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HyperLiquid Deep Dive

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About Bitwise

Bitwise is a global specialist asset manager focused on cryptoassets. The firm works with financial advisors, family offices, and institutional investors globally to support understanding of digital asset markets.

The Bitwise research team aims to provide timely, high-quality analysis of developments across the crypto ecosystem, with a focus on market structure, adoption trends, and macroeconomic drivers.

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Executive Summary

Jeff Yan and the Hyperliquid team set out to address a fundamental question: how to combine the performance of a traditional exchange with the transparency of blockchain technology. In doing so, they largely bypassed the blueprints left by previous decentralised exchanges (DEXs), opting instead to bootstrap the project themselves and reject venture capital funding. This allowed them to optimise their blockchain architecture for product-market fit and focus on value accrual through relatively simple, novel, and sustainable tokenomics.

Launching after the 2022 collapse of FTX, Hyperliquid helped spark a resurgence in DeFi, specifically within the perpetual futures market, a derivative without an expiry date or physical settlement, that is paid for via a funding rate, typically every hour, to align the perpetual futures price with the spot price.

Since its inception, Hyperliquid recorded \$3.8tn in total volume, a figure that took the rest of the perp DEX sector combined over five years to achieve. While competitors have emerged, none have yet made a sustained impact on Hyperliquid's open interest market share, which currently stands at over 50%.

The Hyperliquid team has been deliberate in its strategy. They first prioritised product-market fit via perpetual futures before announcing an architecturally optimised Layer 1 blockchain and, subsequently, a spot market once their position was established. Along the way, consistent points-based incentive programmes were used to build engagement ahead of the token launch and maintain usership. This resulted in significant value appreciation, with the token up 13x since launch.

A key component of Hyperliquid's appeal is its tokenomics. Up to 99% of its revenue generated by the platform is used for buy-backs and burns. This mechanism minimises value leakage and directly benefits token holders as the circulating supply reduces and the inflation rate declines. A token structure that is highly sought after by investors but rare to come by.

Consequently, the valuation of Hyperliquid is simple and transparent, hinging largely on future trading volumes. While Decentralised Finance (DeFi) remains a strong structural tailwind, the valuation of Hyperliquid is closely tied to its ability to capture further market share from centralised incumbents like Coinbase and Binance, as well as traditional finance giants such as the CME.

01

Understanding Hyperliquid

1.1 The History of Perpetual Futures DEXs

Among the earliest major centralised exchanges was BitMEX. Founded by Arthur Hayes, the platform pioneered the crypto derivative known as 'perpetual futures contracts', which was initially introduced on the XBT-USD (BTC-USD) trading pair in May 2016 with up to 100x leverage.

These contracts have since become the dominant instrument for trading BTC-USD with volumes mostly between 5x-12x larger than the spot market since mid 2025. Using perpetual futures, traders have more capital efficient exposure. On 100x leverage, a \$10k position can open a \$1m position. Short selling also doesn't require borrowing. It's as simple as opening a position, making the process fundamentally easier. And, "roll risk" gets eliminated since the contracts are without expiry. Only the funding rate has to be paid in perpetuity before closing the position.

However, the fundamental drawback to these centralised exchanges is that users do not control their assets; they effectively become creditors, which introduces counterparty risk by lending their tokens to the company for custody. Events such as the collapse of FTX demonstrated the comparative advantages of the DeFi model.

Building an exchange in a decentralised manner is significantly more difficult. Architectural limitations meant that speed, security, and decentralisation were challenging to balance. Consequently, users faced either higher costs and an increased risk of censorship and hacking, or weaker transaction confirmation guarantees.

Early attempts to resolve these issues proved unsuccessful. For instance, dYdX transitioned from an Ethereum Layer 2 to a sovereign Layer 1 using Cosmos infrastructure to optimise for customisability. However, it quickly became apparent that liquidity did not migrate in sufficient volumes to sustain its user base. In addition, GMX was handicapped by 2- to 10-second latency, 0.1% trading fees, and variable gas costs, ultimately failing to match centralised exchange user experiences..

Hyperliquid launched its perpetual futures market in November 2022, employing an on-chain order book model. This uses smart contracts to match orders based on "price-time priority", ensuring that the first overlapping orders placed between buyers and sellers are the first to be matched. The perpetual futures product on Hyperliquid has become the major engine of growth, generating 97% of volumes and revenues across the platform.

1.2 The Hyperliquid Stack

Hyperliquid’s order book model is housed within HyperCore, the high-performance engine of the stack. Designed for both retail and institutional use, it allows for seamless and efficient trading, capable of computing 200,000 operations per second with latency below 200 milliseconds, supported by deterministic execution, and maximum leverage of up to 50x.

After eighteen months of establishing market dominance and refining its perpetual futures market, Hyperliquid launched its spot market. While the spot market has grown steadily, reaching a cumulative volume of \$143bn, it remains a secondary driver, currently generating just 2% of the platform’s total volume and revenue.

