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Hyperliquid's Dark Horse Journey

Unpacking the Rise of the On-Chain Derivatives Dominator

Abstract

- **Market Share Dominance and Rapid Growth Driving Industry Expansion**: Hyperliquid holds an impressive 80% market share in the on-chain futures market, far outpacing its nearest competitor. This leading position has played a crucial role in expanding the entire on-chain derivatives market, with DEX's share in global futures trading increasing from 2.7% at the start of 2024 to 8.22% in July 2025.
- **Continued Strong Core Data**: Despite experiencing a protocol attack, Hyperliquid's TVL has rebounded to $478 million (as of July 17, 2025), with cumulative derivatives trading volume exceeding $1.98 trillion. Its single-day peak reached $18.9 billion, with annual revenue around $850 million, placing it among the highest earners in the on-chain protocol space.
- **Whale Capital Drives Liquidity**: Hyperliquid's core liquidity is dominated by a small group of high-net-worth users. A total of 118 wallets with positions exceeding $50 million (Leviathans) control up to $6.82 billion in positions. Large wallets, such as Tidal Whale and Leviathan, are significantly more active than retail users, with over 87% and 92% of their positions remaining open.
- **On-Chain CEX-Level Experience**: Hyperliquid has achieved a near-CEX-level millisecond trading experience through its proprietary high-performance Layer 1 chain and native on-chain order book. It combines gas-free transactions, no-signature orders, and other user experience optimizations to ensure fully on-chain verifiability. By leveraging an open matching API, local simulated matching sandbox, up to 50x leverage, and extremely low fees (market-making 0.01%, taker 0.035%), Hyperliquid has successfully attracted top-tier professional market makers and quantitative firms.
- **HYPE Airdrop Ignites User Growth and a Unique Growth Flywheel**: The HYPE token's initial airdrop totaled $620 million, drawing 94,000 addresses to participate. Over the next two days, 14,619 new addresses were created—surpassing the previous monthly total—highlighting the massive success of its incentive strategy. This success, combined with a precise "anti-VC" narrative, high leverage, extreme fee structure, and the HIP-1 auction mechanism, has built a powerful user growth engine and market recognition system.
- **Whale 'Living Advertisement' Effect**: The transparency of on-chain position information makes whale positions impossible to conceal. Well-known traders like James Wynn openly showcase large positions, attracting follow-up capital and generating a "position—sentiment—price" positive feedback loop.
- **Strategic Expansion and Token Utility Enhancement**: The launch of HyperEVM has attracted numerous DeFi projects to deploy, expanding the use cases for the HYPE token (e.g., paying gas fees, lending, staking), and bringing in additional fee income. This has created a positive cycle of HYPE's value and platform ecosystem expansion.

Keywords: Gate Research, Hyperliquid, Derivatives, DEX

Gate Research: Hyperliquid's Dark Horse Journey: Unpacking the Rise of the On-Chain Derivatives Dominator

1. Introduction

The futures market, as a cornerstone of the global financial system, plays a critical role in price discovery and risk management. However, its inherent drawbacks—centralized clearing, strict regulatory oversight, and high entry barriers—have long limited trading hours, capital efficiency, and introduced trust risks associated with centralized intermediaries.

With the rise of blockchain technology, DeFi seeks to replace traditional financial intermediaries with smart contracts, enabling 24/7 global access to financial services. After achieving notable success in spot trading and lending, on-chain derivatives—particularly perpetual futures—have emerged as the next strategic frontier. Yet early on-chain futures protocols struggled with poor performance, shallow liquidity, inefficient capital use, and subpar user experience, making it difficult to challenge the dominance of centralized exchanges (CEXs).

Since BitMEX popularized perpetual contracts in 2017, the on-chain derivatives space has undergone several waves of technical and model evolution. Currently, mainstream approaches fall into three main categories:

- **AMM Models** (e.g., Perpetual Protocol, Drift): These use virtual liquidity pools to match trades. Their simplicity and ease of supporting new trading pairs are advantages, but they suffer from high slippage and imprecise pricing, limiting their appeal for large traders.

- **Oracle Models** (e.g., GMX, Jupiter): These simplify the matching process by relying on external oracles to provide prices. While beginner-friendly, they introduce systemic risks due to oracle dependency.

- **Orderbook Models** (e.g., dYdX, Helix): These replicate the traditional financial market approach by allowing users to place and fill orders directly. They offer low slippage and deep liquidity, making them ideal for professional traders. However, implementing this model entirely on-chain is extremely challenging—early platforms like EtherDelta and IDEX were eventually sidelined due to performance and cost issues.

To improve performance, some protocols (e.g., dYdX v3) adopted a hybrid model with off-chain order matching and on-chain settlement. While this boosts throughput, it sacrifices full transparency. Subsequent iterations such as dYdX v4 and Helix (based on Injective) explored dedicated appchains or high-performance L1s to address these limitations. However, due to constraints like block confirmation time and architectural bottlenecks, even these systems have struggled to deliver a truly CEX-level, millisecond-speed experience.

Figure 1: Mainstream Solutions in the On-Chain Derivatives Market

Model	Representative	Advantages	Limitations
AMM	Perpetual、Drift	Easy to use	High slippage, rough pricing
Oracle	GMX、Jupiter	Stable and reliable	Dependence on oracle risks
Orderbook	dYdX、Helix	Professional, low slippage	Complex technology, high latency
Next-Gen	Hyperliquid	High performance + transparency	High technical barrier

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Against this backdrop, Hyperliquid has emerged as a rare exception—successfully combining a CEX-grade trading experience with full on-chain verifiability via its custom-built high-performance L1 and native on-chain orderbook. According to Artemis, Hyperliquid has achieved peak daily contract trading volumes exceeding $18 billion and annualized protocol revenues of over $800 million. More importantly, the platform has attracted top-tier market makers and whale traders, creating deep, resilient liquidity.

Hyperliquid's success represents more than a technical breakthrough—it validates a central thesis: if a DEX can truly solve for user experience and liquidity, it can challenge CEX dominance.

