What's Hot: Liquidity’s turning point - why gold says bitcoin is next to rally

Published 3 November 2025

Blake Heimann
Senior Associate, Quantitative Research

Key Takeaways

- The U.S. Treasury’s General Account (TGA) has pulled cash from the banking system, tightening liquidity across risk assets.
- The U.S. government shutdown has delayed spending, accelerating the TGA build-up and amplifying the temporary liquidity drain.
- Gold’s breakout to new highs signals greater liquidity ahead—recent history indicates bitcoin is soon to follow.
- Record ETF inflows and expanding access underscore structural demand for digital assets.
- With loosening financial conditions ahead and market liquidity improving, bitcoin appears poised for its next advance.

- Related Products WisdomTree Physical Bitcoin, WisdomTree Blockchain UCITS ETF - USD Acc Find out more

After October’s sharp crypto washout, markets have stabilized. Bitcoin is holding around $110K, Ethereum around $4K, and total crypto market cap sits just below all-time highs. From here, the next leg will be driven by one key thing: liquidity.

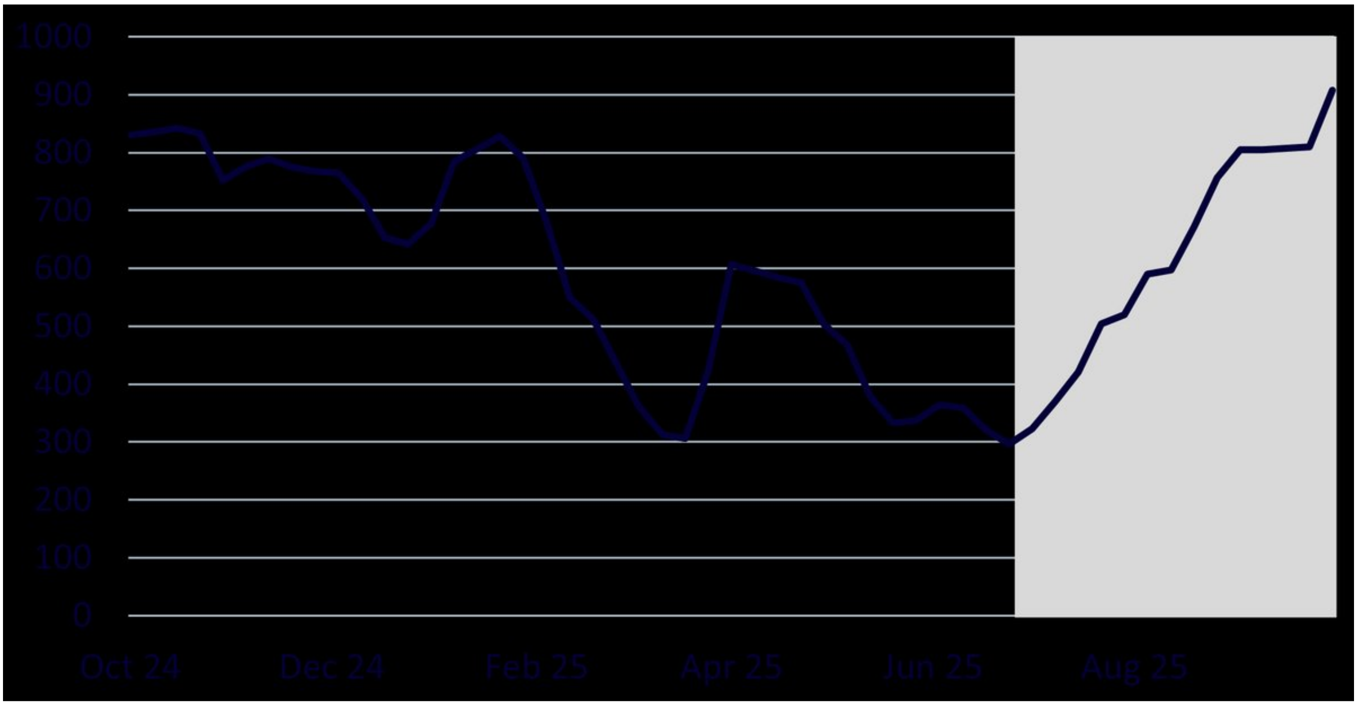
In early October, excess leverage and vanishing liquidity triggered sharp volatility across crypto markets. In our What’s Hot: Leverage, liquidity, and panic, we broke down how a single macro shock liquidated $19 billion in hours, resetting risk appetite across the space. With leverage flushed out and conditions stabilizing, attention now turns to the one key variable that drives major crypto market inflections: liquidity.