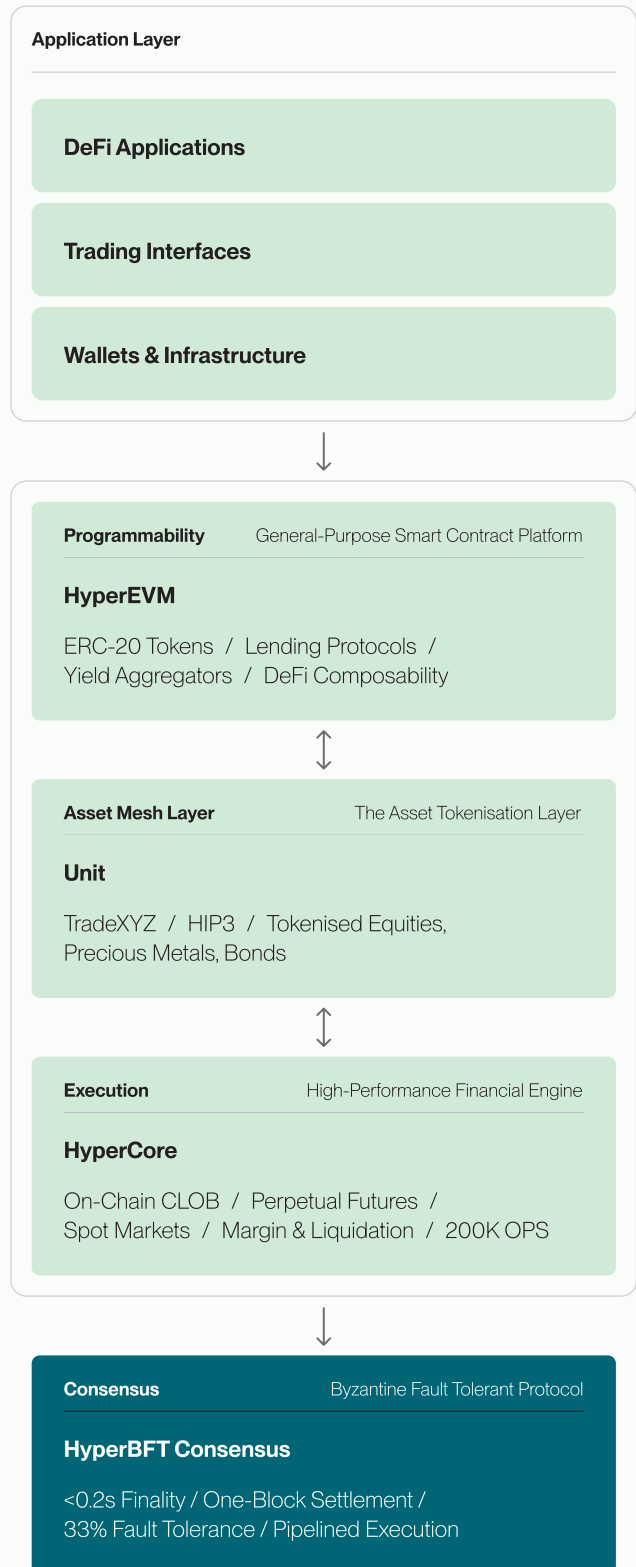
Alongside HyperCore sits HyperEVM, a new addition to the stack launched in March 2025. This Ethereum-compatible smart contract layer provides permissionless building blocks for DeFi applications, such as borrowing and lending services, AMMs, yield aggregators, and wallets, that wish to inherit HyperCore’s deep liquidity.

Running in parallel with HyperCore and HyperEVM is Unit, the asset tokenisation layer. This component transforms the platform from a USDC-only exchange into a multi-asset trading venue. As Hyperliquid operates as its own Layer 1, interoperability with external chains is a potential bottleneck. Unit addresses this by allowing native tokens (such as BTC, ETH, and SOL) to be sent to a generated address on their respective chains, where “Guardians” confirm transaction finality. Once verified, the equivalent token is minted on the Hyperliquid L1 for use as trading collateral. Withdrawals follow the reverse process: tokens are burned on the L1 before Guardians release the native assets to the original address. Guardians are highly unlikely to compromise the system due to a multi-party computation threshold signature scheme (MPC SSS), which requires two-of-three signatures across a distributed set of keys. While purely native trading of non-native assets is almost impossible to achieve, this approach is arguably superior to trusting wrapped assets or third-party centralised custody.

Without the Unit layer, advanced features such as spot-futures basis trading across crypto, equities, and FX, alongside delta-neutral strategies on HyperCore and DeFi collateralisation on HyperEVM, would be impossible. It serves as the fabric allowing for the velocity of non-native assets within the stack, driving platform usage.

Above HyperCore and HyperEVM sits the application layer, which extends Hyperliquid’s utility from a simple trading platform to a broader blockchain ecosystem. This system allows any frontend, wallet, or application to attach a “builder code” to orders, creating a transformative revenue layer for external teams. To date, over \$66 million in builder fees has flowed to third-party developers across \$212.3 billion in volume, onboarding 8.83 million users. This dynamic significantly deepens the platform’s network effects.

Finally, the HyperBFT consensus layer underpins the entire stack. Based on HotStuff, originally developed for Meta’s Libra project and utilised by other high-performance chains like Aptos and Monad, it provides the parallelisation required to reduce end-to-end latency and allow for one-block finality. This ensures that once a trade is confirmed, it is irreversible. It also maintains a tolerance for malicious validators of up to 33% of the active stake, adhering to standard Byzantine Fault Tolerance principles.



Source: Bitwise Europe, Hyperliquid X

1.3 “The Everything Exchange”

The stacked and composable architecture of Hyperliquid suggests an endgame that is likely an interoperable, decentralised, and non-custodial prime brokerage model. In this vision, spot and perpetual futures for crypto, traditional finance (TradFi) assets and prediction market assets are held within a single margin account and used as collateral for various positions. This creates a powerful unifying force where capital efficiency is greatly improved as transaction fees and margin costs decline, without the need to fragment capital across different venues, platforms, or strategies.

