

# What's hot: leverage, liquidity and panic

Published 17 October 2025

**Dovile Silenskyte**

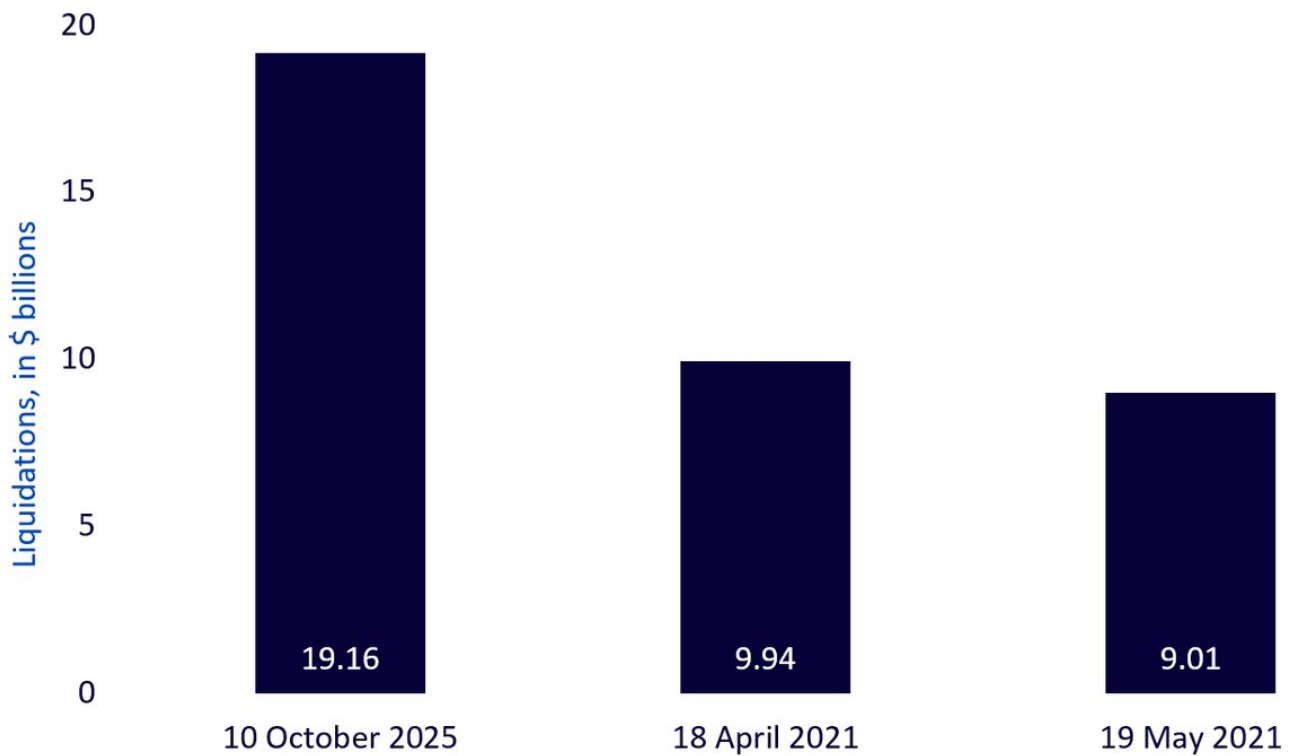
Director, Digital Assets Research

## Key Takeaways

- A surprise macro shock triggered over \$19 billion in crypto liquidations on 10 October 2025, exposing how leverage and thin liquidity can magnify market chaos in real time.
- Altcoins dropped over 30% within minutes as liquidity vanished and automated risk engines accelerated forced selling across exchanges.
- With excess leverage flushed out and macro risks rising, crypto markets may be entering a new phase defined by lower risk appetite and tighter liquidity dynamics.
- [Related Products WisdomTree Physical Bitcoin Find out more](#)

A single macro shock met record leverage in thin liquidity. The result was a historic \$19+ billion liquidation cascade, a brief stablecoin wobble, and a cleaner market – not a broken one.

