

Hyperliquid (HYPE) – Investment Memo

Category: On-chain Derivatives

Sector: Decentralized Perpetuals / DEX Infrastructure

Position Type: Core / High-Conviction

Current Price: \$48 (October 28, 2025)

Market Cap: \$12.9B | **FDV:** \$47.9B | **Circ Supply:** 270.8M HYPE | **Max Supply:** 1.0B HYPE

Overview

Hyperliquid has emerged as the most dominant platform in the on-chain derivatives sector. Built from the ground up as a custom L1¹, it was designed to overcome the limitations of Ethereum and other general-purpose chains by prioritizing performance, latency, and throughput for trading use cases. In 2023, it was a fringe experiment with less than 1% share of decentralized perpetual volume. Hyperliquid has led on-chain perps² by share and revenue through 2025, consistently outpacing its peers.

What differentiates Hyperliquid is the rare unification of product-market fit, protocol ownership, and technical execution—a trifecta rarely achieved in crypto. The chain's consensus mechanism and vertically integrated stack enable ~200ms order matching at scale, fully on-chain. The protocol routes 100% of trading fees to users and community-directed funds, creating one of the few token models in crypto that's actually positive-sum.

Recent protocol upgrades—particularly the rollout of HIP-3, which enables permissionless perpetual market creation—position Hyperliquid as not just the leading perps exchange, but the dominant on-chain venue for synthetic markets. This shift parallels the evolution of Nasdaq or CME, which we'll touch upon in more detail.

Investment Thesis

Hyperliquid is the first decentralized trading stack with credible escape velocity from both centralized exchanges and modular competitors. It offers the lowest-latency trading experience

¹ Layer-1 (L1), custom L1: The base blockchain where transactions are validated and finalized. A “custom L1” means the protocol runs its own purpose-built chain (with its own consensus, validators, fees, and system parameters) rather than living as a smart contract on another chain or as a Layer-2 rollup. The trade-off is more control and performance in exchange for operating a separate validator set and liquidity base.

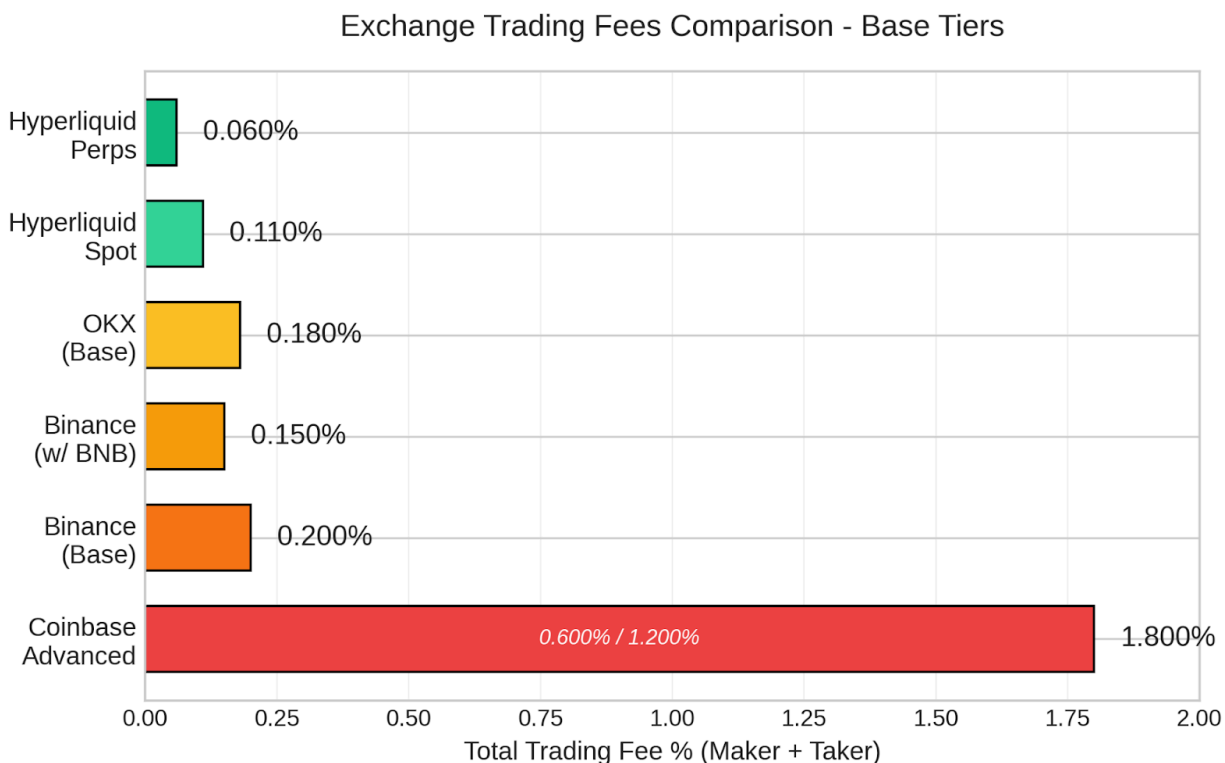
² Perpetual futures (“perps”): Futures without expiry that track an oracle via a periodic funding rate payment between longs and shorts.

on-chain, drives real revenue, and returns all protocol fees to users via a combination of vault incentives and HYPE buybacks.