This report aims to uncover the underlying logic behind Hyperliquid's meteoric rise. We will systematically explore how the project overcame structural bottlenecks, analyze its technical architecture, market strategy, and growth flywheel, and assess how it is reshaping the landscape of on-chain derivatives.

2. Hyperliquid's Meteoric Rise: From Challenger to Market Leader

2.1 What is Hyperliquid?

Founded in 2022 by Jeff Yan and iliensinc, Hyperliquid was born from a combination of deep technical expertise and a pivotal industry event. Jeff, who has a mathematics background from Harvard and experience in high-frequency trading at Hudson River Trading (HRT), became disillusioned with centralized infrastructure after the dramatic collapse of FTX in November 2022. The failure of what was once a flagship centralized exchange (CEX) underscored the systemic risks of centralization and drove Jeff to build a new paradigm for trustless, high-performance trading infrastructure.

Hyperliquid's core breakthrough lies in achieving a rare combination: *CEX-level user experience with full on-chain transparency*. Unlike AMMs or hybrid models (off-chain matching with on-chain settlement), Hyperliquid built a bespoke high-performance Layer 1 blockchain from scratch, enabling a fully on-chain orderbook. Limit orders, cancellations, executions, and liquidations are all processed on-chain with sub-second latency—achieving both auditability and speed.

According to Gate Research's earlier report, *"Next-Gen Layer 1 Strategies"*, Hyperliquid's architecture is designed around:

- **Technology**: A custom Layer 1 optimized for ultra-low-latency order matching, breaking the long-standing assumption that on-chain orderbooks must sacrifice performance.

- **Mechanism Design**: A fully transparent Dutch auction listing process (HIP-1) replaces CEX-style opaque token listings, while the Hyperliquidity Provider (HLP) vault acts as both the market maker and backstop, pooling over 90% of the platform's TVL and enabling deep liquidity and minimal slippage.

- **Tokenomics**: The native HYPE token has a 1 billion total supply, with no VC allocations or team reserves. 70% of tokens are distributed to the community and incentives. Users staking HYPE enjoy fee discounts and validator rights, earning 2.5% APY. All platform fees and auction revenue are used for buybacks, burns, or reinvestment into community funds—with no team cuts.

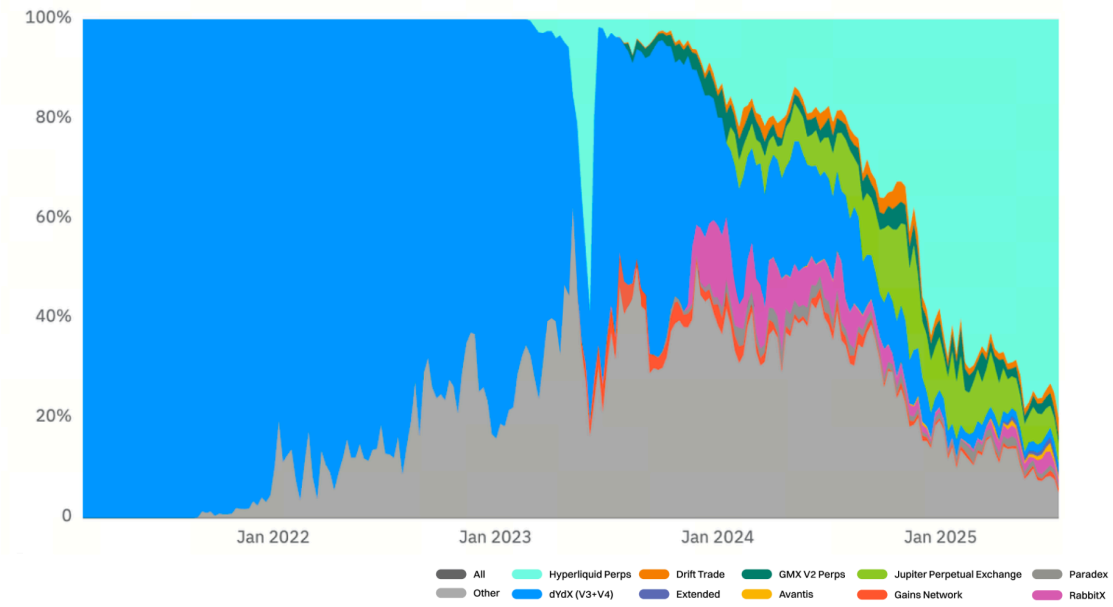
This comprehensive architecture disproves the outdated view that on-chain order matching must compromise performance. Instead, it meets the dual demands of institutional capital and high-frequency traders for low-slippage, fully auditable execution.

2.2 Hyperliquid Growth: From Underdog to Industry Dominator

Hyperliquid's perpetual futures exchange—its flagship product—sits at the core of its ecosystem and strategic roadmap. In under two years, it has risen from a new entrant to the undisputed leader in on-chain derivatives.

Before 2024, the perpetuals market was largely dominated by dYdX. However, following Hyperliquid's rapid growth—especially after the launch of the HYPE token—its market share surged. As of July 14, 2025, Hyperliquid commands 80% of the on-chain futures market, far ahead of second-place Jupiter Perpetual (4.4%) and dYdX (1.5%), creating a wide performance gap.