## Figure 1. Top 3 crypto liquidation events of all time



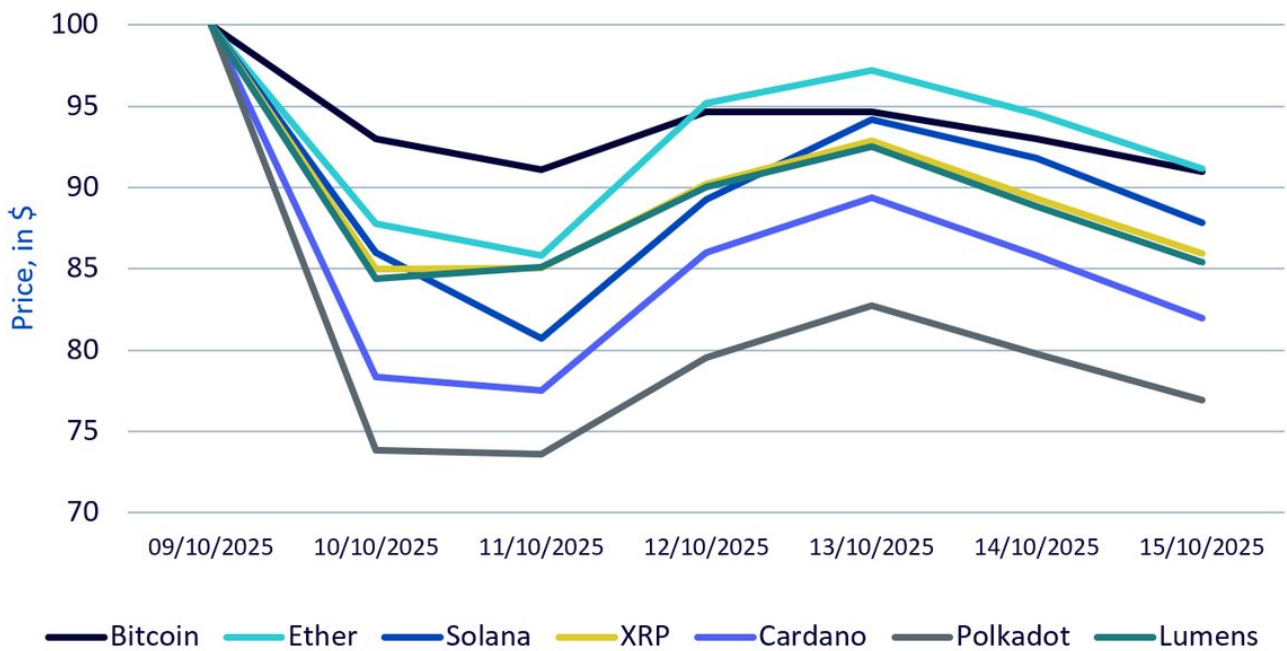
## Macro shock: when macro meets 24/7 crypto

The spark came from a surprise policy announcement when U.S. President Donald Trump unveiled a 100% tariff on Chinese imports and hinted at new export controls on key software.

That headline hit already nervous markets. Risk assets were stretched after weeks of speculation around monetary easing and global “carry trade” positioning.

Unlike traditional markets, crypto trades nonstop – including weekends and nights – so it became the first pressure valve for investors reacting to the news.

## Figure 2: Crypto price reaction



Bitcoin fell, but altcoins – smaller, more volatile tokens – fell even harder.

### Record leverage: when margin turns to mayhem

In the lead-up to the selloff, traders had piled into highly leveraged positions – borrowing heavily to amplify returns. When prices started falling, margin calls triggered a wave of forced selling, known as “liquidations”.

### Figure 3: Top crypto liquidation event

Date	Liquidations	Long	Short	Liquidated traders
10 October 2025	\$19.16 billion	\$16.70 billion	\$2.46 billion	1.63 million

Over 1.6 million traders were wiped out in just 24 hours, and more than \$19 billion in leveraged bets were closed .

On some platforms, the damage was extreme. For instance, over 1,000 wallets on Hyperliquid were fully liquidated, with some losses exceeding \$1 million .

The shock spread through a web of interconnected exchanges and derivatives platforms. Automated risk systems kicked in, margin thresholds tightened, and liquidation engines sold assets into falling markets – each step accelerating the next.

### Thin liquidity: when buyers step back

Liquidity – the ability to buy or sell without moving prices – was in short supply when it was needed most.

As volatility spiked, market makers widened their spreads or paused trading to protect capital. Because crypto liquidity is already thinner than in traditional markets, especially for smaller coins, even modest selling pressure quickly overwhelmed order books.

Some exchanges faced system lags and risk throttles, slowing order processing or triggering automatic “deleveraging” once internal buffers were exhausted.

In altcoins, price drops of over 30% in minutes were common – evidence of how shallow the markets were.

Once the cascade began, liquidity disappeared in a feedback loop: as prices fell, more traders pulled orders, which in turn pushed prices down further.

## **Stablecoins: the market’s shock absorber gets tested**

During the turmoil, a few stablecoins – tokens primarily engineered to mirror the U.S. dollar – briefly wobbled as traders scrambled for safety. Many investors exited riskier coins and rotated into what they considered digital cash stand ins like USDT and USDC.

