

MONITORING OF RUSSIA'S ECONOMIC OUTLOOK

trends and challenges
of socio-economic development

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THE CRYPTOCURRENCY MARKET IN Q1 2026

Vera Larionova, Junior Researcher, Digital Finance Studies Department,
Gaidar Institute

In Q1 2026, the cryptocurrency market continued the downward trend that began in late 2025, losing more than a fifth of its market capitalization since the start of the year. Market pressure was exacerbated by outflows from ETFs, while deteriorating macroeconomic conditions and ongoing regulatory uncertainty led to a synchronized decline in most crypto assets

After stabilizing in December 2025, the cryptocurrency market experienced a significant decline by the end of Q1 2026. The market's total capitalization fell by 21.9% (-\$668.4 bn), from \$3.05 trillion to \$2.38 trillion as of the end of March 2026 (Fig. 1).¹ As early as mid-January, the market had reached a local high of \$3.37 trillion, but this was followed by a sharp correction, resulting in the total market capitalization dropping to a quarterly low of \$2.23 trillion in early February. Bitcoin was the main contributor to the decline in market capitalization, with its market cap falling by \$413.3 bn (-23.7%) over the quarter, while Ether's market cap decreased by \$113.7 bn (-31.8%), marking the largest relative drop among all major components of the cryptocurrency market. The main segment showing positive growth was stablecoins, although their market capitalization grew by only \$7.8 billion (+2.5%) by the end of the quarter. The market capitalization of other crypto assets also decreased by \$149.1 bn (-23.5%). The market structure changed as follows during the quarter: the shares of Bitcoin and Ether in total market capitalization declined slightly (by approximately 1.3 and 1.4 p.p., respectively), while the share of stablecoins increased by 3.1 p.p. This indicates a shift of capital toward less risky crypto assets amid a general market decline.

In Q1 2026, most of the crypto assets under review showed negative performance. Following a brief uptick in the first half of January, the market fell sharply, and by the end of the quarter, most cryptocurrencies had declined by 20–30% compared to the start of the period (Fig. 2). Solana saw the largest

¹ For comparison, note that in Q1 2025, the market was also in a correction phase: its market capitalization fell by 18.8% (-\$638.0 bn), followed by a recovery and growth in Q2 and Q3.

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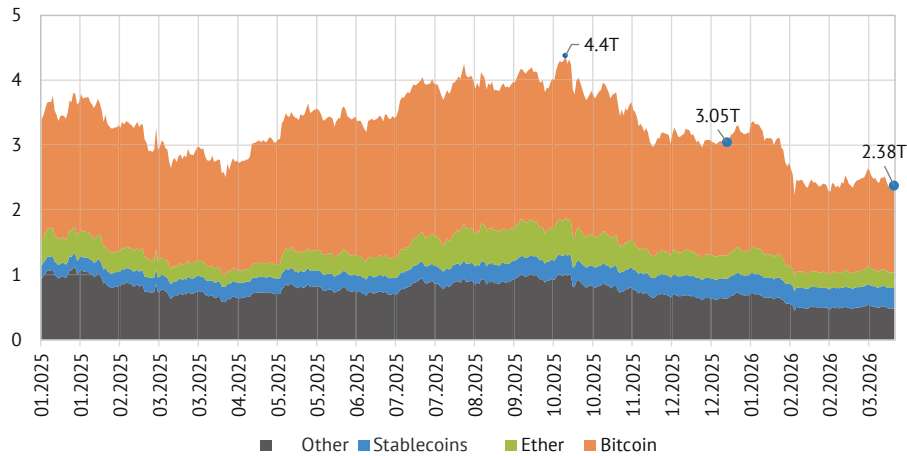


Fig. 1. Trends in the total capitalization of the cryptocurrency market and its individual components (Bitcoin, Ether, stablecoins, and other altcoins), in trillions of U.S. dollars.

Sources: coinmarketcap.com и defillama.com

decline (-33.2%), while TRON (+10.2%) showed the best performance among crypto assets, being the only cryptocurrency in the sample to end the quarter in positive territory. As for traditional assets, gold rose by 7.4%, while the S&P 500 fell by 4.6%. The performance of cryptocurrencies largely mirrored that of the stock market, though their volatility was significantly higher.

