI, introduced a new contract category where users trade on social media mindshare and sentiment rather than binary event outcomes. Pilot markets are already live, with many more targeted for March and in 2026. Separately, 5-minute crypto prediction markets powered by Chainlink Data Streams pushed the sector into high-frequency territory. These developments show the **product surface area expanding from binary events** into sentiment-based and more real-time outcomes, opening the space to a wider set of use cases and participants.

The **regulatory environment remains a live variable**. Federal regulators signalled a more accommodative stance toward event contracts, but the sector faces ongoing challenges at the state and tribal level, with courts reaching conflicting conclusions on jurisdictional authority. Near-term, the 2026 FIFA World Cup in North America provides a tailwind, with over US$200M in related trading volume already generated months before kickoff.

Ethereum L2s Face a Structural Inflection

Figure 10: The L2-to-L1 daily active user ratio compressed by 68% over the past year
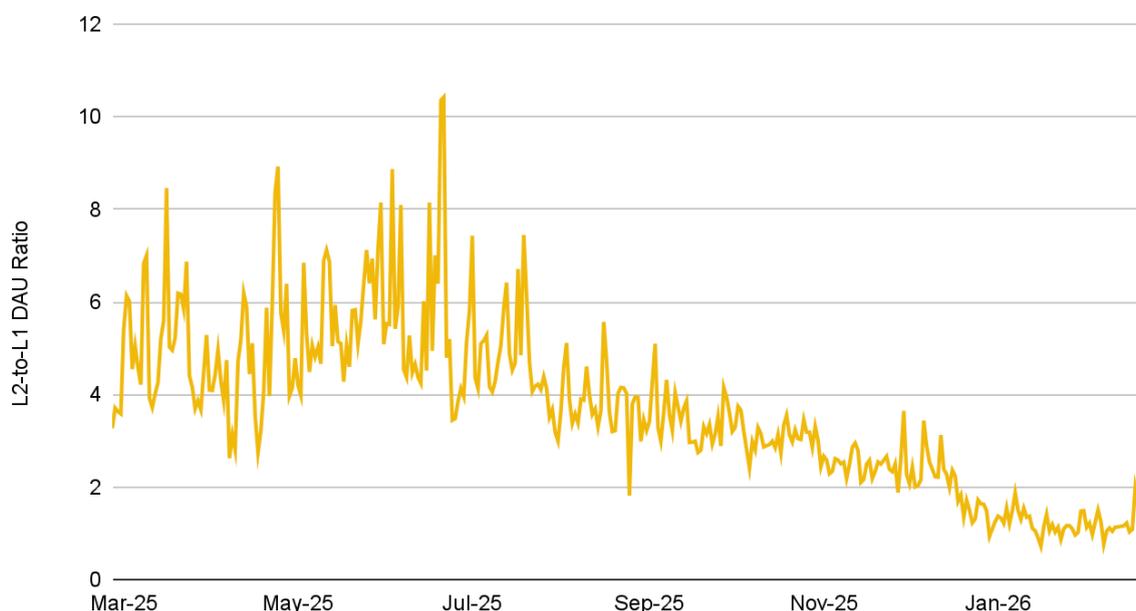
Source: Artemis, Binance Research
As of February 28, 2026

February 2026 has seen renewed scrutiny on the long-term value proposition of general-purpose Ethereum L2s, after Vitalik Buterin's recent posts suggesting that '*the original vision of L2s and their role in Ethereum no longer makes sense*.' With significant advancements in zkVMs and Ethereum's explicit roadmap targeting 10,000 TPS, the purely infrastructural "faster Ethereum" model is rapidly losing its competitive advantage.