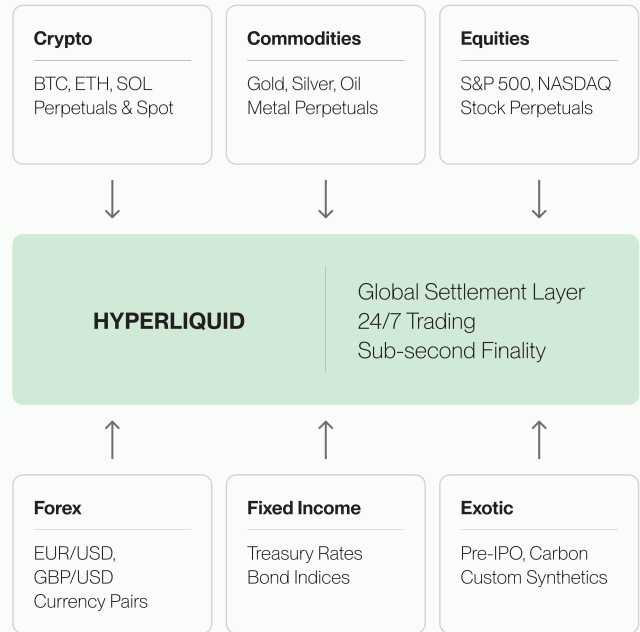
Hyperliquid is already well on its way to achieving this. Much of the innovation stems from the Hyperliquid Improvement Proposal (HIP) governance framework: a series of binding code updates that have progressively expanded the protocol's functionality and decentralisation.

HIP1 defined the process for listing new asset pairs. Recognising that newer tokens often struggle to gain liquidity, HIP1 implemented a Dutch Auction. This allows HYPE token holders to bid on which tokens they want listed, helping to surface quality projects by raising the barrier to entry through community involvement.

HIP2 addressed the “cold-start” liquidity problem by implementing tightly spaced limit orders directly on the order book. This reduced reliance on off-chain market makers, as Foundation validators and protocol-led liquidity provision became less necessary and increased the reliability of on-chain trading. Consequently, Hyperliquid evolved into an increasingly organic and deep liquidity venue.

HIP3 is arguably the most pivotal implementation in Hyperliquid's history. It enables the permissionless listing of perpetual futures markets and assets by teams that have staked 500,000 HYPE (approximately \$20m at the time of writing). This high barrier ensures that deployers are committed, professional actors aligned with the network's long-term growth.

Since its launch in October 2025, HIP3 markets have grown from 2% of total open interest and volume to 21% and 29%, respectively. This represents a shift from an average daily volume of roughly \$15m in October 2025 to around \$2bn since February 2026.



Source: Bitwise Europe, Hyperliquid X

A significant, often underreported effect of HIP3 is its ability to attract non-crypto users. As many HIP3 assets are public equities (such as Tesla, Nvidia, and the S&P 500) or precious metals (gold, silver, and copper), the platform is estimated to have attracted 50,000 TradFi-first users, with the top ten assets attracting over 41,000 respectively. This supports the core investment thesis that Hyperliquid's total addressable market is expanded by its ability to bring traditional users and assets on-chain.

HIP4 introduced “outcome contracts”, a broad category encompassing prediction markets and option-like instruments. Unlike perpetuals, these are fully collateralised contracts that settle within a fixed range without leverage or liquidations. They introduce non-linearity, which spot and perpetual futures lack, providing traders with a different instrument to express niche or customised views. The rollout of HIP4 is staggered: Phase 1 (current) involves testnet deployment; Phase 2 targets “canonical markets” with verifiable settlement; and Phase 3 envisions full permissionless deployment. This is to validate the technical implementation while avoiding complexities around outcome creation and settlement.

HIP5 remains under discussion and is notably contentious. The proposal suggests reducing the HYPE buy-back and burn percentage to fund a second Assistance Fund (AF2) for ecosystem tokens. Proponents argue this incentivises builders and adds governance utility; however, critics warn of potential bribery dynamics and the dilution of HYPE's core value-accrual thesis.

HIP6 suggests that the link between capital formation (HIP1) and liquidity (HIP2) remains incomplete. It proposes an all-in-one workflow for HIP1 assets to fundraise by adapting a Uniswap-style auction mechanism to Hyperliquid's order book, directly injecting the proceeds into HIP2 markets. While this would close the loop between fundraising, bootstrapping liquidity and launching on-chain, critics suggest that robust mitigations against “self-fundraising” and wash trading must be formalised before adoption.

Fig. 01 / Top 10 HIP-3 Markets by Non-Crypto-First Users / (March 2026)

#	Market	Users	% of Non-Crypto-First
1	xyz:XYZ100	19,469	39.25%
2	xyz:SILVER	7,769	15.66%
3	xyz:GOLD	3,889	7.84%
4	xyz:NVDA	3,031	6.11%
5	xyz:TSLA	2,580	5.20%
6	xyz:GOOGL	1,481	2.99%
7	xyz:COPPER	1,181	2.38%
8	vntl:SPACEX	727	1.47%
9	xyz:MSTR	611	1.23%
10	xyz:AMZN	537	1.08%

Source: Hyperliquid, Bitwise Europe; data as of 20th March 2026

02

Hyperliquid Today

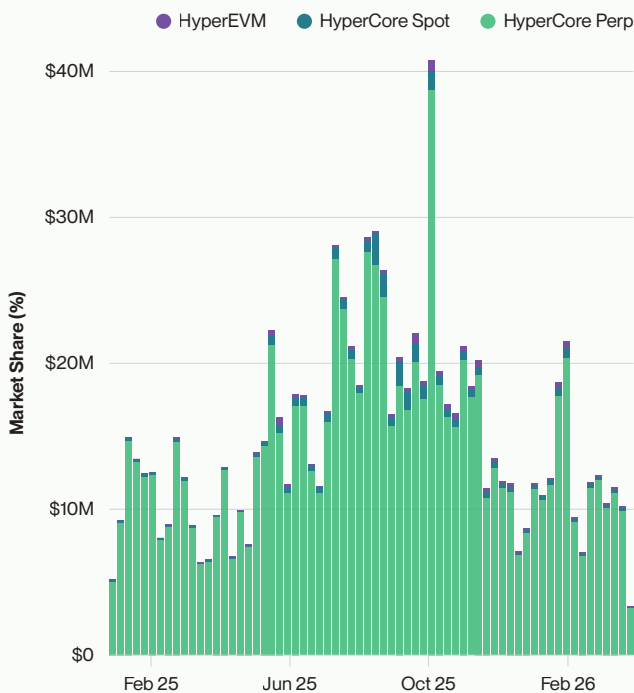
2.1 A perpetual futures platform with expanding capabilities via HIP3

Currently, 97% of total volumes and revenues are generated by perpetual futures markets on HyperCore. Whilst we expect this internal market share to remain high, the evolution of Hyperliquid into an "Everything Exchange" by integrating crypto and non-crypto spot and perpetual assets (HIP3), alongside prediction markets and option-like bounded instruments (HIP4) under a unified margin system, is likely to drive growth across the entire platform.