Correlation analysis shows that in Q1 2026, the cryptocurrency market largely behaved as a single risky segment (Table 1). The correlation between nearly all coins ranged from 0.83 to 0.94. This may indicate that the decline in most cryptocurrencies was primarily driven by market-wide factors rather than the individual dynamics of specific projects. The correlation between cryptocurrencies and the S&P 500 index ranged from 0.44 to 0.54. The only cryptocurrency that deviated from the general trend was TRX from the TRON project: its correlation with other coins was 0.47-0.55, and with the stock index -0.25. Gold traditionally maintained a weak correlation with all assets (0.04-0.22).

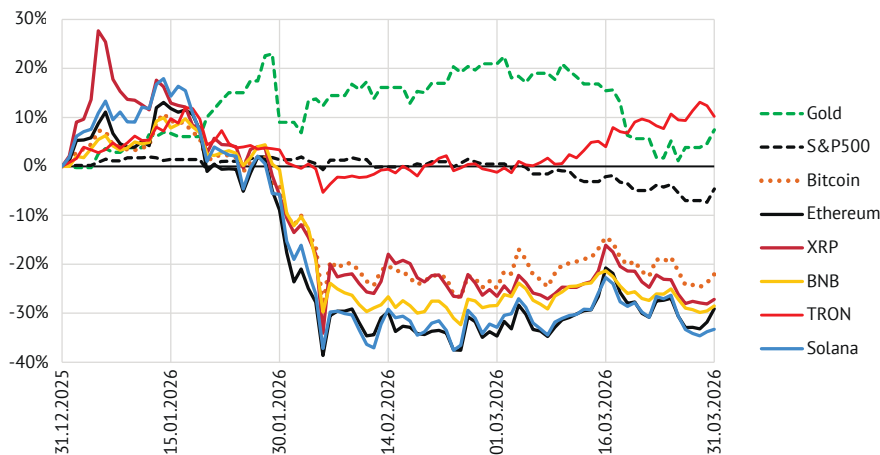


Fig. 2. Price changes for major cryptocurrencies, gold, and the S&P 500 index in Q1 2026

Sources: coinmarketcap.com и finance.yahoo.com

The cryptocurrency market in Q1 2026

Table 1

Correlation of daily returns on assets in Q1 2026

	BTC	ETH	XRP	BNB	SOL	TRX	Gold	SPX
BTC		0.94	0.89	0.93	0.93	0.55	0.12	0.54
ETH	0.94		0.83	0.9	0.93	0.55	0.15	0.53
XRP	0.89	0.83		0.83	0.84	0.47	0.17	0.48
BNB	0.93	0.9	0.83		0.9	0.55	0.12	0.44
SOL	0.93	0.93	0.84	0.9		0.5	0.04	0.49
TRX	0.55	0.55	0.47	0.55	0.5		0.09	0.25
Gold	0.12	0.15	0.17	0.12	0.04	0.09		0.16
SPX	0.54	0.53	0.48	0.44	0.49	0.25	0.16	

Sources: coinmarketcap.com и finance.yahoo.com

The decline in the cryptocurrency market in Q1 2026 was driven by a number of macroeconomic, institutional, and geopolitical factors. In late January, market pressure intensified due to the strengthening of the dollar and expectations of a tighter monetary policy under the new leadership of the U.S. Federal Reserve.¹ At the same time, outflows from spot Bitcoin ETFs played a significant role: in January alone, they exceeded \$1.6 bn,² which intensified pressure on the price of Bitcoin and the entire market. In addition, there were cascading liquidations in the derivatives markets; falling prices led to forced closures of margin positions, which put further pressure on prices.³ An additional negative factor was the delay in the progress of the CLARITY Act in the U.S. Senate,⁴ which increased uncertainty and worsened institutional investors' expectations. U.S. trade policy also influenced market dynamics. The introduction of new import tariffs worsened global economic expectations.⁵ For these reasons, cryptocurrencies declined in tandem with traditional risky assets, and U.S. stock indices also came under pressure in March. The escalation of the conflict between the U.S. and Iran increased volatility in global markets.⁶ Under these conditions, gold rose for most of the quarter, acting as a safe-haven asset,⁷ although it partially corrected by the end of March following the stabilization of market sentiment.