The L2-to-L1 Daily Active User (DAU) ratio reached a **peak of 10.43** in June 2025, driven by Base commanding 3.6M DAUs at the time. Fast forward eight months, and this ratio has **contracted sharply to 1.12 in February 2026** – representing a **68% drop year-over-year**.
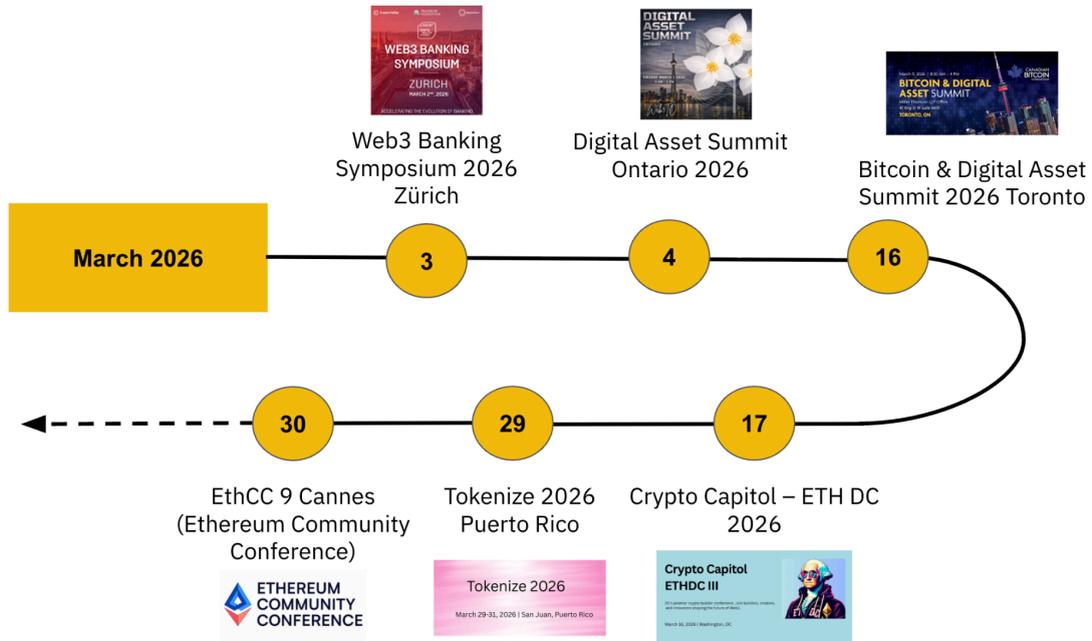
The assumption that shared rollup stacks create long-term network effects was recently invalidated by Base, which **announced its departure from Optimism Superchain** to develop its own unified, self-managed architecture. Base was generating upwards of **94% of the OP Collective's sequencer revenue**. This event establishes a clear market precedent–full control over the tech stack and sequencer revenue drastically outweighs the benefits of shared ecosystem alignment once a rollup achieves traction.

Recent cross-chain migrations (Zora and Ether.fi) also highlight the **lack of chain loyalty**.

We are witnessing a structural inversion in product development. The new, capital-efficient trend is to develop a core product, achieve product-market fit, and then expand to build a dedicated chain ecosystem around it. By verticalising after establishing a sticky user base, applications capture their own value flow rather than bleeding margin to a generalised L2 sequencer.

04 / Upcoming Events and Token Unlocks

Figure 11: Notable Events in March 2026

Web3 Banking Symposium 2026 Zürich

Digital Asset Summit Ontario 2026

Bitcoin & Digital Asset Summit 2026 Toronto

March 2026 — 3 — 4 — 16 — 17 — 29 — 30

EthCC 9 Cannes (Ethereum Community Conference)

Tokenize 2026 Puerto Rico

Crypto Capitol – ETH DC 2026

Source: Cryptoevents, Binance Research

Figure 12: Largest token unlocks in US$ term

PROJECT	TOKEN	UNLOCK IN US$ EQUIVALENT	% OF SUPPLY	UNLOCK DATE
	WBT	4,010M	11%	13 March
	RAIN	347M	1.42%	10 March
	HYPE	289M	3.2%	6 March
	ASTER	54M	1.7%	17 March
	SUI	49M	1.84%	1 March
	ZRO	44M	1.48%	20 March
	PUMP	19M	1.18%	14 March
	ENA	10M	1.59%	2 March
	APT	10M	1.44%	12 March

