

The Long-Term Survivability and Structural Transformation of Bitcoin Amid U.S. Strategic Asset Adoption and Market Risk Factors

Bitcoin has experienced a significant price decline since its peak in January 2026, falling approximately 38% to just above \$60,000. This downturn has generated widespread fear across the market. However, contrasting signals from the U.S. government and on-chain metrics suggest a more nuanced situation, with some indicators pointing toward potential buying opportunities. Analyzing the underlying causes of this sharp decline and its implications for long-term viability reveals a complex interplay of market structure changes, institutional dynamics, and strategic asset positioning by the U.S. government.

Since February, Bitcoin's price has fallen below the \$70,000 threshold for the first time, marking a 38.63% drop from the January 13 peak. The past week alone saw nearly a 14% plunge, accelerating capital outflows. The U.S. Bitcoin spot ETF has experienced 13 consecutive days of outflows, totaling approximately \$2.3 billion in net withdrawals during May. Liquidations have also surged, with \$1.12 billion liquidated in a single day on June 4, 85% of which involved long positions being forcibly closed. These dynamics reflect heightened market volatility and investor risk aversion.

The Net Unrealized Profit/Loss (NUPL) on-chain indicator, which measures the average profit or loss of Bitcoin holders relative to their purchase price, currently resides in the "hope and fear" zone (0–25%). This suggests that investors who acquired Bitcoin between October of the previous year and January of this year are, on average, holding at a loss. The psychological impact of 32 consecutive days of selling pressure from a major institutional player has further influenced market sentiment.

Three primary factors underpin this recent market correction. First, the structural transformation of the Bitcoin market itself. The U.S. Commodity Futures Trading Commission (CFTC) has approved extensive cryptocurrency trading on derivatives platforms, altering investor behavior. Previously, investors needed to hold physical Bitcoin to participate, but now leverage trading through futures and options is accessible via traditional securities apps. This shift has weakened spot market buying pressure and thinned order books, making prices more susceptible to sharp movements from relatively small sell

orders. For instance, the 32-day selling streak by a major institutional entity triggered a cascade of forced liquidations in the derivatives market, which in turn exacerbated spot price declines. This phenomenon can be interpreted as traditional securities firms gaining legal footholds in the crypto market through derivatives, effectively consolidating control.

Second, a redemption crisis originating in the U.S. private debt market has exerted additional pressure. Private debt funds, which lend to companies outside the banking system, faced a surge in redemption requests in the first quarter of 2026. Major funds managed by Goldman Sachs and BlackRock Capital encountered persistent redemption demands, destabilizing the private debt sector. Consequently, institutional investors tied up in these funds have been compelled to liquidate risk assets like Bitcoin to meet cash requirements.

Third, the impending record-breaking initial public offering (IPO) of SpaceX, valued at approximately \$75 billion, scheduled for June 12, has likely absorbed substantial liquidity. The IPO's roadshow for institutional investors began on June 4, coinciding with Bitcoin's price decline, suggesting that capital inflows toward this large public offering may have contributed to reduced liquidity in the cryptocurrency market.

Comparatively, while the Nasdaq 100 index has risen about 41% over the past year, Bitcoin has declined by 38%, resulting in a 79 percentage point divergence. This disparity indicates a rotation of capital from digital assets toward AI-related equities, driven by more attractive risk-adjusted returns in the latter.

Despite these pressures, signals do not indicate the demise of Bitcoin. The U.S. government is actively elevating Bitcoin's status as a strategic asset. On June 3, Treasury Secretary Janet Yellen disclosed to the Senate Finance Committee that a strategic Bitcoin reserve was established by executive order in March 2025, currently holding approximately 328,000 Bitcoins. Valued at roughly \$215 billion, this reserve has not yet been directly purchased with federal funds. Plans to solidify and expand this reserve through forthcoming legislation were reaffirmed. Additionally, Patrick Wittra, Executive Director of the White House Digital Asset Advisory Committee, indicated that significant announcements regarding the strategic Bitcoin reserve are forthcoming, suggesting imminent legal and custodial advancements.

Traditional financial institutions are also deepening their involvement. Goldman Sachs is poised to enter the Bitcoin ETF market in 2026, signaling a shift toward becoming liquidity providers in the crypto space. Bitmain, a leading mining and infrastructure company, plans to list 3 million preferred shares on the New York Stock Exchange, offering a 9.5% annual dividend. The \$300 million raised will finance Ethereum and digital asset acquisitions, expand its staking platform, pursue strategic investments, and repurchase shares. Bitmain currently holds approximately 5.3 to 5.4 million Ethereum tokens, representing about 4.5% of circulating supply. Despite a \$900 million unrealized loss due to Ethereum's price decline, the capital raised is intended for diversified strategic purposes rather than simple accumulation.