Within the cryptocurrency market in Q1 2026, TRX stood out, showing positive momentum against the backdrop of a general decline. This may be explained by the fact that a significant portion of stablecoin transactions pass through the TRON network: in January–March, it accounted for about 50% of USDT turnover.⁸

Meanwhile, some countries saw an increase in the use of cryptocurrencies as an alternative to the traditional financial system. In Venezuela, the shortage of U.S. dollars spurred businesses to switch to crypto accounts,⁹ primarily using

¹ <https://www.reuters.com/business/bitcoin-falls-below-80000-continuing-decline-2026-01-31/>

² According to <https://farside.co.uk/bitcoin-etf-flow-all-data/>

³ <https://www.reuters.com/markets/wealth/crypto-market-volatility-triggers-25-billion-bitcoin-liquidations-2026-02-02/>

⁴ <https://forklog.com/en/senator-suggests-possible-delay-for-clarity-act-review/>

⁵ <https://www.reuters.com/world/china/global-markets-global-markets-2026-02-23/>

⁶ <https://www.theguardian.com/business/2026/mar/26/markets-slump-us-israel-war-iran>

⁷ <https://www.reuters.com/world/india/gold-largely-flat-dollar-strength-keeps-pressure-prices-2026-02-25/>

⁸ <https://visaonchainanalytics.com/transactions>

⁹ <https://www.reuters.com/business/finance/dollar-scarcity-venezuela-forces-small-firms-raise-prices-turn-crypto-2026-03-23/>

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stablecoins.¹ In Iran, high inflation and the weakening of the national currency contributed to increased demand for Bitcoin² and dollar-pegged stablecoins (prior to the internet shutdown).³ However, during periods of internet restrictions, there was a significant decline in activity and outflows of funds from local crypto exchanges. Media outlets also reported that, amid the conflict surrounding the Strait of Hormuz, Iran discussed the possibility of collecting payments in cryptocurrency from passing ships.⁴

Among the current narratives in the cryptocurrency space, changes within the Ethereum ecosystem are also worth noting separately. Ethereum's scalability issue was traditionally addressed through Layer-2 networks, but this led to fragmentation—users and liquidity were distributed not only between Ethereum and its L2 networks but also among the Layer-2 networks themselves. By early 2026, the situation had changed significantly: following a series of updates, the network began operating faster and more cost-effectively, and the previous emphasis on L2 as the primary scaling method began to be reevaluated. In February 2026, Vitalik Buterin noted⁵ that as the base layer evolves, the need for general-purpose L2s may diminish, and such networks themselves should specialize in specific tasks. This position was supported by the Ethereum Foundation,⁶ which emphasized that L2s should be viewed as part of a unified architecture rather than as duplicate solutions. All of this reflects Ethereum's desire to strengthen its role as the primary infrastructure for settlement and security while continuing to foster the development of application-specific solutions.

In Q1 2026, the regulatory agenda in Russia also gained momentum. In late March, the government submitted a package of bills to the State Duma aimed at establishing a comprehensive legal framework for cryptocurrency transactions.⁷ The regulations would legalize the ownership of and investment in digital assets, but prohibit the use of cryptocurrencies as a means of payment within the country.⁸ Transactions involving cryptocurrencies are planned to be conducted through licensed intermediaries (exchanges, brokers, depositories), with a ban on transferring purchased digital currencies to private non-custodial crypto wallets. At the same time, the introduction of criminal liability for the illegal circulation of digital currencies is being discussed.⁹ It is expected that part of the initiative may come into force as early as July 2026, and a fully-fledged infrastructure will be established by 2027.¹⁰

Overall, developments in Q1 2026 showed that the cryptocurrency market remains highly sensitive to macroeconomic and political factors and behaves as an integral part of the global financial system. At the same time, even amid a downturn, the role of stablecoins within the cryptocurrency market continues to grow, and the significance of certain local factors determining the dynamics of some cryptocurrencies is increasing. ▲

¹ <https://www.cnn.com/2026/01/19/venezuelans-turned-to-tether-issued-usdt-stablecoin-as-its-government-wobbled.html>

² <https://www.binance.com/en/square/post/35322654309489>

³ <https://www.trmlabs.com/resources/blog/how-irans-crypto-market-is-reacting-to-conflict>

⁴ <https://www.ft.com/content/02aefac4-ea62-48db-9326-c0da373b11b8?syn-25a6b1a6=1>

⁵ <https://x.com/VitalikButerin/status/2018711006394843585>

⁶ <https://blog.ethereum.org/2026/03/23/l1-l2-ethereum>

⁷ <https://ria.ru/20260401/gosduma-2084661183.html>

⁸ <https://www.garant.ru/news/2044137/>

⁹ https://www.cnews.ru/news/top/2026-04-13_rossiyan_nachnut_nakazyvat

¹⁰ <https://www.bfm.ru/news/602649>