Prior to the introduction of HIP3, Hyperliquid was largely a crypto-native platform with limited appeal for non-crypto users. Beyond the top four crypto assets by open interest – BTC, ETH, HYPE, and SOL – which collectively command roughly \$3.5bn, are Crude Oil, Brent Oil, XYZ100 (a Nasdaq 100 representative), Gold, and Silver, which together account for approximately \$1bn in open interest.

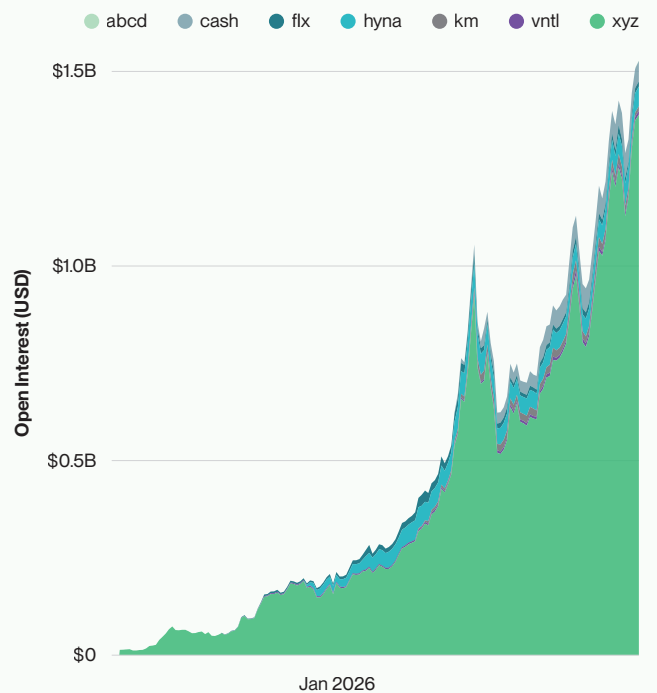
Without the launch of HIP3 in November 2025, Hyperliquid would have been unable to capitalise on the precious metals rotation of early 2026 or the geopolitical tensions that emerged in February and March. Hyperliquid's weekend oil futures during the Iran conflict provide a pertinent example; volumes surged from approximately \$300k to \$536m during weekend sessions within a single month, a roughly 1,700-fold increase. This demonstrates rapid adoption once the utility of the platform became clear. Although these figures represent only a fraction of daily TradFi volumes, no other markets were available over the weekend to provide exposure to real-time events.

Fig. 02 / Hyperliquid: Weekly Revenue Breakdown



Source: Hyperliquid; 2024-12-30 to 2026-03-16

Fig. 03 / HIP-3: Daily Open Interest



Source: ASXN Hyperliquid Dashboard; Data as of 2026-03-18

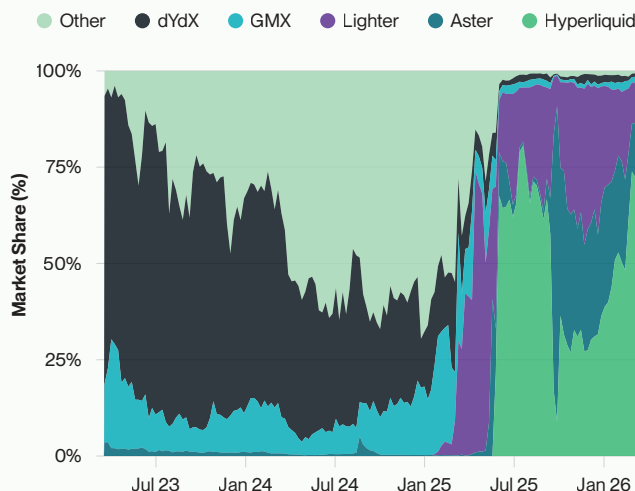
2.2 Hyperliquid rivals its Centralised Finance (CeFi) players

Hyperliquid’s rise has been both rapid and significant. It has since captured the majority of the mindshare, volume, and open interest within its crypto peer set. This was achieved by initially optimising for perpetual futures before pivoting, alongside sustained incentive programmes that ensured consistent engagement and deepening capital markets.

While competitors like Lighter and Aster attempted to challenge Hyperliquid through aggressive incentive schemes, their momentum quickly faded once the rewards concluded. By this stage, Hyperliquid had achieved “escape velocity”, with its market dominance returning toward previous all-time highs.

During this ascent, Hyperliquid also surpassed several centralised counterparts, including Coinbase International, crypto.com, Deribit, and Kraken. Based on open interest, it is now on a par with OKX and is increasingly competitive with Bybit and Binance. A clear indicator of the platform’s robust product-market fit.