Figure 2: Market Share of the Top 10 On-Chain Derivatives Projects



Gate Research, Data from: Dune

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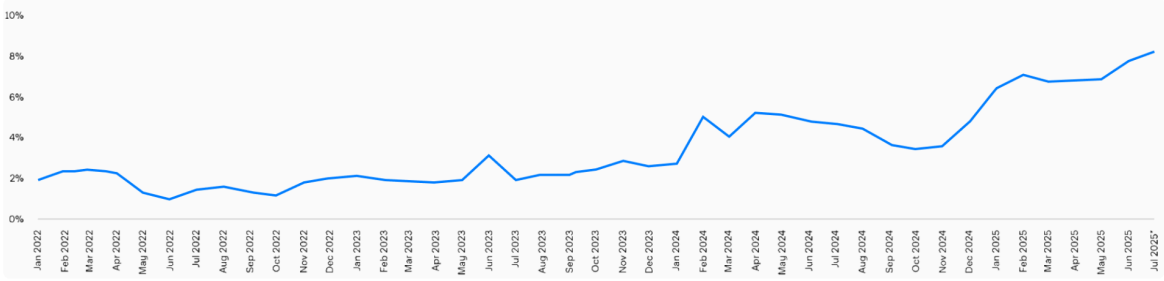
Zooming out, Hyperliquid is also the key driver behind the expansion of the entire DEX futures segment. According to The Block, the market share of decentralized futures trading has grown from 2.7% in early 2024 to 8.22% by July 2025, nearly tripling in size. Hyperliquid is at the center of this growth, gradually chipping away at volumes previously monopolized by CEX giants like Binance ($112.76B), OKX ($50.15B), and Gate ($34.8B). Though it hasn't yet matched CEXs in raw volume, Hyperliquid's growth trajectory and robust product stack position it as a true CEX alternative.

Figure 3: DEX to CEX Futures Trade Volume (%)



Gate Research, Data from: The Block

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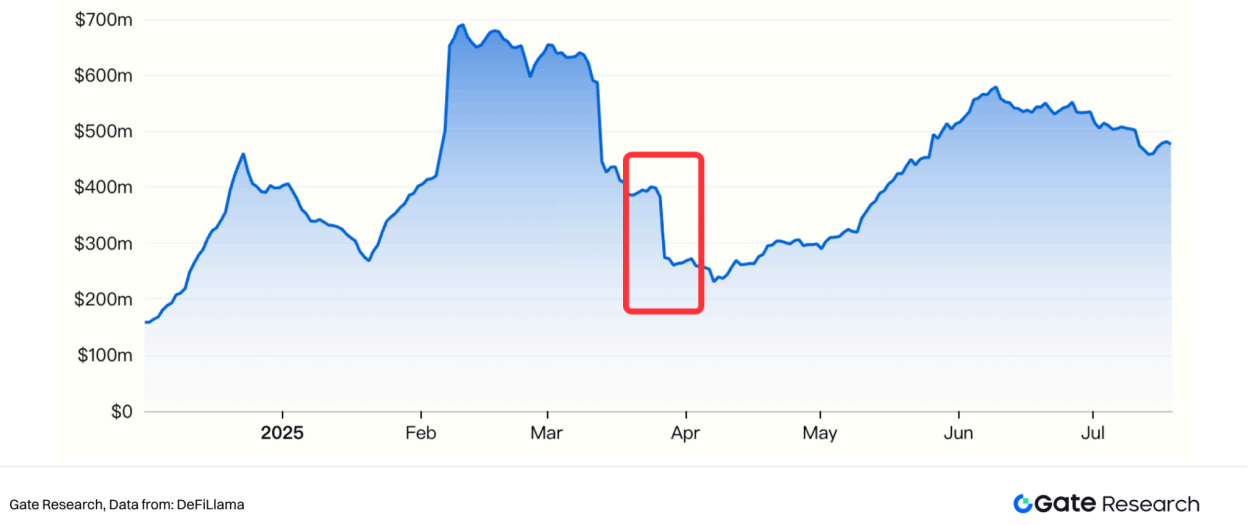
However, hypergrowth comes with risks. On March 26, 2025, Hyperliquid faced its most severe crisis to date: a sophisticated protocol exploit. An attacker leveraged the platform's high leverage feature to aggressively long a low-liquidity token, JELLY, both on-chain and on external exchanges. The price spiked nearly 10x before the attacker dumped the holdings, severely impacting the platform's liquidity pool. Hyperliquid was forced to assume control of ~$398 million JELLY short positions, with unrealized losses peaking at $12 million. If prices had continued to rise, it could have endangered $240 million in reserve funds.

To contain the damage, the team initiated two emergency measures that evening:

1. Liquidated risk positions at favorable prices.
2. Used foundation reserves to compensate affected users.

Despite its decentralized ethos, Hyperliquid's centralized crisis response drew scrutiny and sparked debate over its decentralization claims. In the 48 hours following the incident, TVL plummeted nearly 50% from $400M to $270M, and daily trading volumes also halved.

Figure 4: Hyperliquid TVL

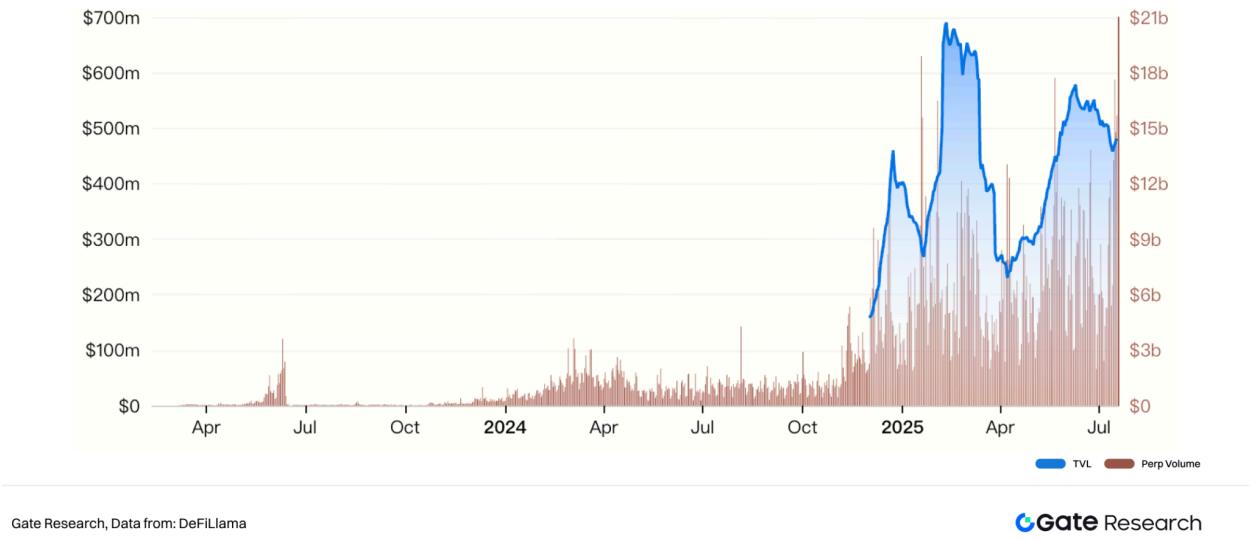


Despite the shock, Hyperliquid rebounded strongly. As of July 17, 2025, per DefiLlama:

