Invesco

CRYPTO DIGEST

# Coming in from the Cold

SEPTEMBER 2026

**Kathy Kriskey**
Head of Alts Product Strategy
ETFs & Indexed Strategies

**Lucy Lin**
Director of Alts Research
ETFs & Indexed Strategies

## WHAT'S TOP OF MIND

The tide may finally be turning for digital assets, with bitcoin and broader crypto markets breaking out of the range-bound trading pattern that defined much of this year. Strong exchange-traded product (ETP) inflows, short covering, and growing debt debasement demand suggest crypto may be emerging from its latest "crypto winter."

**1**

**DEBASEMENT**

### “Digital Gold”

Growing concerns over rising US debt and dollar weakness have strengthened bitcoin's appeal as a digital store of value and debasement hedge.

**2**

**REGULATION**

### Wait and See

Securities and Exchange Commission (SEC) proposes crypto market framework while the CLARITY Act* awaits a pivotal Senate vote.

**3**

**COINKITE HACK**

### Custody Matters

August cold wallet hack highlights self-custody risks, boosting demand for spot bitcoin ETPs and institutional custody* solutions.

**4**

**THE PERPS DID IT**

### Volatility Amplified

A wave of forced covering in perpetual futures amplified bitcoin's rally, as US spot bitcoin ETPs recorded their strongest weekly inflows in 10 months.

**Past performance is not a guarantee of future results**. CLARITY Act = Digital Asset Market Clarity Act. *See crypto definitions on page 4.

# Key Cryptocurrencies – Month in Review

| Bitcoin (BTC) | Ethereum (ETH) | Solana (SOL) | |
|---|---|---|---|
| +25.37% | +32.90% | +42.30% | in Aug 2026 |

## What Happened

**Digital assets posted a strong recovery in August, with bitcoin rallying from the low-$60,000s to above $80,000**, supported by the largest weekly dollar gain in its history for the week ending August 21st, and the strongest US ETP inflows since its October 2025 all-time highs.[1] Improving regulatory clarity, including the SEC's proposed crypto asset framework, alongside growing concerns over US fiscal sustainability and currency debasement, helped drive renewed institutional interest in the asset class after the 10-month price slump.

**Ethereum** also attracted strong institutional demand as adoption of stablecoins, tokenized assets, and decentralized finance applications continued to expand. Meanwhile, investors closely followed discussions around potential changes to Ethereum's issuance model that could reduce staking rewards and further improve long-term token scarcity.

**Solana** was among the month's strongest performers, benefiting from robust network activity and growing tokenization initiatives. The network also remained a leading venue for onchain trading activity, while anticipation surrounding a governance proposal to double the annual disinflation rate helped support prices during the month. The proposal ultimately passed in late August, reinforcing expectations for slower future supply growth and a stronger long-term scarcity profile for solana.