This combination of vertical integration, liquidity network effects, and community-aligned tokenomics creates a compounding moat. Competitors have deployed on existing chains and inherited their performance constraints. You cannot retrofit sub-200ms execution onto modular architecture. Binance and Coinbase cannot profitably match these fees given legacy cost structures across 100+ jurisdictions, custody operations, and compliance infrastructure. Hyperliquid's users are not price-shopping—they are paying for trustless custody and verifiable execution.

The token's value accrual is not abstract: 100% of trading fees are routed to the community via the Assistance Fund, which uses them to market-buy HYPE. As of October 24, 2025, Hyperliquid recorded over \$113.74M in 30-day protocol revenue (annualized ~\$1.23B), placing it among the top protocols across all crypto networks by fee capture.

This fee advantage is structural and measurable. Hyperliquid's base perpetual fees are 3x lower than Binance/OKX and significantly lower than Coinbase Advanced, a structural pricing edge and clear differentiator versus peers



Data Sources: Hyperliquid docs (Oct 27-28, 2025) | Coinbase Help Center (Oct 23, 2025) | Binance & OKX fee schedules (Aug-Oct 2025)

The recent launch of HIP-3 extends Hyperliquid's surface area dramatically. For the first time, non-core teams can launch new perp markets (e.g. commodities, indices, synthetic assets) and earn a share of fees. This mirrors the platform economics of Nasdaq, CME, or NYSE, where venue ownership is a function of product breadth, not just depth.

Native stablecoin infrastructure (USDH) adds a second revenue leg. As USDH gains adoption across Hyperliquid, yield from its reserve assets can be routed back to HYPE holders. Stablecoins historically represent 60–80% of on-chain volume; internalizing this yield loop is a powerful monetization vector.

Hyperliquid is also architecturally unique. It combines a high-performance base layer (HyperCore), EVM compatibility (HyperEVM), and a unified state that eliminates the need for bridging or fragmented liquidity. This creates a seamless path for developers to deploy DeFi applications adjacent to a thriving exchange, without inheriting performance tradeoffs.

Market Opportunity

As of Q4 2025, global crypto derivatives volumes exceed \$1.5 trillion/month. Over 95% of this activity still occurs on centralized exchanges like Binance, Bybit, and OKX. If even a fraction of this volume migrates on-chain—driven by trust-minimized custody, transparency, or regulation-resistant design—then Hyperliquid stands to benefit disproportionately.

The growth trajectory ahead is compelling. Global derivatives markets (across all asset classes) currently process approximately \$600-700 trillion in annual notional volume. Crypto derivatives have grown from near-zero to \$18 trillion annually in just five years, and still represent less than 3% of global derivatives activity.

Using a forward 2030 lens:

- Global derivatives notional reaching \$40T+/month reflects continued digitization of financial markets
- On-chain share rising from <5% today to 15-20% follows the proven DEX spot trajectory (Uniswap went from 1% to 15%+ market share in three years)
- Hyperliquid maintaining 20-30% dominance of on-chain perps is conservative given its current 67% share

This implies a long-term TAM of ~\$1.2T/month in volume for Hyperliquid, up from ~\$300B/month currently. Even without fee increases, this alone would 4-6x protocol revenue. With real-time buybacks and limited token inflation, the model is structurally deflationary.

The ODTE Convergence

An underappreciated catalyst for TAM expansion comes from the traditional zero-day-to-expiration options market, now \$250 trillion in annual notional and over 50% of total options volume. This explosive growth represents a fundamental shift in market microstructure: traders no longer invest, they speculate on intraday momentum with maximum leverage. The demographic driving this phenomenon—young, digitally native, seeking instant gratification—is identical to crypto's core user base. They're simply trading in different venues due to legacy infrastructure boundaries.

Hyperliquid's perpetuals offer these traders a superior product. Where ODTE options charge \$0.50-1.00 per contract with wide spreads and theta decay measured in minutes, Hyperliquid provides simple linear exposure at 0.01-0.035% fees with no time decay. The platform operates 24/7, capturing frustrated traders when news breaks after hours or on weekends. No PDT rules, no account minimums, no assignment risk—just pure leverage on demand.