- TVL has recovered to $478M
- Cumulative derivatives volume surpassed $1.98 trillion
- Peak daily volume hit $18.9B on January 18, 2025
- DEX spot volume reached a cumulative $55B, with a daily peak of $951M on November 29, 2024

By comparison, Jupiter's daily derivatives volume on July 14 was $838M, only 5.6% of Hyperliquid's $14.79B that day.

Figure 5: Hyperliquid Daily Perp Volume and TVL



Gate Research, Data from: DeFiLlama

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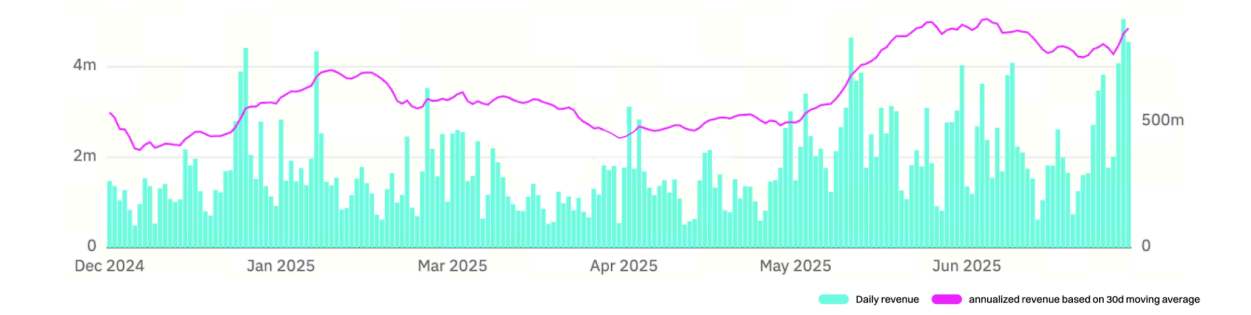
Revenue data further illustrates the platform's traction. Hyperliquid's income derives primarily from trading fees and spot auction revenue. According to Dune, on July 16, 2025, single-day revenue reached $4.55M, translating to $850M in annualized revenue. On this metric, Hyperliquid ranks among the top DeFi protocols globally. Per DefiLlama, it was the 4th-highest revenue generator in the past 24 hours, trailing only Tether, PancakeSwap, and Circle.

Figure 6: Hyperliquid Daily Revenue



Gate Research, Data from: Dune

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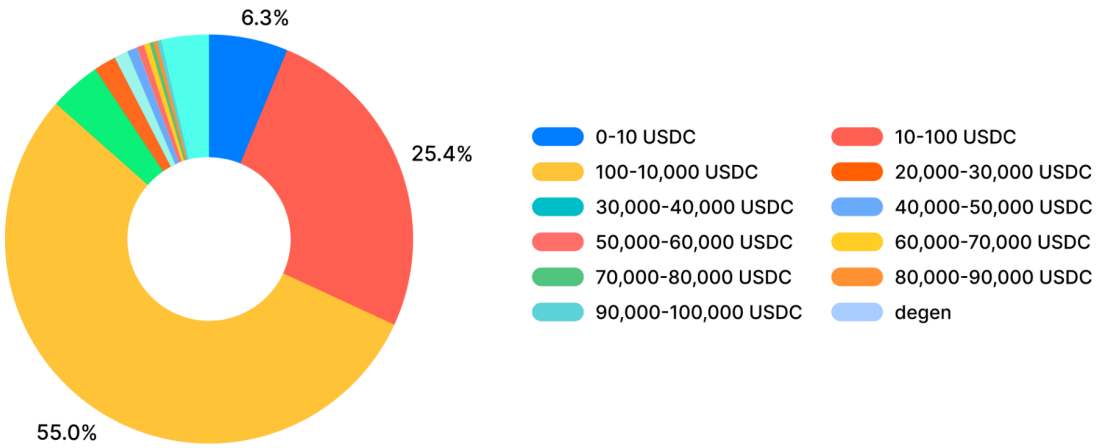
In terms of user composition, data from Dune shows that as of July 14, Hyperliquid recorded 7,990 deposits in a single day, with cumulative deposits exceeding 1.6 million. The average deposit amount per user was $14,988. Looking at the distribution, 86.7% of users deposited less than 10,000 USDC — with 31.7% depositing under 100 USDC, and 55% between 100–10,000 USDC. Among mid- to high-volume users, 7.8% deposited between 10,000–50,000 USDC, and 1.9% between 50,000–100,000 USDC. Notably, 3.6% of users — the so-called "degens" — deposited over 100,000 USDC. This structure of a broad user base combined with deep whale liquidity provides the platform with strong liquidity and stable trading momentum.