The hidden liquidity drain: U.S. government shutdown and Treasury General Account buildup

At July’s Quarterly Refunding Announcement, the U.S. Treasury projected a Treasury General Account (TGA, effectively the governments primary checking account) cash balance of roughly $850 billion by the end of Q3, nearly doubling from the time of announcement. That rebuild has quietly tightened financial conditions, and has persisted through October as the TGA balance approaches $1 trillion1.

When the Treasury issues new debt to replenish the TGA, the proceeds move from private investors' accounts into the government's account at the Fed — draining reserves from the banking system in the process. In effect, it's the opposite of stimulus.

Figure 1: Treasury General Account (TGA) balance, USD billion



Rising TGA = liquidity drain (cash shifts from the private sector to the government's Fed account). Source: U.S. Treasury, FRED Series WTREGEN. Liabilities and Capital: Liabilities: Deposits with F.R. Banks, Other Than Reserve Balances: U.S. Treasury, General Account: Week Average, Billions of U.S. Dollars, Weekly, Not Seasonally Adjusted.

Adding to the pressure, the ongoing U.S. federal government shutdown—already one of the longest in recent history—has paused discretionary spending across many agencies. With fewer outflows from the TGA to agencies and staffers, the TGA has been building up with no release valve, temporarily amplifying the liquidity drain until government operations resume and backlogged payments flow back into the economy.

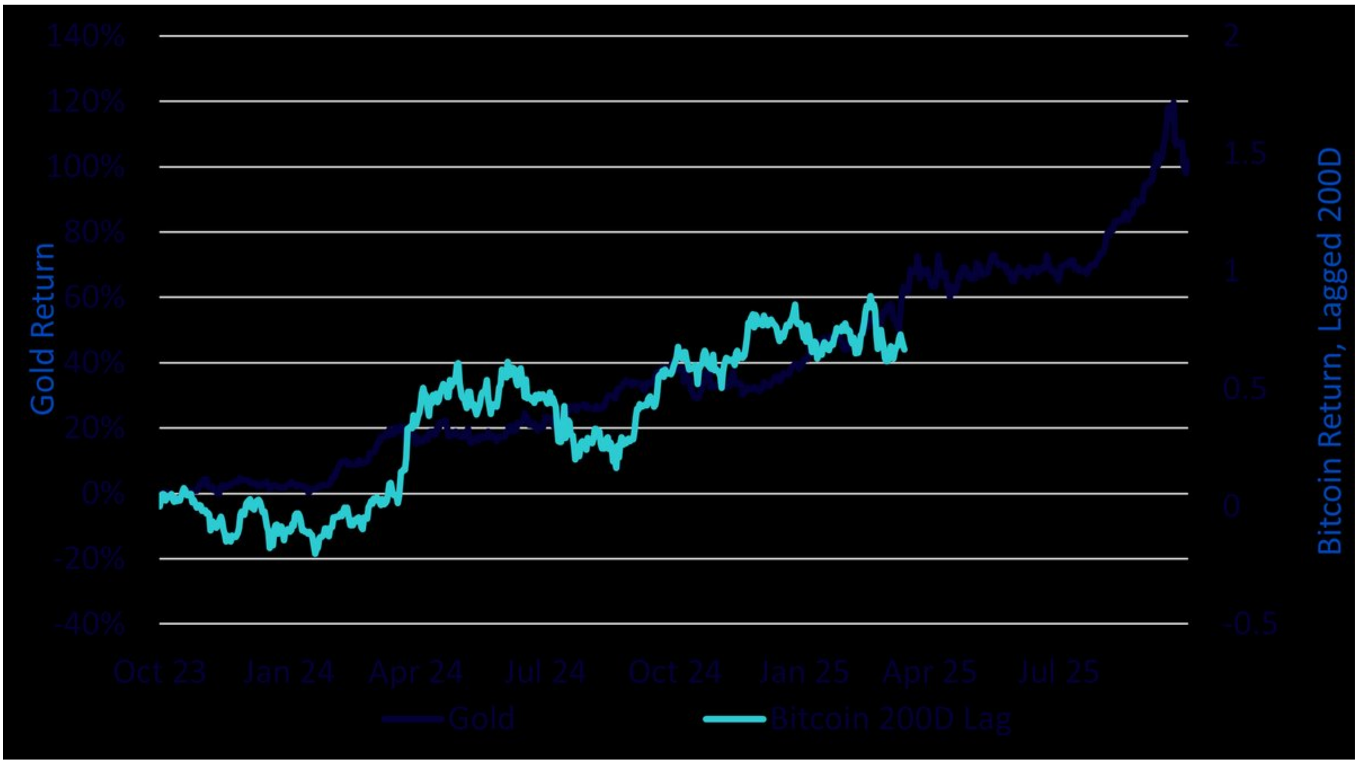
Once resolved, the shutdown's $25–$35 billion in backlogged payments could almost immediately boost consumer spending and give a one-time uplift to GDP per CBO estimates2. This opens the TGA release valve, setting up the next turn higher for liquidity. Pair this with rate cuts on the horizon and you have the classic recipe for a rebound in risk assets.