## What We Think

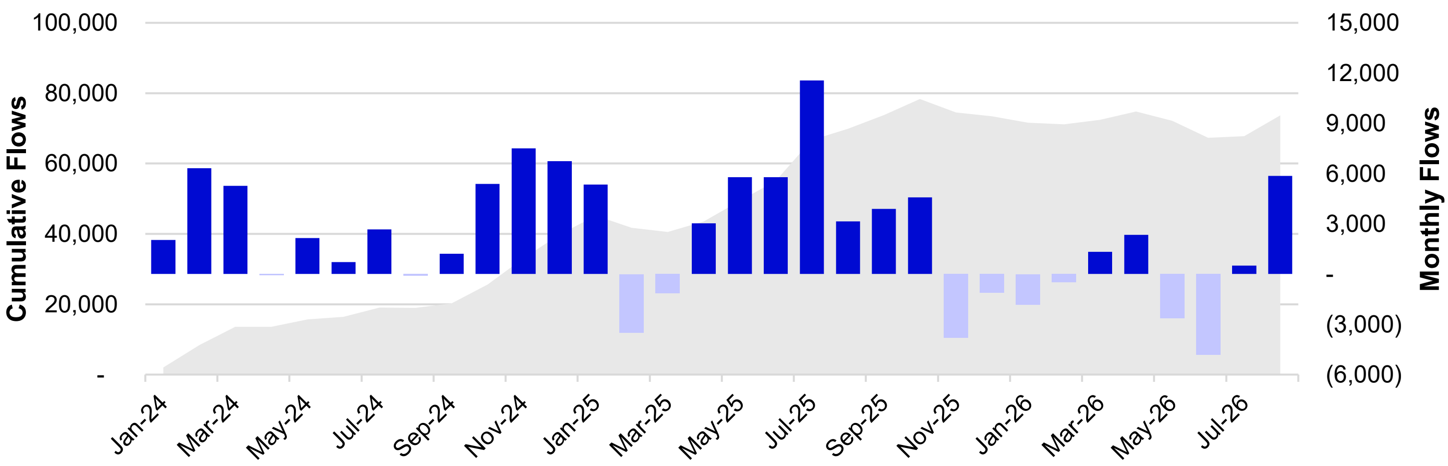
**Are we finally coming in out of the cold after this crypto winter?** Bitcoin's move back toward $80,000 has investors wondering whether the nearly year-long slump in digital assets is finally coming to an end. One key level to watch is the 50-week moving average, currently near $81,100. Historically, reclaiming that level has marked an important turning point, with four of the past five bear markets giving way to more durable recoveries once bitcoin moved back above it.[2]

**Institutional ownership** remains another important tailwind. The recent security incident involving Coinkite self-custody wallets served as a reminder that holding digital assets directly comes with operational risks, reinforcing the appeal of spot crypto ETPs that offer institutional-grade custody, insurance coverage, and operational oversight. These advantages could become increasingly important as investors continue to look for potential debasement hedges.

**Regulatory clarity** also remains a key driver. While the timing of further legislative and regulatory progress remains uncertain, the broader direction continues to be constructive as policymakers work toward clearer rules for digital assets. In our view, the risk remains skewed to the upside. Even if regulatory progress takes longer than expected, growing institutional participation, stronger market infrastructure, and continued adoption should help support the long-term investment case.

# Cumulative & Monthly US Spot Crypto ETP Flows (US $M)

| | | |
|---|---|---|
| **$5.9B** Net US flows in Aug 2026 | **$73.7B** Cumulative US flows since Jan 2024 | **$120.8B** Total US assets as of Aug 2026 |




Source: Bloomberg L.P. as of August 31, 2026. **Double-digit returns are not indicative of future results. Past performance is not a guarantee of future results.**

# Key Drivers to Watch

## The Debasement Trade is Back

- One of the key drivers behind the recent digital asset rally has been growing concern that rising US debt levels, now at over $40 trillion, could ultimately erode the value of the US dollar.[3] Treasury Secretary Scott Bessent's decision to increase longer-dated US Treasury buybacks helped push yields and the dollar lower, reinforcing this narrative. The **debt debasement thesis** centers on the idea that persistent government overspending financed through debt can gradually diminish a currency's purchasing power over time, making hard assets an attractive way to preserve real value. While gold has traditionally been the primary hedge against currency debasement, bitcoin is often likened to "digital gold" due to its fixed supply and store-of-value characteristics, making it a viable "debasement trade" alternative.

## Regulatory Frustration

- Following the US Senate's failure to advance the CLARITY Act before its August recess, the SEC took matters into its own hands. On August 18, the agency released its proposed "Regulation of Crypto Assets" framework, aimed at modernizing securities laws for digital assets and exempting certain investment contracts from traditional registration requirements. SEC Chair described the proposal as the "most historic step" yet toward updating securities regulations for the digital asset era.[4] However, the framework remains a proposal and must still undergo a public comment period, potential revisions, and a final Commission vote before taking effect.
- Attention now turns back to US Congress, where the Senate is scheduled to hold a key procedural cloture vote on the CLARITY Act on September 15. The measure requires 60 votes to end debate and advance the bill toward a full floor vote, though disagreements over ethics and stablecoin provisions remain. A failed cloture vote could effectively "kill the bill," but optimism has improved after President Trump publicly urged Congress to pass the landmark crypto market structure legislation.[5] Still, Galaxy Research assigns just a 10% probability that the CLARITY Act becomes law in 2026, citing a compressed legislative calendar and unresolved policy disputes.[6]