Figure 7: Hyperliquid User Deposit Distribution



Gate Research, Data from: Dune

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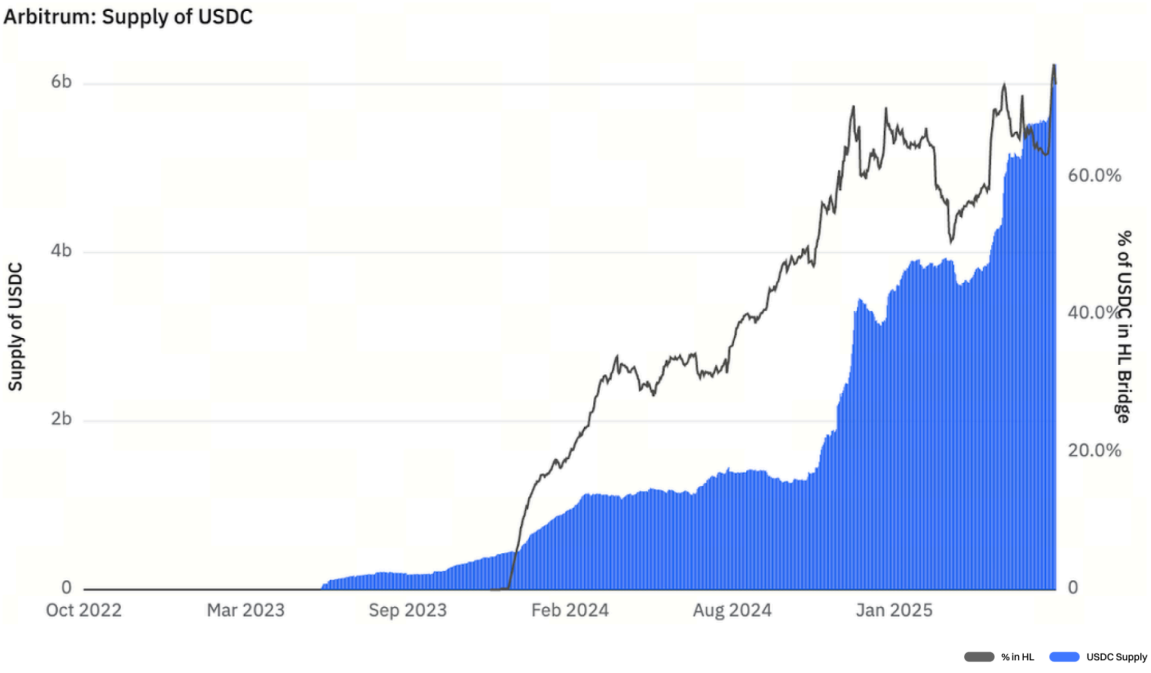
Moreover, Hyperliquid's USDC vault is now the largest single holding address on Arbitrum, with over $4.5B in USDC—accounting for 75% of Arbitrum's native USDC supply ($5.9B). This reflects a high degree of institutional trust in Hyperliquid's liquidity and asset security.

Figure 8: Hyperliquid's USDC Share on Arbitrum



Gate Research, Data from: Dune

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In summary, Hyperliquid has shattered the belief that on-chain derivatives can't scale, while building formidable competitive moats. From early challenger to breakout dark horse to current market dominator, Hyperliquid is charting a realistic path to a “CEX-on-chain” future—and may well become a foundational pillar of the next generation of decentralized finance.

3. Core Drivers Behind Hyperliquid’s Rise as the On-Chain Derivatives Powerhouse

Hyperliquid’s rapid ascent from challenger to breakout leader in the on-chain derivatives market in just two years is far from accidental. Its success stems from the organic fusion of forward-looking technical architecture, sharp market strategies, strong community alignment, and a “growth flywheel” driven by whale participation—creating a powerful “live advertisement” effect and influence-driven economy.

3.1 Technology-Driven: System-Level Innovation Enabling a CEX-Like On-Chain Experience

One of Hyperliquid’s greatest strengths lies in its ability to deliver a centralized exchange (CEX)-like experience fully on-chain—not only offering smooth, low-latency operations but also preserving key benefits such as on-chain verifiability and self-custody of assets. This experience wasn’t built on a single breakthrough, but rather a holistic and optimized system design.

3.1.1 Custom-Built High-Performance Layer 1: Engineered for Extreme Performance

Instead of deploying on Ethereum or existing modular Layer 2s, Hyperliquid developed a custom high-performance Layer 1 blockchain specifically for on-chain perpetual futures, aiming to deliver CEX-level matching performance. Its mainnet leverages parallel computation and state partitioning, along with an optimized Tendermint consensus and asynchronous batching to dramatically increase throughput.

- Matching latency: < 20ms
- Transaction throughput: thousands of TPS—far beyond traditional Layer 2s
- Real-time state sync: allows continuous order book updates and depth maintenance on-chain

This architecture enables real-time matching and order book state updates on-chain, laying the foundation for a self-custodial, high-frequency trading environment.

3.1.2 Native On-Chain Orderbook: Trustless by Design

Unlike dYdX v3 and other hybrid DEXs that rely on off-chain matching, Hyperliquid executes all order book operations on-chain. It achieves consistency across order placement, matching, and settlement—all fully verifiable and tamper-resistant.

Its matching engine processes order updates, matching, and fee settlement as native on-chain state transitions. It incorporates an in-house on-chain mempool caching system to achieve millisecond-level match confirmations without relying on off-chain intermediaries.

Key advantages of this fully on-chain approach:

- **High verifiability:** Users can audit matching logic and results anytime, ensuring transparency
- **Minimized trust assumptions:** No dependency on centralized matchers, eliminating order manipulation risks

3.1.3 User Experience Optimization: Gasless UX + Signature-Free Flow + Unified Accounts

Hyperliquid applies a range of UX innovations to significantly reduce friction in on-chain interactions, making it appealing to all trader profiles:

- **Gasless by default:** The platform covers users' gas costs during trading, lowering barriers to entry and offering substantial cost savings for high-frequency traders.
- **Signature-less order placement:** Through on-chain pre-authorization, users sign once and can place/cancel multiple orders without constant wallet prompts.
- **Unified account structure:** Users can trade with USDC and native tokens through a single account system, without repeated staking, approvals, or bridging.
- **Zero KYC:** Hyperliquid doesn't require KYC, allowing anonymous trading—especially attractive to privacy-focused users and institutions wary of regulatory exposure.

These design choices deliver a near-CEX smoothness—especially on mobile and web—leading to higher user retention and engagement.