Fig. 04 / Derivative DEX: Notional Trading Volume Market Share



Source: TokenTerminal, Bitwise Europe; data as of 2026-03-09; Top 5 by most recent week + Other (5 exchanges)

Fig. 05 / Exchange Comparison / Futures Markets

Feature	Hyperliquid	Aster	Lighter	dYdX	GMX
Architecture	Custom L1	Multi-chain	Custom L1	Cosmos Chain	Arbitrum L2
Trading Engine	On-chain CLOB	Hybrid	ZK-CLOB	Off-chain CLOB	Oracle AMM
Throughput	200K OPS	Variable	100K+ OPS	100K TPS	L2 Limited
Latency	<0.2s	0.5–2s	<0.3s	<1s	2–10s
Max Leverage	50x	1001x	100x	100x	100x
Trading Fees	~2–3 bps	Zero	Zero	2.5 bps	0.1%
Gas Fees	Zero	Variable	Zero	Low	Variable
VC Funding	None	Yes	Yes	Yes	Yes
Token FDV	~\$30B	~\$2B	~\$800M	~\$1.5B	~\$600M
Revenue (Ann.)	~\$944M	N/A	\$36M	\$50M	\$100M

Source: HyperliquidX, Bitwise Europe

Fig. 06 / Exchange Comparison / Futures Markets

Exchange	24H Volume (USD)	Open Interest (USD)	Instruments	OI (BTC)	Perp Pairs	Futures Pairs
Binance	\$ 60B	\$ 22B	640	310,577	614	29
OKX	\$ 26B	\$ 7B	328	95,390	303	25
Bybit	\$ 16B	\$ 11B	710	150,039	649	62
Hyperliquid	\$ 10B	\$ 7B	313	99,232	313	0
Coinbase International	\$ 8B	\$ 291M	216	4,153	217	0
crypto.com	\$ 3B	\$ 2B	423	21,900	238	12
Deribit	\$ 854M	\$ 3B	40	43,895	20	20
Kraken	\$ 793M	\$ 272M	333	3,884	318	17
TOTAL	\$ 124B	\$ 51B	3,003	729,069	2,672	165

Source: ASXN Hyperliquid Dashboard; Data as of 2026-03-20

03

Hyperliquid Tomorrow

It is not only centralised peers that Hyperliquid could cannibalise, but also TradFi behemoths such as the CME. Representing equities, commodities, bonds, FX, and agricultural or exotic assets on-chain as HIP-3 assets serves as the Trojan horse that could redirect institutional and retail derivative flows toward Hyperliquid.

The appeal lies not just in the inherent advantages of a DEX over CeFi, namely non-custodial principles, and instant finality, but also in the composability offered. If a trader can express a view across disparate assets and markets within a single account, without the need to wire funds to a centralised exchange, less collateral is required to move between platforms. This increases capital efficiency and prevents value leakage, thereby strengthening user retention and network effects.

Analysis from Decentralised Co and Falcon X suggests the total addressable market for HIP-3 is approximately \$1.74 trillion per day: \$1.2 trillion in CME-addressable volume (derived from Equity Indices, Energy, Agriculture, Metals, and FX) plus roughly \$540 billion from a 30% market share of the zero-days-to-expiry (ODTE) options notional volume. Capturing just 0.1% of this would equate to an additional \$1.74bn in daily notional volume on Hyperliquid; a 1% share would represent \$17.4bn.

To achieve this, the matching engine must sustain performance at tens of billions of dollars per day, significantly higher than its current 30-day moving average of \$6bn. Spreads would need to compress to remain truly competitive, and the markets must become more resistant to manipulation and external attacks.

In 2025, Hyperliquid experienced moments of vulnerability during three main "stress-test" events. First, an ETH whale attempted to force realised losses on the HLP vault, triggering a deliberate liquidation; as the vault went short to make a market for the whale, it was force-liquidated when the attacker squeezed the price higher. Two weeks later, an allegedly coordinated attack by several centralised exchanges on the JELLYJELLY memecoin market utilised the same approach to squeeze the price and force a short-liquidation of the HLP. This caused a degree of contagion and resulted in the HyperFoundation manually resetting oracle prices and reimbursing traders. A move that drew criticism regarding Hyperliquid's actual level of decentralisation. Finally, the POPCAT incident later that year highlighted the need for TradFi-style spoofing detection in DeFi, as attackers manipulated signatures and coordinated patterns across multiple wallets.

Ultimately, however, these occurrences were likely beneficial for long-term risk management. They led to the implementation of stricter measures, including leverage reductions on major blue-chip assets, margin transfer rules, open interest caps, more rigorous listing requirements, and improvements to the auto-deleveraging (ADL) system.



04

Tokenomics

Originally, a primary selling point for Hyperliquid, and the HYPE token, was the non-extractive, sustainable focus on value accrual for token holders. This approach contrasts sharply with many industry peers, leading some to view Hyperliquid as a torch-bearer for sustainable tokenomics.

In total, 70% of the supply was allocated to users and token holders, split into two primary categories. At its Token Generation Event (TGE), Hyperliquid airdropped 31% of the HYPE supply to over 100,000 participants. A further 39% was reserved for future emissions to support community incentives. The remainder was distributed among the foundation, core contributors, HIP-2 liquidity, and community grants. This high level of community distribution was made possible by the decision to forgo venture capital funding.

Hyperliquid has also formalised its commitment to value accrual. The protocol continuously and mechanically uses protocol revenue to buyback and burn up to 99% of fees generated. These bought-back tokens are sent to an address without a private key, called the Assistance Fund (AF), with the intention they are forever irretrievable as they can't be spent. Still, the community was unsure of the actual use of the AF, as some tokenholders argued that it should be used to cover any bad debt. To quell any confusion, a vote in December 2025 formally recognised tokens in the AF as officially burned. Currently, ~42.2 million tokens, or 14% of the current circulating supply, are considered burned in the AF.

This mechanism directly aligns network growth with token-holder value; as the platform generates revenue, a corresponding portion of the token supply is systematically removed from circulation.

Fig. 07 / HYPE Tokenomics



05

Valuation Model

5.1 Methodology – Buyback Yield approach

To accurately model HYPE's valuation, this framework relies on five interrelated metrics that trace platform activity directly through to token value accrual. The model is constructed around the platform's ability to generate revenue used to buyback token to consequently burn and remove from circulating supply.