## Cold Wallet Hack Boosts ETP Appeal

- In early August, hackers exploited a critical firmware flaw in Coinkite's Coldcard hardware wallets, resulting in the theft of approximately $150 million in bitcoin from thousands of users.[7] The incident appeared to reinforce the appeal of institutional custody solutions, with US bitcoin ETP inflows climbing to a four-month high as investors increasingly favored professionally managed storage over self-custody. For most spot crypto ETPs, holdings are typically stored in institutional-grade cold storage, utilizing robust security protocols, restricted access controls, and insurance coverage designed to safeguard client assets.

## The "Perps" Did It

- **What are "perps"?** In this case, "perps" are *NOT* perpetrators committing crimes. They are perpetual futures contracts, a financial tool that lets investors gain highly leveraged exposures to an asset, using borrowed money to amplify returns. Unlike traditional futures contracts, which expire on a set date, perps have no expiration date and can remain open indefinitely. Investors must post collateral to maintain their position. If losses become too large and the collateral falls below a required level, the position is automatically closed, with no warning or margin call.[8] During sharp market moves, large numbers of positions can be liquidated at once, creating a domino effect in which forced buying or selling amplifies price swings and increases volatility.
- The impact of perps was on full display on August 19-20, when the digital asset market experienced a record short squeeze. More than $1 billion of bitcoin short positions were automatically liquidated in roughly one hour, contributing to over $3 billion of leveraged crypto liquidations across the market in 24 hours.[9] The resulting wave of forced buying helped fuel bitcoin's 20%+ weekly surge, providing a textbook example of how a crowded short position, a macro catalyst, and cascading liquidations can amplify market moves. Onchain perp markets have grown substantially, exceeding $1T in monthly trading volume as of late 2025.[10]
- Open interest (the value of outstanding perps) is a key gauge of market leverage and positioning. Despite bitcoin's sharp August rally, open interest remained relatively subdued, suggesting the move was driven more by short covering than new leveraged buying. Meanwhile, US spot bitcoin ETPs attracted roughly $2 billion of inflows for the week ended August 21, marking the strongest weekly inflow in 10 months.[1]

**Double-digit returns are not indicative of future results. Past performance is not a guarantee of future results.**

# Notes

1. Bloomberg L.P. as of August 31, 2026.
2. Galaxy, Bitcoin Logs Biggest Weekly Dollar Gain as It Chases 50-Week Moving Average, August 28, 2026.
3. US Treasury Department as of August 26, 2026. Includes all federal debt held by individuals, corporations, state or local governments, Federal Reserve Banks, foreign governments, and other entities outside the United States Government less Federal Financing Bank (FFB) securities.
4. Bloomberg L.P., Paul Atkins Says, America 'Must and Will Lead' in Crypto, as SEC Chair Hails 'Most Historic Step' to Modernize Securities Laws for Digital Assets, August 18, 2026.
5. Reuters, Crypto bill faces long odds after Senate punts vote to September, August 10, 2026
6. Galaxy, Fizzling CLARITY Act Odds Leave Agencies Scrambling to Act, August 14, 2026.
7. Galaxy, Coldcard Exploit Abates as Total Losses Climb to (at Least) 1,700 BTC, August 14, 2026.
8. A **margin call** occurs when an investor's losses cause the value of their account to fall below a required minimum level, prompting the broker to demand that the investor deposit more cash or securities to keep the position open.
9. Bloomberg L.P., Bitcoin Short Squeeze Ripples Across a Battered Crypto Complex, August 19, 2026.
10. Maxim Group, Hyperliquid Strategies Inc., April 24, 2026.