Bitmain's staking infrastructure supports approximately 87% of its Ethereum holdings, generating estimated annual staking revenue of \$300 million. The dividend payout obligation is about \$28.5 million annually, roughly one-tenth of staking revenue, reflecting a prudent capital strategy that avoids excessive leverage while leveraging staking income to access capital markets. This contrasts with other entities like Strategy, which rely heavily on capital raising to acquire Bitcoin but lack intrinsic cash flow. Ethereum's staking model enables Bitmain to evolve into a financial services operator, utilizing common and preferred stock issuance, staking revenue, option premiums, and validator infrastructure income to design flexible financial products.

Technically, Bitcoin's price has declined to near its 200-week moving average, approximately \$61,800. This moving average, representing a four-year price average, has historically served as a critical support level during bear markets. Previous cycle lows in 2015, 2019, and 2022 formed near this line, with investors buying at this level subsequently witnessing new all-time highs within 12 to 24 months. Analysts from firms like Galaxy Digital identify the \$58,000 range as Bitcoin's final defense line in the current cycle.

In the South Korean market, Bitcoin is trading at a slight discount of 1–2% relative to international prices, indicating a rare inverse of the usual "kimchi premium." This presents an additional buying opportunity for domestic investors.

The broader environment suggests that a sustained bull market for risk assets like Bitcoin will likely require coordinated liquidity provision from the U.S. government, Federal Reserve, and major

technology firms. Current geopolitical tensions in the Middle East constrain policy flexibility, but normalization could ease inflationary pressures and channel liquidity into risk markets.

Despite recent price declines, structural evolution within the industry continues. The U.S. government’s strategic Bitcoin reserve expansion and Bitmain’s financial product development exemplify ongoing maturation. The 200-week moving average and NUPL on-chain indicator both suggest medium- to long-term buying signals. Short-term volatility largely reflects transient market fear, while the underlying trajectory is shaped by coordinated institutional and governmental actions.

From an expert perspective, these developments invite a multifaceted analysis of Bitcoin’s long-term survivability and evolving market structure. The interplay between technological innovation, decentralization trends, and philosophical investment considerations offers valuable insights for stakeholders seeking to navigate this complex landscape.

Expert	Core Perspective	Keywords	Practical Strategy
Vitalik Buterin	Emphasizes Ethereum’s technical architecture and staking revenue model as stabilizing forces in the digital asset market	Technical innovation, staking, financial products	Advocates long-term holding combined with staking income and options strategies to diversify risk
Balaji Srinivasan	Focuses on the expansion of decentralized ecosystems and integration with traditional finance as drivers of future market leadership	Decentralization, regulatory evolution, market structure innovation	Recommends strategic monitoring of derivatives and spot market shifts with an emphasis on decentralized asset exposure
Naval Ravikant	Views digital assets philosophically as	Value storage, risk management, long-term	Encourages maintaining focus on intrinsic value

	emerging stores of value requiring disciplined risk management and patience	investment	and resisting short-term volatility
--	---	------------	-------------------------------------

These expert perspectives collectively illuminate Bitcoin’s long-term viability through complementary lenses. Technological advancements and staking revenue models enhance the competitive positioning of Bitcoin and Ethereum. The fusion of decentralized networks with traditional financial systems accelerates structural market transformation. Philosophically, digital assets are establishing themselves as novel stores of value, where enduring patience and disciplined risk management are essential. This integrated understanding aids investors in grasping the fundamental nature of the market and formulating strategies aligned with long-term horizons.

Reflecting on these insights, investors should consider how consistently their current strategies incorporate a long-term outlook amid ongoing market volatility and structural shifts.

This topic reveals something that is easy to overlook if viewed only as information. The critical structural shift lies in Bitcoin’s transition from a purely speculative digital asset toward becoming a strategic national asset and a component of sophisticated financial products. This evolution signifies a maturation of the ecosystem, where institutional frameworks, regulatory clarity, and technological innovation converge. For individual investors, this means that short-term price fluctuations are increasingly influenced by macroeconomic and policy factors beyond traditional market dynamics. Looking ahead, Bitcoin’s role may expand beyond investment into broader economic and geopolitical domains, necessitating a more nuanced understanding of its risk profile and potential. Consequently, investors should adopt a measured approach that balances awareness of structural transformations with prudent risk management, recognizing that Bitcoin’s trajectory is now intertwined with evolving institutional and governmental agendas.