Source: CryptoRank, Binance Research

05 / References

defillama.com/
coinmarketcap.com/
cryptoslam.io/
token.unlocks.app/
dune.com/
itez.com/events
cryptorank.io/
coindesk.com/
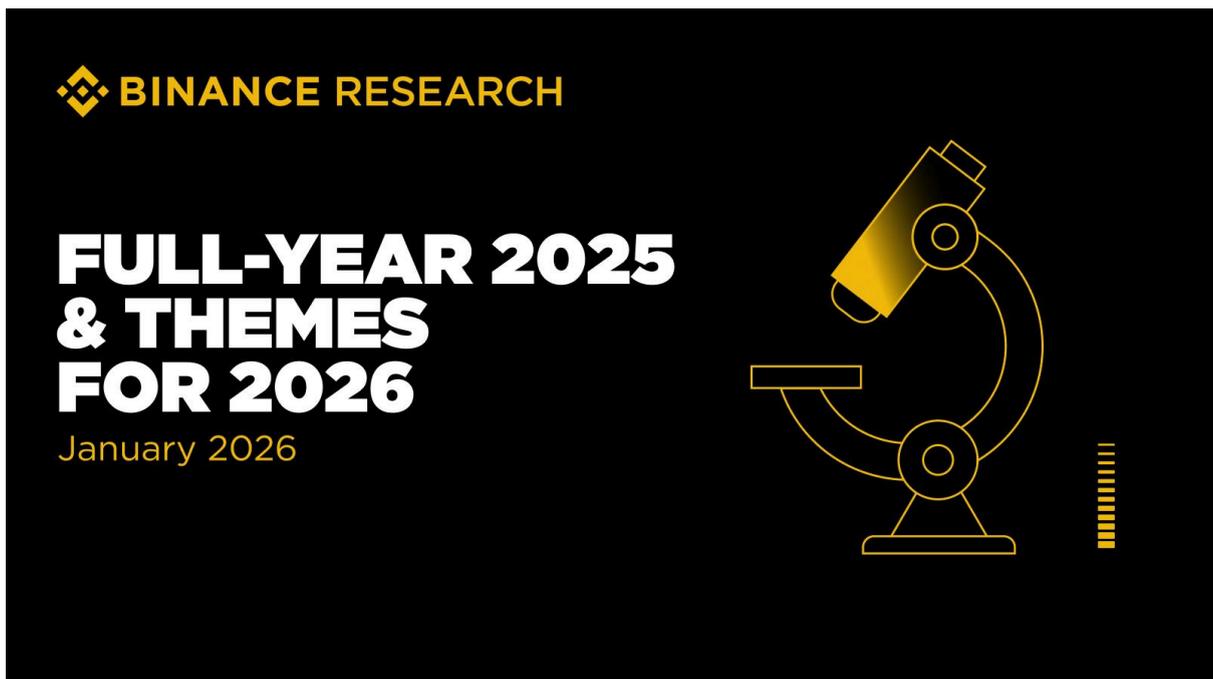theblock.co/

06 / New Binance Research Reports

Monthly Market Insights - February 2026 <u>Link</u>
A summary of the most important market developments, interesting charts and upcoming events

Full-Year 2025 & Themes For 2026 <u>Link</u>
A crypto-centric review of 2025

About Binance Research

Binance Research is the research arm of Binance, the world's leading cryptocurrency exchange. The team is committed to delivering objective, independent, and comprehensive analysis and aims to be the thought leader in the crypto space. Our analysts publish insightful thought pieces regularly on topics related but not limited to, the crypto ecosystem, blockchain technologies, and the latest market themes.

Moulik Nagesh
Macro Researcher

Moulik is a Macro Researcher at Binance and has been involved in the cryptocurrency space since 2017. Prior to joining Binance, he held cross-functional roles at Web3 and Silicon Valley-based tech companies. With a background in co-founding startups and a BSc in Economics from the London School of Economics and Political Science (LSE), Moulik brings a well-rounded perspective to the industry.

Michael JJ
Macro Researcher

Michael is a macro researcher at Binance. Prior to this, he worked as an economist at a U.S. private wealth management firm, focusing on cross-asset allocation. He also served as editor-in-chief at a media company, overseeing cryptocurrency reporting and educational content. Earlier in his career, he was a consultant at Ernst & Young and a crude oil trader at an energy firm.

Lim Kim Thye
Macro Researcher

Kim is a Macro Researcher at Binance. Researching the crypto markets full-time since 2021, he previously served as a Senior Investment Research Analyst at a crypto asset management firm, where he specialised in crypto investment strategy and rigorous asset valuation. Before dedicating his career entirely to crypto space, he was a financial consultant and a trader at an investment bank.