# Crypto Definitions

- **Tokenization** is the process of converting ownership rights to a real-world or digital asset like stocks, bonds, and funds, into a digital token recorded on a blockchain. Each token represents some claim on the underlying asset—such as a fraction of a security, a piece of real estate, a unit of currency, or even access rights—and can be transferred, traded, or stored much like any other blockchain-based asset.
- **Blockchain** is a digital ledger maintained by computers worldwide in a decentralized manner, where each "block" is a packet of data, a digital ledger used to record cryptocurrency transactions, including bitcoin.
- **Cryptocurrency** is a type of digital money (like bitcoin) that's not issued by a central bank or government. It uses secure technology to record and protect transactions, usually through something called a blockchain.
- **Onchain** refers to any activity that occurs directly on a blockchain and is recorded on its public ledger.
- **Digital Asset Market Clarity Act (CLARITY Act)** is proposed US legislation designed to establish a clearer regulatory framework for digital assets by defining when a crypto asset is a security versus a commodity and clarifying whether the SEC or CFTC has primary oversight authority. The bill is intended to reduce regulatory uncertainty that has long been viewed as a barrier to broader institutional adoption.
- **Institutional-grade custody** refers to the professional safeguarding of digital assets through regulated custodians that employ secure cold-storage infrastructure, insurance coverage, multi-layer security controls, independent audits, and operational oversight designed to meet institutional standards.
- A **cold wallet** is a method of storing cryptocurrency offline, meaning the private keys needed to access and transfer digital assets are kept disconnected from the internet.
- **Stablecoins** are cryptocurrencies designed to maintain a stable value by being pegged to another asset, most commonly the US dollar.

**The opinions expressed are those of Kathy Kriskey and Lucy Lin, are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals. This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.**

## Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations), and investors may not get back the full amount invested.

Cryptocurrencies are subject to fluctuations in the value of the cryptocurrency, which have been and may in the future be highly volatile. The price of a digital currency could drop precipitously (including to zero) for a variety of reasons, including, but not limited to, regulatory changes, a crisis of confidence, flaw or operational issue in a digital currency network or a change in user preference to competing cryptocurrencies. Cryptocurrencies trade on exchanges, which are largely unregulated and, therefore, are more exposed to fraud and failure than established, regulated exchanges for securities, derivatives, and other currencies. Currently, there is relatively limited use of cryptocurrency in the retail and commercial marketplace, which contributes to price volatility.

There are risks involved with investing in exchange traded products (ETPs), including possible loss of money. Shares are not actively managed and are subject to risks similar to those of stocks, including those regarding short selling and margin maintenance requirements.

## Important information

This marketing communication is for Professional Clients and Financial Advisers in Continental Europe (as defined below), for Professional Clients in Switzerland, for Qualified Clients/Sophisticated Investors in Israel; for Professional Clients in Dubai, Ireland, the Isle of Man, Jersey, Guernsey and the UK; for Sophisticated or Professional Investors in Australia; Institutional Investors in the United States; for Qualified Institutional Investors in Japan; in Canada, this document is restricted to Institutional Investors and Advisors; for Professional Investors in Hong Kong, for Institutional Investors and/or Accredited Investors in Singapore, for certain specific sovereign wealth funds and/or Qualified Domestic Institutional Investors approved by local regulators only in the People's Republic of China, for certain specific Qualified Institutions and/or Sophisticated Investors only in Taiwan, for Qualified Professional Investors in Korea, for certain specific institutional investors in Brunei, for Qualified Institutional Investors and/or certain specific institutional investors in Thailand, for certain specific institutional investors in Indonesia, for qualified buyers in the Philippines, and for One-on-One Institutional Investors in Chile, Panama, Peru, and Mexico for informational purposes only and certain specific Institutional Investors in Malaysia upon request. Institutional or Professional Investors in Colombia. It is not intended for and should not be distributed to, or relied upon, by the public or retail investors. For the purposes of this document, Continental Europe is defined as Austria, Belgium, Finland, France, Germany, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, and Sweden.

By accepting this document, you consent to communicate with us in English, unless you inform us otherwise.

This is marketing material and not financial advice. It is not intended as a recommendation to buy or sell any particular asset class, security or strategy. Regulatory requirements that require impartiality of investment/investment strategy recommendations are therefore not applicable nor are any prohibitions to trade before publication.