Volume: Total daily trading volume across the Hyperliquid ecosystem, aggregating HyperCore perpetual futures, HyperCore spot, and HyperEVM DEX activity. Within the valuation framework, volume is the primary demand-side driver – it is the single variable that scales revenue ($\text{Volume} \times \text{Take Rate} = \text{Revenue}$) and, by extension, the buyback mechanism.

Take Rate: The foundation of the model, calculated as $\text{Total Revenue} / \text{Total Volume}$. It represents the effective fee the platform extracts from every dollar traded (across both HyperCore and HyperEVM). This fits into the model by establishing a baseline for how trading activity converts into measurable cash flow.

Buyback Amount: Calculated as $(\text{HyperCore Revenue} \times 0.99) + (\text{HyperEVM Revenue} \times 1.00)$. This metric quantifies the daily dollar value of tokens permanently bought back and removed from circulation, defining the actual capital returned to the ecosystem.

Buyback Yield: Calculated as $(\text{Daily Buyback Amount} / \text{Market Capitalisation}) \times 365$. This serves as a direct analogue to a traditional shareholder yield.

Circulating Supply: The model fixes the token supply at 300 million HYPE. This converts implied market capitalisation into an implied token price ($\text{Implied MCap} / \text{Circulating Supply} = \text{Implied Price}$), serving as the final step in the valuation chain from volume through to a per-token fair value.

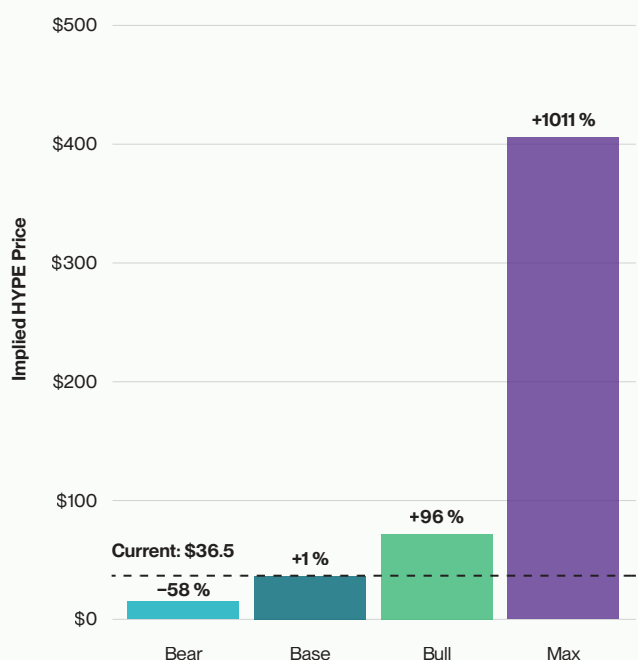
Limitations: The scenarios below are illustrative model outputs, not forecasts. Each is built on a fixed set of assumptions – volume, take rate, and buyback yield – all of which will shift as market conditions evolve. Changing any one input changes the output, and none of the figures that follow should be read as a prediction or guarantee of future results.

5.2 Bear, Base, Bull, and Max Cases

We construct three discrete scenarios to provide a variety of outcomes. Rather than relying entirely on subjective judgement, the take rate and target yield assumptions are derived empirically by calculating a 14-day rolling average to filter out daily noise, extracting the 25th percentile, mean, and 75th percentile across the sample period for the bear, base and bull case scenarios. The sole discretionary input is the daily volume assumptions.

Bear Case (\$5 Billion Volume): Utilises the 25th percentile for the take rate and the 75th percentile for the target yield stipulating margin compression from an increasingly competitive environment, as well as deteriorating sentiment where investors require a higher yield typically applicable to a bear market or if Hyperliquid's growth prospects deteriorate. This results in an implied model output of approximately \$15.

Fig. 08 / HYPE: Bull / Base / Bear / Max Implied Price



Source: Bitwise Europe; data as of 14th April 2026
 Dashed = current price \$36.5; Max = \$85B/day, Bull take & yield; 300M circ supply; 14d MA take rate & yield percentiles

Base Case (\$10 Billion Volume): The base case implies a model output of \$36.20. This valuation relies on assumptions of \$10 billion in daily volume and an 8.6% annualised buyback yield based on moderate volume growth and the mean of the 14-day rolling average annualised buyback yield across the full sample. However, with current daily volumes sitting at \$7.2 billion and delivering a 6.8% yield, the platform is currently underearning these expectations. To fundamentally justify this model output, HYPE requires a roughly 39% increase in trading activity.

Bull Case (\$15 Billion Volume): Utilises the 75th percentile for the take rate and the 25th percentile for the target yield. This reflects a richer product mix from HIP3 markets, and investors' willingness to accept a lower yield in exchange for high-growth exposure with aggressive market share expansion from CeFi peers, resulting in an implied model output of approximately \$70.

Max Case (\$85 Billion Volume): Assumes the same take rate expansion and buyback yield as the Bull Case. Yet this scenario goes a step further and assumes Hyperliquid cannibalizes 5% of CME and ODTE options volume via the success of HIP3, absorbing assets, flows and traders. This scenario is less likely and may take a substantial amount of time to come to fruition as its 12x current daily volumes.

5.3 Price Drivers

To contextualise the probability of achieving the base and bull volume thresholds, we must examine the broader structural shifts occurring within the derivatives landscape.

Firstly, the continued expansion of the perpetual DEX market, combined with Hyperliquid's dominant market share, should provide a persistent tailwind for HYPE's valuation. This is evident in the ratio of DeFi to CeFi perpetual volume, which experienced steady growth throughout 2025, rising from 4% to 12% and suggesting significant headroom for continued rotation. This shift may continue as comparative advantages of the DeFi model, such as transparency and composability, are difficult to replicate for centralised peers.

