

Crypto Rally Pauses as Ethereum Flows Hold the Key to Market Direction

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The cryptocurrency market entered Tuesday in a holding pattern, with momentum stalling across key assets as investors weigh the outlook for Ethereum (ETH) amid shaky market sentiment and a sharp drop in ETF inflows.

Altcoin demand remains uncertain, but institutional focus has shifted to Ethereum as the possible trigger for the next directional move. According to traders and analysts, the

immediate future of the digital asset market may hinge on whether capital returns to ETH or stays on the sidelines.

Bitcoin's spot market has also shown signs of fatigue. Its Relative Strength Index (RSI) used to measure whether an asset is overbought or oversold, has retreated sharply. This suggests that bullish pressure has waned, and institutional interest is beginning to pull back, reinforcing the sense that a near-term top may already be in place.

QCP Capital, a prominent trading desk, highlighted similar caution in derivatives markets. In a recent note, the firm pointed out that funding rates for perpetual futures remain elevated, above 15%, indicating aggressive long positioning. However, large players appear to be reducing exposure and hedging for downside.

QCP noted the unwinding of a significant Ethereum call spread trade, known as a "call fly", while sizable Bitcoin put options were purchased for downside protection activity more consistent with defensive positioning than a push for new highs.

Yet despite the cautious tone, QCP remains constructive. "Momentum, narrative strength, and macro tailwinds are still on our side," the firm wrote in its latest market update. "Hodlers and institutions will likely buy the dip, as we saw on Friday."

Enflux, another major market maker, offered a more neutral outlook. The firm sees the current environment as consolidation rather than capitulation. In a comment to CoinDesk, Enflux said: "How institutional ETH flows evolve, and whether capital re-engages with alts, would likely guide the next leg of market structure."

Ethereum sits at the centre of this market crossroads. Should capital rotate back into ETH, it could reignite broader interest in altcoins and push the market into a fresh bullish phase. However, if institutional flows remain weak, the current pause may solidify into deeper stagnation.

Blockchain analytics platform Glassnode has flagged fragility in underlying metrics, while Enflux points to a neutral stance and QCP leans towards cautious optimism. Ultimately, it's Ethereum's ability to re-attract capital that appears most critical to whether this rally resumes or fades further.