These materials may contain statements that are not purely historical in nature but are "forward-looking statements." These include, among other things, projections, forecasts, estimates of income, yield or return or future performance targets. These forward-looking statements are based upon certain assumptions, some of which are described herein. Actual events are difficult to predict and may substantially differ from those assumed. All forward-looking statements included herein are based on information available on the date hereof, and Invesco assumes no duty to update any forward-looking statement. Accordingly, there can be no assurance that estimated returns or projections can be realized, that forward-looking statements will materialize, or that actual returns or results will not be materially lower than those presented.

All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment-making decision. Please obtain and review all financial material carefully before investing. Views and opinions are based on current market conditions and are subject to change.

All information as of 31 August 2026, in USD, unless stated otherwise.

**Restrictions on distribution:**

- In **Canada** this document is restricted to Institutional Investors and Advisors, is for educational purposes only, does not constitute investment, tax or legal advice and should not be relied on as such. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. As with all investments there are associated inherent risks. Please obtain and review all financial material carefully before investing. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed.

**This document is issued in:**

- **Israel:** This document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Nothing in this document should be considered investment advice or investment marketing as defined in the Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 1995 ("Investment Advice Law"). Neither Invesco Ltd. nor its subsidiaries are licensed under the Investment Advice Law, nor does it carry the insurance as required of a licensee thereunder.
- **Australia** This document has been prepared only for those persons to whom Invesco has provided it. It should not be relied upon by anyone else. Information contained in this document may not have been prepared or tailored for an Australian audience and does not constitute an offer of a financial product in Australia. You may only reproduce, circulate and use this document (or any part of it) with the consent of Invesco. The information in this document has been prepared without taking into account any investor's investment objectives, financial situation or particular needs. Before acting on the information, the investor should consider its appropriateness with regard to their investment objectives, financial situation and needs. You should note that this information: may contain references to dollar amounts that are not Australian dollars; may contain financial information that is not prepared in accordance with Australian law or practices; may not address risks associated with investment in foreign currency-denominated investments; and does not address Australian tax issues.
- Issued in **Australia** by Invesco Australia Limited (ABN 48 001 693 232), Level 26, 333 Collins Street, Melbourne, Victoria, 3000, Australia, which holds an Australian Financial Services Licence number 239916.
- **Austria, Belgium, Finland, France, Germany, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain** and **Sweden** by Invesco Management S.A., President Building, 37A Avenue JF Kennedy, L-1855 Luxembourg, regulated by the Commission de Surveillance du Secteur Financier, Luxembourg.
- **Canada by** Invesco Canada Ltd., 130 King Street West, Suite 1900, Toronto, Ontario M5X 1E3 Canada.
- **Dubai** by Invesco Asset Management Limited, Index Tower Level 6 - Unit 616, P.O. Box 506599, Al Mustaqbal Street, DIFC, Dubai, United Arab Emirates. Regulated by the Dubai Financial Services Authority.
- **Hong Kong** by Invesco Hong Kong Limited 景順投資管理有限公司, 45/F, Jardine House, 1Connaught Place, Central, Hong Kong.
- **Japan** by Invesco Asset Management (Japan) Limited, Roppongi Hills Mori Tower 14F, 6-10-1 Roppongi, Minato-ku, Tokyo 106-6114; Registration Number: The Director-General of Kanto Local Finance Bureau (*Kin-sho*) 306; Member of the Investment Management Association of Japan and the Japan Securities Dealers Association.
- **Singapore** by Invesco Asset Management Singapore Ltd, 9 Raffles Place, #1801 Republic Plaza, Singapore 048619.
- **Switzerland** by Invesco Asset Management (Schweiz) AG, Talacker 34, 8001 Zurich, Switzerland.
- **Taiwan** by Invesco Taiwan Limited, 22F, No.1, Songzhi Road, Taipei 11047, Taiwan (0800-045-066). **Invesco Taiwan Limited is operated and managed independently.**
- **UK, Ireland, Israel, Jersey, Guernsey** and the **Isle of Man** by Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH, United Kingdom. Authorised and regulated by the Financial Conduct Authority.
- In the **US** by Invesco Capital Management LLC, 3500 Lacey Road Suite 700, Downers Grove, IL 60515, USA.