3.1.4 Tailored for Advanced Traders: API Access + Local Simulation Sandbox

To serve professional market makers and high-frequency traders, Hyperliquid provides customizable on-chain interfaces and robust testing environments:

- **Open matching API:** Enables direct interaction with the on-chain order book without SDK overhead, ensuring ultra-fast execution
- **Local matching sandbox:** A groundbreaking tool for running local testnets to validate strategies before going live, reducing production risk
- **Real-time market broadcast:** Uses lightweight gossip protocols to stream order book updates, ensuring the fastest strategy responsiveness

Hyperliquid also offers highly competitive trading parameters:

- Up to **50x leverage**, far higher than most DEXs (e.g., dYdX at 20x)
- **Low fees:** Maker fee of 0.01%, taker fee of 0.035%, and VIP discounts down to 0.019%

This high-performance, institutional-grade infrastructure makes Hyperliquid the only on-chain perpetuals protocol capable of serving high-frequency institutional players—successfully attracting top-tier market makers and quant funds.

3.1.5 Vault System: Balancing Active Trading with Passive Yield

Hyperliquid offers two types of vaults catering to different user profiles:

- **User-Created Vaults:** Anyone can create a fund with their own strategy; investors share profits/losses based on allocation. Managers must stake at least 5% of TVL and earn a 10% performance fee—similar to copy trading on CEXs
- **HLP (Hyperliquidity Provider) Vaults:** Centralized liquidity strategies. Although execution happens off-chain, all positions, orders, and trade history are publicly viewable on-chain. HLPs take no management fee—profits and losses are distributed proportionally, and HLP currently accounts for **91% of the platform's TVL**

HLP strategies are divided into:

- **Market Making:** Provides continuous bid-ask quotes, earning spreads
- **Liquidation:** Automatically closes positions when margin requirements aren't met, with auto-deleveraging used when needed to prevent systemic risk

Thus, HLPs serve both as liquidity providers and risk stabilizers—ensuring healthy market operation.

In summary, Hyperliquid's array of technical innovations, user-centric UX design, and unique system mechanisms have enabled it to build a truly CEX-level on-chain perpetuals exchange. It not only matches CEX performance but exceeds them in transparency and decentralization—forming the core competitive advantage that has propelled Hyperliquid from a challenger to the dominant force in the on-chain derivatives space.

3.2 Hyperliquid's Growth Flywheel: Market Strategy and Ecosystem Innovation

3.2.1 Airdrop as the Leverage Point: A Unique Points System and Viral Growth

Hyperliquid broke away from the traditional "one-time token dump" airdrop model. Its innovative points system was widely recognized in 2024 as one of the most successful airdrop strategies in crypto, serving as the key engine for both user acquisition and market traction. The system not only rewarded users but also fostered deep engagement with the platform. Its distribution strategy was particularly praiseworthy: it ensured early users' points wouldn't be diluted while

attracting newcomers through fixed weekly point allocations (e.g., one million points allocated to both this and next week's new users), creating a positive feedback loop.

Multi-season Dynamic Rewarding: Hyperliquid's points program was designed to reward genuine platform usage instead of pure farming. Multiple "seasons" (Alpha, Season 1, Season 2, etc.) were introduced with dynamic adjustments to reward rules. Bonus points were offered for authentic interactions, such as trading and deposits, discouraging simple point mining. This flexible and ongoing incentive structure extended the airdrop's lifecycle while keeping users actively engaged.

Whale and Retail Inclusion: Season 1's focus on perpetual trading volume naturally attracted whales, HFT traders, and market makers. Season 2 broadened accessibility by including spot trading and asset holdings in its points criteria, making participation feasible for smaller retail users. This thoughtful design bridged the interests of both whales and retail users, boosting community inclusiveness and sentiment.

Balancing Transparency with Opacity: While the total points allocation per season was publicly disclosed, details such as token conversion ratios, exact reward formulas, and Sybil attack penalties were intentionally kept vague. This encouraged meaningful engagement, speculation, and prevented large actors or bots from gaming the system—ensuring a fairer and more merit-based reward structure.

Airdrop Impact and Retention Mechanics: Early on, Hyperliquid had relatively low visibility in Chinese-speaking communities, giving initial users an edge in points accumulation and setting the stage for viral growth. Beyond the points system, ongoing initiatives like trading competitions further drove engagement and liquidity. Referral-based points tied user actions to future airdrops and platform rights, boosting user stickiness and organic spread.

Even during market downturns, Hyperliquid's engagement remained strong. At the end of 2024, amid a market rebound, it launched the HYPE genesis airdrop. The token quickly surpassed legacy players like dYdX and Jupiter in market cap, becoming the go-to DEX for derivatives traders. HYPE was listed on November 29, 2024, exclusively on Hyperliquid. It launched at $2 and surged to $9.8 within three days—a nearly 5x increase. The airdrop distributed 310 million HYPE tokens (around 274 million were claimed; others missed due to unsigned terms). Even at the opening price, this amounted to $620 million in value, making it one of the largest airdrop events of 2024. According to ASXN Data, 94,000 wallets received an average of ~2,915 HYPE each—worth roughly $28,500 at peak price.

