What’s hot: leverage, liquidity and panic

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Punti chiave

- 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.

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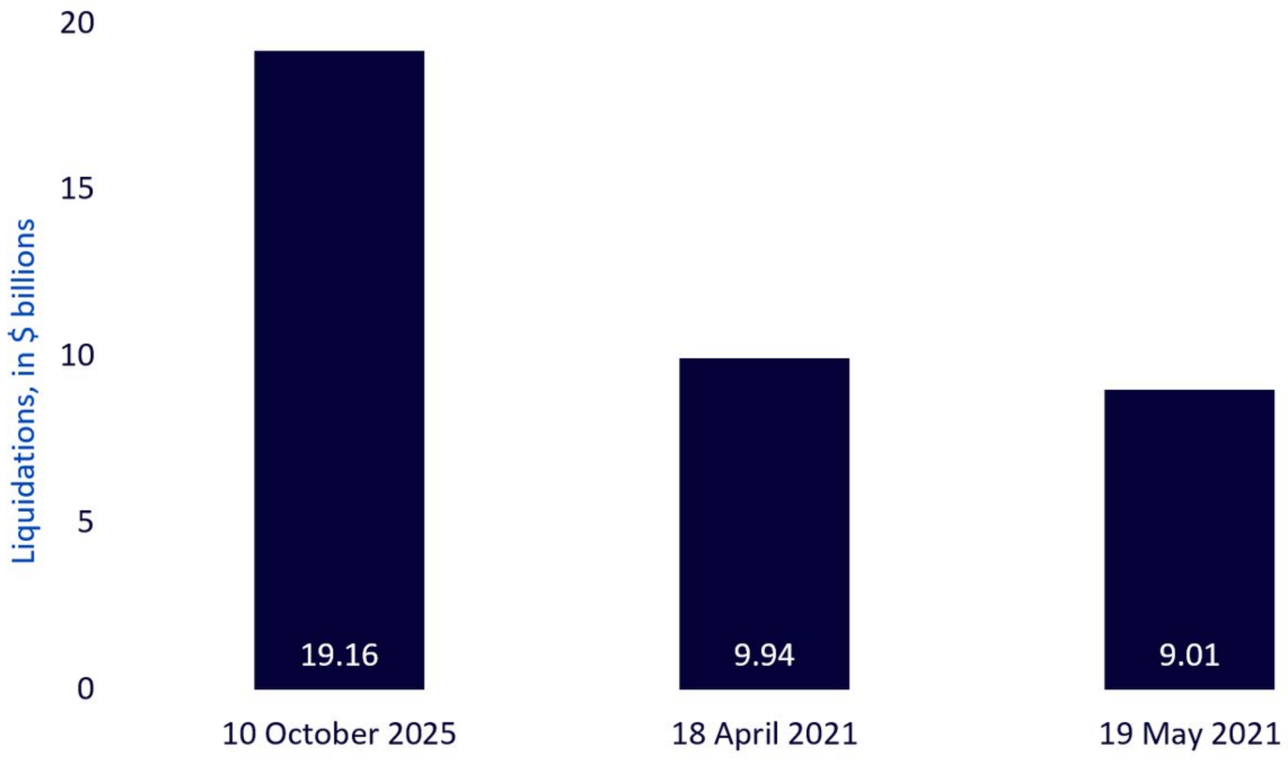
A single macro shock met record leverage in thin liquidity. The result was a historic $19+ billion liquidation cascade, a brief stablecoin wobble, and a cleaner market – not a broken one.