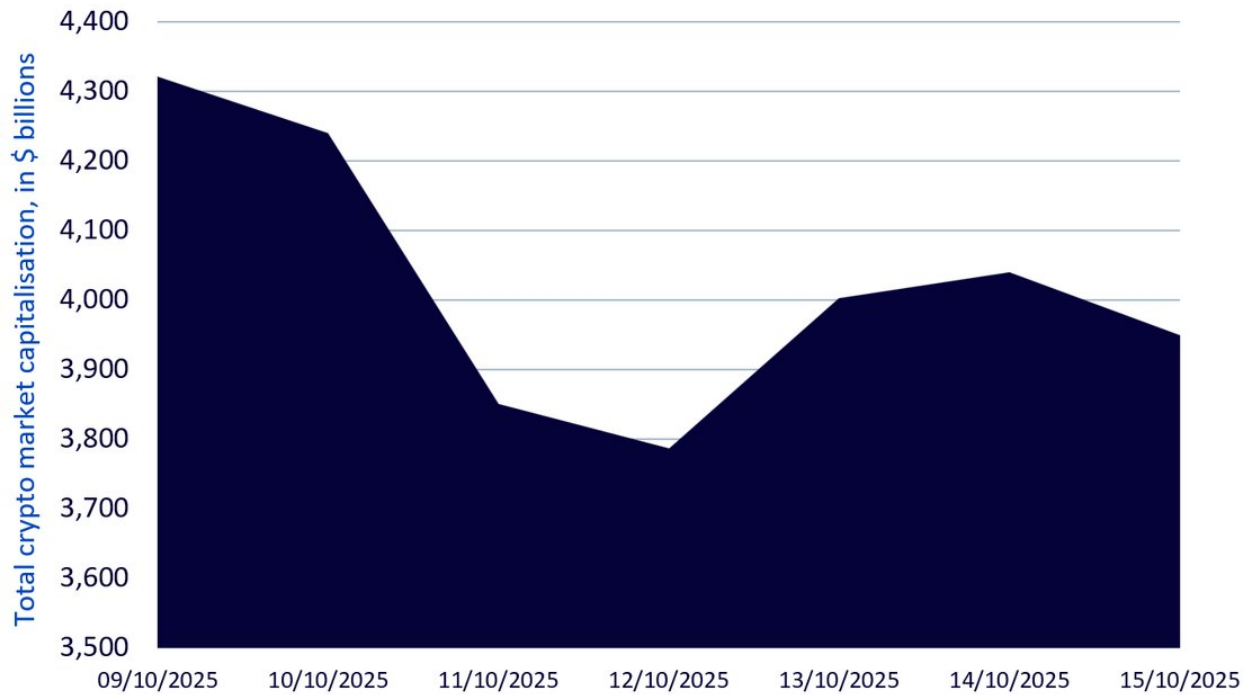
Still, the system largely held. Major stablecoins quickly re anchored to their pegs as redemption processes functioned, liquidity shifted across venues, and arbitrage smoothed dislocations. The episode effectively served as a real time stress test for the broader “crypto dollar” ecosystem.

The results reaffirmed confidence in fiat backed models with transparent reserves, while underscoring that liquidity fragmentation – particularly across decentralised finance (DeFi) pools – remains a key structural weakness during rapid selloffs

### **The result: a massive reset, not a meltdown**

The outcome was one of the largest single-day deleveraging events in crypto history – more than \$19 billion in forced liquidations and approximately \$400 billion erased from total crypto market capitalization.

## **Figure 4: Total crypto market capitalisation**



Yet, the market held. Within days, prices rebounded, and trading activity began to normalize. Rather than a systemic failure, this episode looks like a reset – a painful but cleansing purge of excess leverage.

The event exposed how fragile liquidity and leverage structures can amplify volatility, but it also showed resilience. Looking ahead, crypto markets now face a new regime – lower leverage, more cautious sentiment, and sharper sensitivity to macro risks.

While the crash was brutal, it may have left the ecosystem stronger.

## Important Risks Related to this Article

### Important Information

**Marketing communications issued in the European Economic Area (“EEA”):** This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

**Marketing communications issued in jurisdictions outside of the EEA:** This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

**For professional clients only. The information contained in this document is for your general information only and is neither an offer for sale nor a solicitation of an offer to buy securities or shares. This document should not be used as the basis for any investment decision. Investments may go up or down in value and you may lose some or all of the amount invested. Past performance is not necessarily a guide to future performance. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.**

The application of regulations and tax laws can often lead to a number of different interpretations. Any views or opinions expressed in this communication represent the views of WisdomTree and should not be construed as regulatory, tax or legal advice. WisdomTree makes no warranty or representation as to the accuracy of any of the views or opinions expressed in this communication. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares or securities in the United States or any province or territory thereof. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States.

Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.