The convergence path is already emerging. Retail options volume has exploded from under \$1 trillion to over \$8 trillion annually since 2020. These same traders have simultaneously driven crypto derivatives to \$18 trillion in annual volume. As Hyperliquid launches equity-correlated perpetuals through HIP-3—SPY, QQQ, individual tech names—the artificial boundary between these markets dissolves. Even capturing 1-2% of ODTE flow would add \$2.5-5 trillion in annual volume, potentially doubling protocol revenue beyond our base projections.

Traditional finance recognizes this threat. CME launched micro options, brokers are extending trading hours, and every major exchange is scrambling to capture ODTE momentum. But they're constrained by settlement infrastructure, regulatory frameworks, and the fundamental limitation that markets close. Hyperliquid faces none of these constraints—it's building the venue from first principles for how this generation actually trades.

Key Catalysts (Next 12 Months)

HIP-3 Market Creation (Live): Permissionless perpetual listings transform Hyperliquid from vertically integrated product into horizontal platform. Early traction in synthetic equities and commodities would expand TAM beyond crypto-native assets into global speculation infrastructure.

Equity Perps & ODTE Capture: Launch of SPY/QQQ/single-name perpetuals positions Hyperliquid to capture flow from the \$200T+ ODTE options market. Even 1% penetration would double protocol revenue.

USDH Adoption: As Hyperliquid's native stablecoin displaces USDC/USDT as the quote asset, the protocol captures yield from reserve float—similar to PayPal or Circle's monetization model. This creates a secondary revenue stream independent of trading volume.

Validator Expansion & Open-Source Progress: Increasing validator count from 16 to 50+ and releasing full codebase would address centralization critiques and strengthen regulatory defensibility. Timeline unclear but directionally committed.

Risks

Regulatory Uncertainty

Hyperliquid offers permissionless access to high-leverage trading with no KYC. This puts it in direct conflict with regulators in major jurisdictions. If access is geo-blocked or intermediaries (like frontends) are pressured, onboarding and liquidity could suffer.

Centralization Critiques

While the protocol is decentralized in matching and settlement, validator count remains low (16 as of Oct 2025), and governance is effectively centralized. The core team has not fully open-sourced the codebase. This creates both technical and reputational risk.

Market Share Durability

While Hyperliquid currently dominates on-chain perps, the pace of innovation in crypto is fast. New order-book venues (Lighter, Pacifica, Aevo, etc.) or centralized relaunches (e.g. FTX 3.0) could erode share.

Token Float and Liquidity

Unlock schedules are visible and slow-vesting, but whale accumulation and reduced float from buybacks could create sharp price volatility. Thin books are a persistent issue for governance tokens with meaningful treasury activity.

Stablecoin Design and Adoption

USDH's success depends on its reserve architecture, transparency, and integrations. If adoption lags or if regulatory scrutiny lands on unregulated stables, the second revenue stream may not materialize.

Conclusion

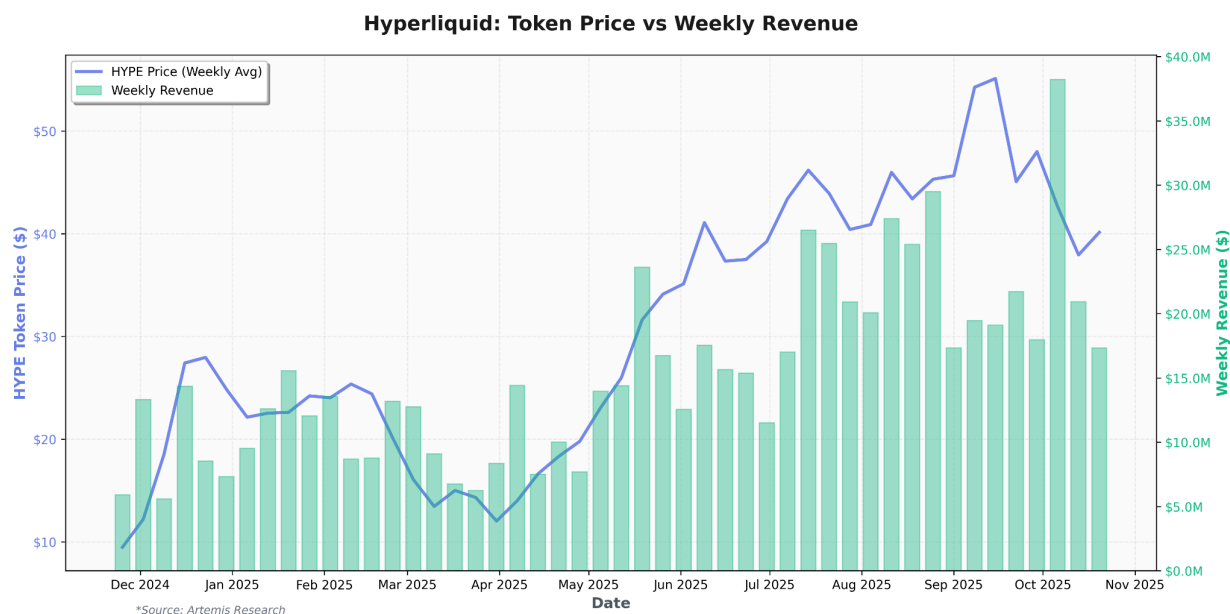
Hyperliquid is not just another DEX—it is the canonical bet on on-chain finance. In two years, it has gone from zero to >\$1B annualized revenue, 60%+ share of on-chain perps, and one of the most structurally sound token models in the industry. Its architecture, velocity of product shipping, and alignment with users position it as the default clearinghouse for synthetic financial products.