Figure 1. Top 3 crypto liquidation events of all time



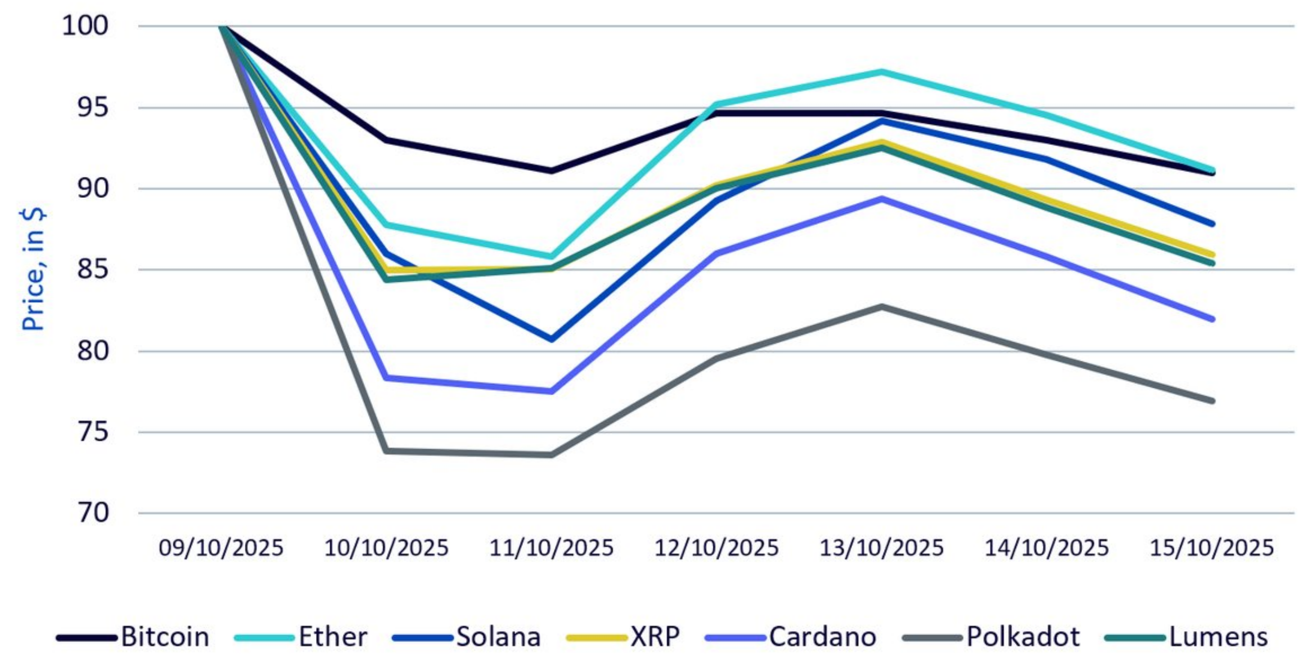
Macro shock: when macro meets 24/7 crypto

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.

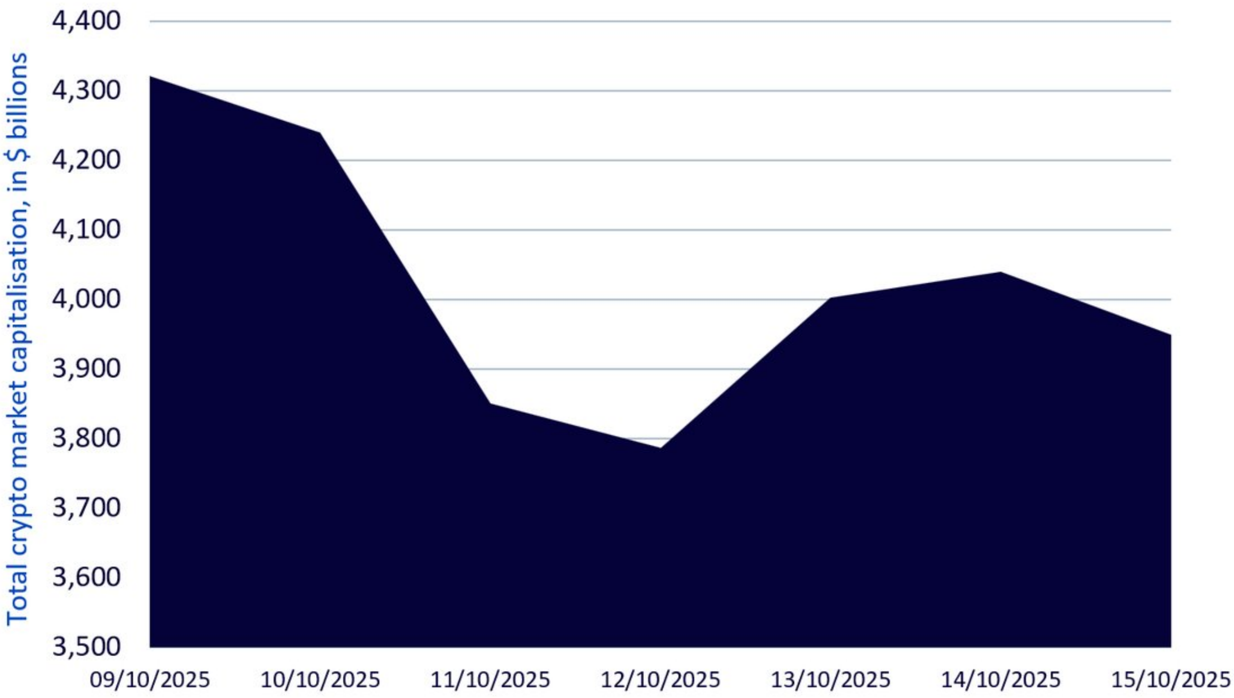
Still, the system largely held. Major stablecoins quickly re anchored to their pegs as redemption processes functioned, liquidity shifted across venues, and arbitrage smoothed dislocations. The episode effectively served as a real time stress test for the broader “crypto dollar” ecosystem.

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.

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