Figure 9: HYPE Token Airdrop Distribution

Gate Research, Data from: ASXN Data

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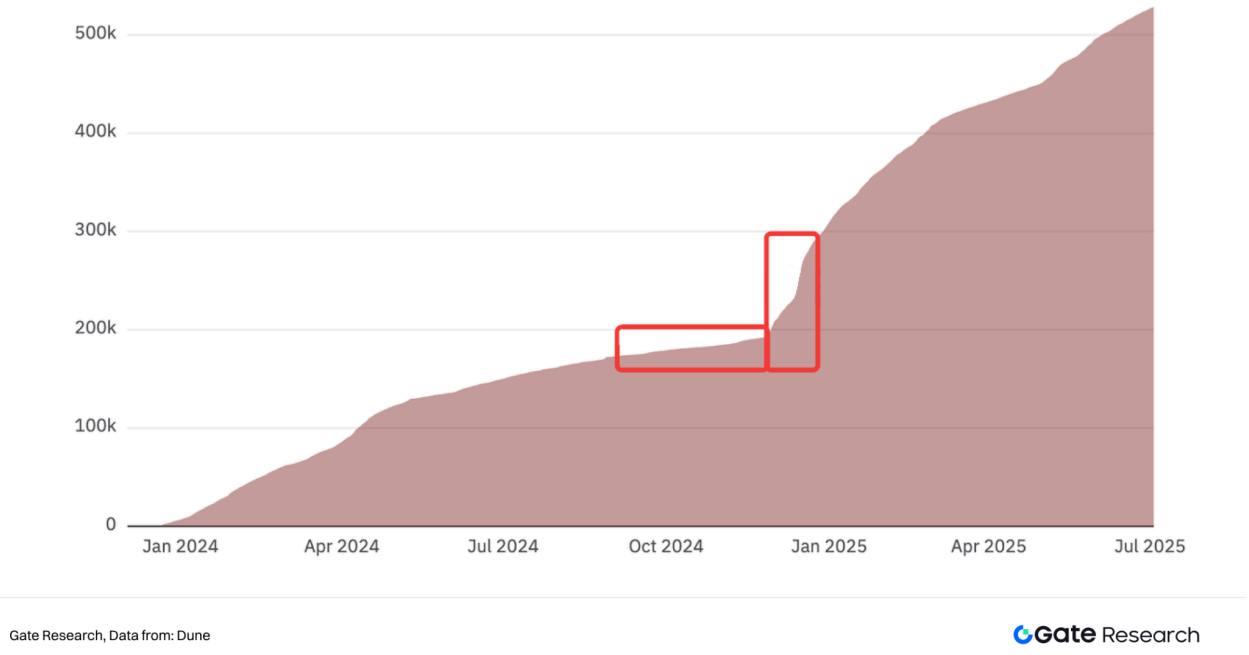
While Hyperliquid had limited social media exposure early on, the airdrop's massive wealth effect quickly went viral, bringing in a wave of new users. Daily new users had remained below 1,000 prior to launch, but on November 29–30 alone, 14,619 new users joined—exceeding the previous month's total. This explosive growth validated Hyperliquid's point strategy and market timing.

Figure 10: Hyperliquid Cumulative Users



Through its clever points design, Hyperliquid achieved both user acquisition and retention, with one of the most impactful airdrop events in crypto history—firmly establishing itself as a rising star in the on-chain derivatives space.

3.2.2 Strategic Market Positioning and Growth Tactics

Hyperliquid's success lies not only in its technological excellence but also in its precise market positioning and unique growth strategies. These strategies have effectively attracted and retained its core user base while building a strong sense of community identity.

Anti-VC Narrative & Community Resonance: From day one, Hyperliquid has emphasized its "no VC" background and pledged not to allocate tokens to centralized exchanges or market makers. Instead, 100% of trading fees are returned to the community. This firm stance strongly resonates with the current crypto community's anti-VC and anti-centralization sentiment, directly addressing retail users' desire for fairness and transparency. By contrasting sharply with the status quo of centralized platforms, Hyperliquid has quickly gained broad community support and built strong brand recognition.

Transparent, Social Media-Driven Community Building: Hyperliquid actively leverages platforms like Twitter (X), Discord, and Telegram to publicly share technical progress and platform data. It also collaborates with key crypto KOLs to promote platform performance and whale activity, increasing visibility. On the community front, the team frequently responds to feedback, strengthening engagement and user participation, thereby forming a sticky and loyal user network.

Ultra-Competitive Fees and High Leverage: Offering extremely competitive rates—0.01% for makers and 0.035% for takers—along with up to 50x leverage, Hyperliquid directly appeals to professional traders and high-risk users. This combination of low cost and high capital efficiency has made it the go-to choice for whales and institutions seeking peak performance and return on capital.

Community-Driven Revenue Distribution & Deflationary Tokenomics: All trading fees are distributed to the community through mechanisms like the HLP Vault and the Assistance Fund—none are reserved for the team or insiders. This reinforces the platform's decentralized nature and aligns incentives with its user base. Simultaneously, the platform uses buyback-and-burn mechanisms for the HYPE token, reducing circulating supply and strengthening long-term value appreciation, which incentivizes holding and active participation.

HIP-1 Token Listing Auctions: Decentralized Launches: The HIP-1 (Hyperliquid Improvement Proposal - 1) auction is a fully on-chain Dutch auction system to determine which tokens get listed—entirely transparent and governed by smart contracts. In contrast to centralized exchanges' opaque negotiations and high listing fees, HIP-1 routes all listing revenue into the Assistance Fund and burns HYPE tokens, further driving scarcity. While spot market activity is still growing, HIP-1 demonstrates Hyperliquid's bold ambition to challenge CEX gatekeeping and empower community-driven listing processes.

3.2.3 Ecosystem Partnerships & HyperEVM Expansion: Building the Growth Flywheel

Hyperliquid's growth flywheel is far from closed—it is continuously expanding through ecosystem collaborations and strategic tech launches, especially with the rollout of HyperEVM, which positions the protocol as a core pillar of the broader Web3 stack.

DeFi Integration and Traditional Finance Bridging: Hyperliquid works closely with major DeFi components, such as Chainlink and Pyth Network, to ensure reliable and real-time price oracles. More notably, it serves as a seamless entry point for Web2 applications and institutional capital entering the on-chain derivatives market.

- **Phantom Wallet Integration:** Phantom has integrated Hyperliquid's perpetual trading directly into its wallet UI for EU users. Through permissionless Hyperliquid API access, qualified users can trade perps non-custodially inside the wallet with up to 40x leverage, including stop-loss, take-profit, and real-time alerts—greatly enhancing UX and convenience.

- **Public Company Holding HYPE:** Eyenovia, a U.S.-listed digital ophthalmology company, has announced it is adding HYPE to its treasury and plans to rebrand as "Hyperion DeFi." It is the first U.S. public company to hold HYPE, signaling institutional confidence in the token's strategic value.