The convergence of crypto derivatives with traditional markets, particularly the 0DTE options phenomenon, creates an addressable market far beyond what most investors appreciate. While regulatory risk remains a live overhang and decentralization has room to improve, Hyperliquid's trajectory is rare. If crypto finance continues to migrate on-chain, HYPE will likely be one of the core assets to benefit. The token structure ensures that growth is not just visible, but ownable.

Appendix : Valuation & Competitive Analysis

Valuation Framework

Historical data demonstrates strong correlation between protocol revenue growth and token price appreciation. As weekly revenue expanded from ~\$2M to \$15M+ through 2025, HYPE scaled proportionally, validating the buyback mechanism's effectiveness.



Traditional exchange comps (NYSE, CME, ICE) trade at 15–20x earnings; Visa and Mastercard, which process transaction flow, trade closer to 25–30x. High-growth DeFi protocols like dYdX and Uniswap are currently trading at 8–12x.

If HYPE earns \$1.23B in recurring revenue and trades at:

- 10x Repvenue → \$12.3B EV (already in line with MC)
- 15x → \$18.45B EV → \$55 token (on 336M float)
- 20x → \$24.6B EV → \$73 token

This excludes upside from:

- USDH monetization (~\$2B float potential)
- Spot market fee growth
- Listing revenue or licensing models
- ODTE migration (1-2% capture could double revenue)

Hyperliquid's valuation may command a premium over peers given:

- No VC overhang
- Community-owned structure
- Fully on-chain execution and fee flows
- Highest capital efficiency among DEXs

Competitor Landscape

CEXs (Binance, Bybit, OKX): Control the majority of BTC perp open interest and still set the depth/liquidity ceiling for everyone else. Great fiat rails and funnels; custody/trust and policy risk remain.

Robinhood + Bitstamp: Deal closed June 2025; now rolling out tokenized U.S. stocks for EU users and crypto perpetual futures in the EU. Big licensed retail funnel that can intercept the next wave of newcomers before they ever touch a wallet.

Aster: Fast-rising appchain CLOB³ perps. Part of the new top-3 with HL/Lighter; has led daily snapshots in windows as incentives and listings ramp. Durability of flow still to be proven through full cycles.

³ CLOB (central limit order book): An exchange model where bids/asks rest on an order book and match by price-time priority (vs AMMs that swap against liquidity pools).

Lighter: Ethereum-settled zk perps. Public mainnet launched in October with a points season and zero/low fees; rapid share gains and credible engineering. OI depth and retention still trail HL.

dYdX v4: Cosmos app-chain with on-chain CLOB. Brand and risk framework help; migration fragmented network effects. Working on latency via Order Entry Gateway to tighten routing.

Aevo: L2⁴ perps + options with polished UX and structured products. Mid-pack volumes; depth and unique users below HL.

Vertex: Hybrid OB/AMM on Arbitrum. Thoughtful risk engine and LP UX; still materially smaller global flow vs HL.

GMX: GLP-style pooled perps. Simpler, yield-centric design; capital efficiency and adverse selection limit it as a high-speed trading venue.

In comparison, Hyperliquid offers:

- Fully on-chain order matching with sub-1s latency
- Transparent revenue flows and no emissions
- Growing developer ecosystem via HyperEVM
- Dominant market share and deep liquidity

Disclaimer: This memo provides investment analysis for informational purposes only and does not constitute financial advice. Cryptocurrency markets are volatile and subject to regulatory and technological changes. All projections are estimates based on current conditions. Please conduct your own research and consult financial advisors before investing.

⁴ Layer-2 (L2): A network that executes transactions off a base chain and posts proofs back (e.g., optimistic/zk rollups) to scale throughput and reduce costs.