Gold is signaling the turn — bitcoin usually follows

Gold often leads when liquidity inflects, adjusting early to expected shifts in financial conditions. It responds to changes in real rates, the dollar, and global funding conditions before other assets catch on. Gold recently broke to new highs holding firm at 4,000 per oz.—consistent with a backdrop of broader market liquidity ahead, in what Wall Street is calling ‘the debasement trade’3.

In recent history, these inflection points in gold have preceded major bitcoin rallies by approximately six months (Figure 2). With its similar scarcity profile and growing acceptance as “digital gold,” bitcoin has increasingly reflected gold’s macro sensitivity while retaining its characteristics as a risky, growth asset. The asset has drawn over $40 billion in global spot ETF inflows year-to-date4, underscoring accelerating investor adoption.

Figure 2: Bitcoin’s price action has lagged gold by 200 days since late 2023



Source: WisdomTree, Bloomberg From October 31, 2023 to October 30, 2025. **Historical performance is not an indication of future performance and any investment may go down in value.**

Institutional catalysts are also reinforcing the setup. Recently UK investors gained access to crypto in tax-protected savings accounts5. Morgan Stanley has expanded access to its crypto funds to all wealth clients, removing the previous $1.5 million net-worth barrier and allowing maximum allocations up to 4% of portfolios6. JPMorgan, meanwhile, plans to accept bitcoin as loan collateral for institutional clients by year-end, putting them on par with equities and gold7.

Taken together, the temporary liquidity drain explains recent crypto market choppiness, but loosening financial conditions ahead and structural demand point to a strong setup for bitcoin to follow gold’s recent break-out.

1 U.S. Treasury, General Account: Week Average (WTREGEN) | FRED | St. Louis Fed

2 A Quantitative Analysis of the Effects of the Government Shutdown on the Economy Under Three Scenarios, as of October 29, 2025

3 Why market wall of worry, debasement trade are boosting gold, crypto

4 Bloomberg as of October 31, 2025

5 UK investors will be able to put crypto products in Isas

6 Morgan Stanley is opening cryptocurrency investments to all clients. Here’s what percentage of your portfolio should be in crypto. - MarketWatch

7 JPMorgan to Allow Bitcoin, Ether as Collateral in Crypto Push - Bloomberg

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 oer for sale nor a solicitation of an oer 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 aer seeking independent investment, tax and legal advice.

The application of regulations and tax laws can oen lead to a number of dierent 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 aer 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 oering 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 ailiate, nor any of their respective oicers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.