Secondly, in a "moonshot" growth scenario, cannibalising just 1% of the combined Chicago Mercantile Exchange's (CME) and ODTE average daily volume would equate to approximately \$17 billion per day. This is increasingly plausible as perpetual futures structurally eliminate the cost and complexity of ODTE options, and HIP-3 markets gain traction among TradFi investors by broadening the product suite and

deepening the liquidity of non-crypto assets. Under a conservative estimate where the market capitalisation does not outpace the growth of future realised volumes (meaning the buyback yield remains flat and multiples do not aggressively expand as they do in the pure bull case), a ~2x increase in volumes to \$15 billion per day would be consistent with the bull case scenario outlined above.

5.4 Methodology – Discounted Cash Flow (DCF) analysis

We also built a DCF model to provide a different lens. The buyback model serves as a form of cross-check analysis, addressing the question: "How is HYPE valued today based on its current volumes and buyback yield?" When paired with the DCF, this offers an additional perspective: "What is HYPE's fair value today if it continues to gain market share in centralised and decentralised spot and derivatives markets?"

01 / We begin with the backdrop: "Which markets is Hyperliquid targeting?"

Spot markets

- a. Centralised exchanges are projected to grow at a 24% based on its CAGR from January 2023.
- b. DeFi/CeFi spot market share is assumed to increase from 22% today, moving linearly over five years towards 50% / 75% / 100% in Bear / Base / Bull cases. Implying that DeFi volumes grow to half, three-quarters or the same size as CeFi volumes by the end of the 5-year period.
- c. We then estimate the share HYPE captures of the DEX market: 10% / 20% / 30% in Bear / Base / Bull cases.

Perpetual futures markets

- a. Exchange-traded derivatives currently represent \$155T in annual notional volume, projected to grow at 7% per annum based on its 10-year CAGR.
- b. We apply a 1% / 5% / 10% market share assumption for Hyperliquid in Bear / Base / Bull cases.

02 / Derive revenues from Hyperliquid's volumes

The take rate (effective fees per dollar traded) is based on the 25th percentile / mean / 75th percentile of Hyperliquid's historical take rate (2.63 bps) for Bear / Base / Bull cases. This is dependent on potential margin compression or expansion driven by competition or market share growth.

Fig. 09 / HYPE: Implied Upside/Downside vs Current Price

Daily Volume	2% Yield	5% Yield	8% Yield	11% Yield	14% Yield
\$ 2B	-13%	-65%	-78%	-84%	-88%
\$ 4B	+74%	-31%	-57%	-68%	-75%
\$ 6B	+161%	+4%	-35%	-53%	-63%
\$ 8B	+247%	+39%	-13%	-37%	-50%
\$ 10B	+334%	+74%	+9%	-21%	-38%
\$ 15B	+551%	+161%	+63%	+18%	-7%
\$ 20B	+768%	+247%	+117%	+58%	+24%
\$ 30B	+1203%	+421%	+226%	+137%	+86%

Source: Bitwise Europe; data as of April 2026; Current price \$36.5; 300M circ supply; take rate 2.63 bps

03 / Derive forward free cash flow from forward revenue via the buyback and burn mechanism

Multiply revenue by 99%. This is hard-coded into the Hyperliquid code base. 99% of revenues are automatically bought back and burned. The 1% cost is a portion of revenue that is routed to the HLP vault to help enhance liquidity.

04 / Derive present value of cash flows using a discount rate of 40% which scales linearly to the Terminal Value for bull (30%) and bear (50%) cases.

05 / Add a terminal value (value beyond year five)

- a. Take year-five buybacks and apply a terminal multiple of 25x / 50x / 75x in Bear / Base / Bull cases.
- b. Discount this terminal value back to present using a 40% discount rate.

06 / Convert to a per-token implied fair value

- a. Total token equity value ≈ sum of the present value of buybacks (years 1–5) plus terminal value (present value).
- b. Implied price = total equity value ÷ projected net circulating supply

07 / Considerations

- a. Outputs are highly sensitive to assumptions, including total addressable market (TAM), growth rates, market share, take rate, discount rate, terminal multiple, and token supply.
- b. HyperEVM is excluded from this DCF model, as applications may bootstrap their own liquidity rather than rely on Hyperliquid's, and we do not consider it a primary driver going forward. This model is, therefore, slightly conservative with upside optionality not fully captured.