Stefan Chen
Macro Research Intern

Stefan is currently a Macro Research Analyst Intern at Binance. Prior to this, he worked as a software operations intern at a global accounting firm. He holds a Bachelor of Arts in Public Finance from the National Chengchi University and has been involved in the cryptocurrency space since 2022, with a focus on macro narratives and data analysis.

Resources

Binance Research **Link**
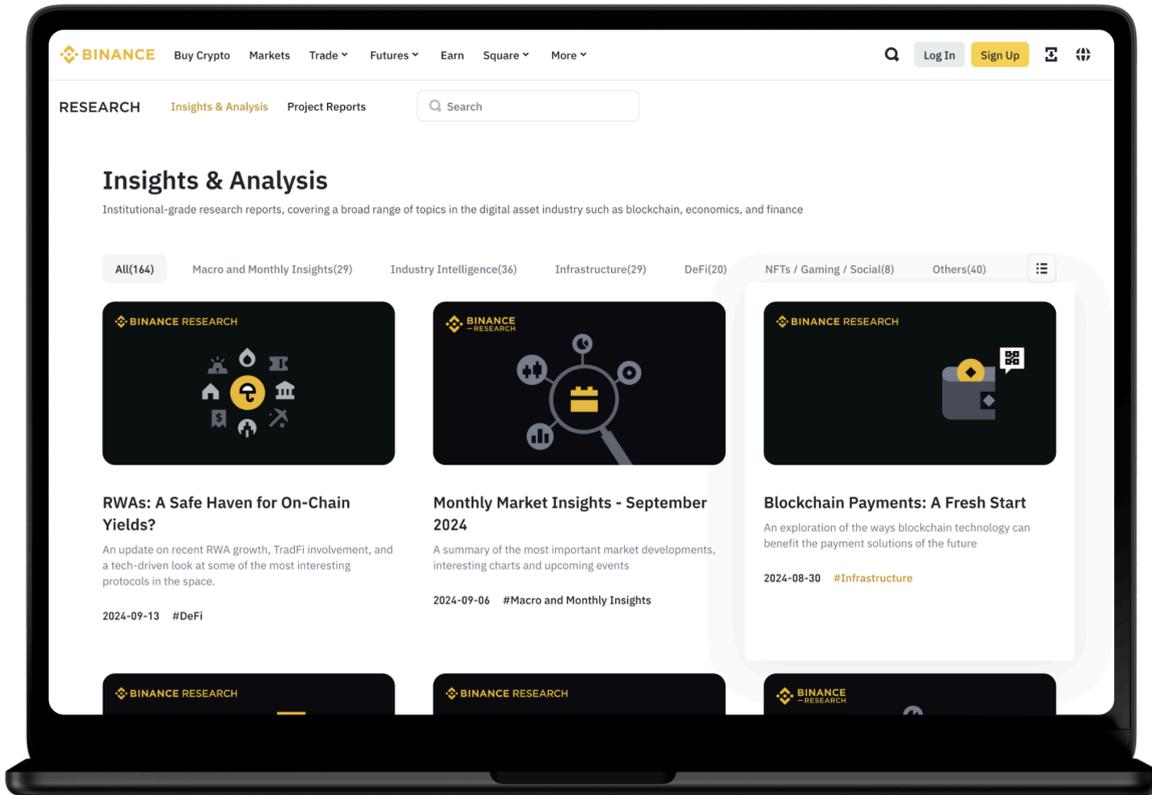
📣 Share your feedback **here**

GENERAL DISCLOSURE: This material is prepared by Binance Research and is not intended to be relied upon as a forecast or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities, cryptocurrencies or to adopt any investment strategy. The use of terminology and the views expressed are intended to promote understanding and the responsible development of the sector and should not be interpreted as definitive legal views or those of Binance. The opinions expressed are as of the date shown above and are the opinions of the writer, they may change as subsequent conditions vary. The information and opinions contained in this material are derived from proprietary and non-proprietary sources deemed by Binance Research to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by Binance. This material may contain 'forward looking' information that is not purely historical in nature. Such information may include, among other things, projections and forecasts. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader. This material is intended for information purposes only and does not constitute investment advice or an offer or solicitation to purchase or sell in any securities, cryptocurrencies or any investment strategy nor shall any securities or cryptocurrency be offered or sold to any person in any jurisdiction in which an offer, solicitation, purchase or sale would be unlawful under the laws of such jurisdiction. Investment involves risks. For more information, please click here.