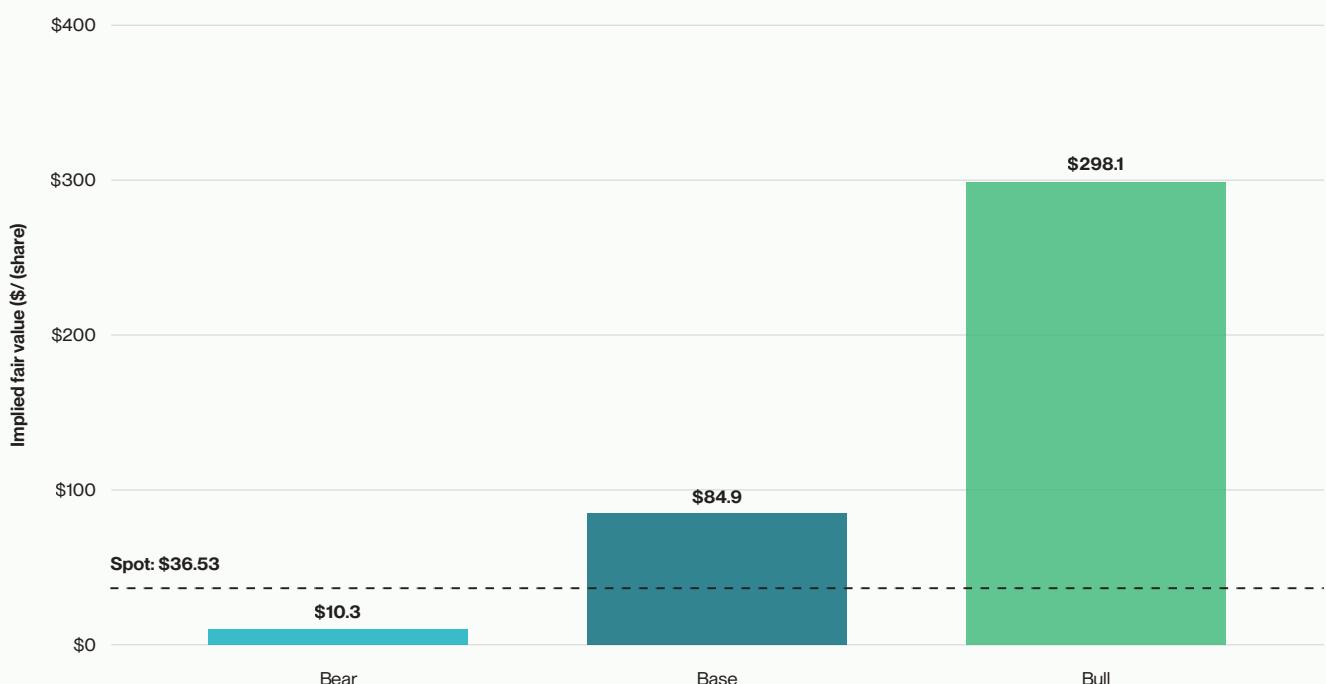
5.5 Bear, Base and Bull Cases

In the bull case scenario, HYPE emerges as a leading on-chain trading venue, benefiting from strong network effects and user migration from centralised exchanges. DEX spot volumes equal the same size as CeFi volumes by the end of the 5-year period (growing at 24% CAGR), with HYPE capturing ~30% of the DEX market and ~10% of global derivatives (growing at ~7%). Amongst these strong volumes, Hyperliquid maintains a strong take rate led by the success of HIP-3, therefore generating strong and sustainable cashflows, leading to highly positive investor sentiment, reflecting a market premium from sustained growth and market leadership.

In the base case scenario, HYPE establishes itself as a strong on-chain trading venue, achieving steady growth amid ongoing competition. DEX spot expands to ~75% of CeFi volumes (growing at 24% CAGR), with HYPE capturing ~20% of the DEX market and ~5% of global derivatives (growing at ~7%). It maintains a healthy but competitive take rate, and investor sentiment remains constructive, supporting valuation without assuming market dominance.

In the bear case scenario, HYPE struggles to differentiate amid intense competition and slower DEX adoption, with DEX spot reaching only ~50% of CeFi volumes. It captures ~10% of the DEX spot market and ~1% of global derivatives, while competition compresses its take rate. Investor sentiment is cautious, with concerns around growth, competitiveness, and long-term profitability leading to more conservative valuations.

Fig. 10 / HYPE DCF Implied Fair Value (Bear / Base / Bull Case)



Source: Bitwise Europe; data as of 14th April 2026

Note: different scenarios for volumes, take rates, discount rates, circulating supply, trading multiples

06

Risks

There are, however, significant risks to the Hyperliquid thesis. Firstly, it remains possible that the protocol fails to prevent vulnerabilities similar to those previously exploited. Sophisticated actors may uncover discrepancies within Hyperliquid's novel implementations across its product suite and risk-management stack.

Secondly, Hyperliquid is arguably more decentralised in name than in nature. Its active validator set remains concentrated, consisting of only 25 nodes, of which the Foundation reportedly controls five, representing ~81% of the total stake. This introduces risks to censorship resistance, as evidenced in part by the JELLYJELLY incident. While decentralisation is an invaluable characteristic, in the most literal sense of the word, it is often an implicit component of the mindshare and valuation thesis at scale. Although this lack of decentralisation may be manageable at present, it could become a greater concern in the future. A failure to further decentralise could potentially cap Hyperliquid's global total addressable market (TAM).

Finally, regulatory shifts could dampen growth on two fronts. The introduction of mandatory KYC/AML (Know Your Customer/Anti-Money Laundering) requirements at the protocol level could exclude the very users who drove the early growth of the platform. Conversely, in the United States, one of the world's largest crypto markets, the emergence of large, regulated players may absorb future institutional demand. These investors often prioritise a regulated environment for peace of mind and familiarity, which may divert capital away from decentralised alternatives.

07

Conclusion

Hyperliquid has executed effectively across several key fronts: securing product-market fit, cultivating a dedicated user base, and launching a token with sustainable, value-accretive mechanics, optimising its blockchain infrastructure with embedded flexibility to further procure "The Everything Exchange", and continually expand into new non-crypto markets and asset classes.

Its rapid growth allowed it to establish early dominance, staving off competition and eventually surpassing many centralised peers. This shift has resulted in a swift accumulation of volume and mindshare, which is reflected in the token's significant outperformance relative to crypto alternatives.

Hyperliquid's future catalysts are twofold. First, the ongoing CeFi-to-DeFi rotation, for which the platform is ideally positioned given its leading market share in perpetual futures volume. Second, the potential to capture between 0.1% and 1% of the CME's \$1.73tn daily notional trading volume. Much of this growth is expected to stem from HIP-3 non-crypto assets, providing perpetual futures of equities, bonds, FX, and commodities. Here, Hyperliquid's volumes could at least double, consistent with the bull case scenario outlined above.

However, regulatory headwinds and architectural risks, specifically regarding the current lack of decentralisation and the potential for unpatched vulnerabilities, could yet impede its future success. Alongside deteriorating crypto sentiment or competitive margin compression, as outlined in the bear case scenario, could result in further downside risks.

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