HyperEVM: A New Growth Engine for the Ecosystem. HyperEVM is a pivotal new pillar of growth within the Hyperliquid ecosystem. It shares the same global state and consensus mechanism as Hyperliquid L1 but operates as an independent EVM-compatible execution environment. Its launch marks a key strategic move in Hyperliquid's rise to "dark horse" status.

- **Fertile Ground for a New Wave of DeFi:** The rollout of HyperEVM has attracted a wide range of DeFi projects, including AMMs, lending protocols, liquid staking platforms, and CDP-based stablecoin protocols. These deployments significantly enhance the capital efficiency of HYPE when used as collateral. More importantly, HyperEVM's unique on-chain order book liquidity model is expected to give rise to a new class of innovative, natively DeFi applications, injecting continuous innovation into the Hyperliquid ecosystem. For example, Ethena Labs plans to integrate with Hyperliquid to reduce reliance on centralized exchanges and boost system resilience.

- **Multi-Dimensional Revenue Expansion:** The operation of HyperEVM generates new sources of fee revenue that can be directed toward staking rewards and token burns, reinforcing HYPE's value accrual mechanisms. The influx of high-utility, high-market-cap projects—as well as the bridging of native assets like USDC, BTC, SOL, and ETH—will significantly boost spot trading volumes. In addition, as more projects deploy on HyperEVM, competition for token code auctions will drive up bidding prices, creating another income stream for the platform. Notably, Hyperliquid's HLP market-making vault enables users to deposit stablecoins to participate in protocol-level market making and earn a sustainable yield of around 19%+ APY—a growth model that relies minimally on external incentive subsidies, making it more sustainable.

- **HYPE Token Utility and the Value Flywheel:** The launch of HyperEVM dramatically expands the use cases for HYPE across the ecosystem. HYPE is now required to pay for gas fees and is used across lending, staking, and locking mechanisms—driving stronger buying pressure. The token's market performance has further validated its wealth-generation potential and influence. Since late November 2024, when HYPE was trading at approximately $6, its price has surged to a peak of $48.55, representing nearly a 7x increase. This explosive growth has rewarded early adopters handsomely, amplified Hyperliquid's visibility and appeal across the crypto community, and drawn in a fresh wave of users and capital—creating a virtuous cycle between HYPE's price performance and ecosystem expansion.

Figure 11: HYPE Price

Through a comprehensive market strategy, deep community engagement, and forward-looking ecosystem expansion—especially with HyperEVM—Hyperliquid has not only solved many of the pain points faced by on-chain derivatives DEXs but also built a sustainable, self-reinforcing growth flywheel that attracts, retains, and incentivizes users. This is what has allowed it to emerge as a true standout in the highly competitive perpetual futures landscape.

3.3 Whale-Driven Growth: The Core Engine Behind Hyperliquid's Rise

Hyperliquid's true success lies not only in attracting retail users and airdrop hunters, but more crucially in gaining the trust and participation of professional market makers, quantitative firms, and crypto whales. Thanks to its unique infrastructure and outstanding performance, Hyperliquid has become a magnet for large-scale capital. This influx has provided the platform with unmatched order book depth and genuine on-chain liquidity, propelling Hyperliquid to the forefront of the on-chain derivatives market.

3.3.1 The “Live Advertisement” Effect of Whales and the Influence Economy

Hyperliquid’s open and transparent on-chain data makes whale positions publicly visible, enabling retail users to track the movements of so-called “smart money.” Influential traders like James Wynn and other KOLs (Key Opinion Leaders) take advantage of Hyperliquid’s high leverage (up to 40–50x) and transparent trading environment to showcase large positions—such as a $568 million BTC long—to attract follower capital. This visibility generates a positive feedback loop of *position → sentiment → price*.
Such high-leverage, large-scale, and publicly trackable trading activity is virtually impossible on traditional centralized exchanges (CEXs), serving not only as a testament to Hyperliquid’s strong liquidity and infrastructure but also acting as organic promotion to attract more professional traders.

By publicly displaying massive on-chain positions and profits, KOLs like James Wynn amplify their influence and inspire retail users to copy their trades. This level of influence far surpasses that of traditional CEXs, where followers often rely on API-based signals. The cycle of capital + influence forms a feedback mechanism that’s difficult to replicate in traditional trading environments.

For example, on July 23, 2025, whale traders on Hyperliquid demonstrated exceptional activity and responsiveness in ETH and BTC markets, frequently opening and closing large positions—highlighting the platform’s appeal to high-frequency traders and institutional participants.

In just 15 minutes, there were 11 trades exceeding $1 million. Several high-frequency addresses entered and exited positions repeatedly—for example, wallet `0xc0a8...28` opened long positions and closed shorts in quick succession, demonstrating agile capital strategies and a clear liquidity advantage.
Trade sizes were remarkable:

- Wallet `0x8bff...c3` closed a short worth **$9.29 million**
- Wallet `0x8d0e...44` closed a long worth **$7.79 million**
- Multiple BTC long positions clustered in the **$1–1.79 million** range

These activities underscore large capital’s high confidence in Hyperliquid’s depth and matching efficiency.

Figure 12: Hyperliquid Whale Activity

Address	Symbol	Activity	Position	Price	Time
0x9527..93	BTC	Open Long	$ 1.00M	$119178.2	11:32
0x8bff..c3	ETH	Close Short	$ 9.29M	$3716.01	11:31
0xc0a8..28	ETH	Open Long	$ 1.04M	$3756.9	11:30
0xc0a8..28	ETH	Close Short	$ 1.16M	$3741.01	11:29
0x8d0e..44	ETH	Close Long	$ 7.79M	$3744.53	11:28
0x8f80..da	ETH	Close Short	$ 1.37M	$3664.83	11:26
0xd064..87	ETH	Open Long	$ 1.13M	$3743.56	11:21
0x1c81..34	BTC	Open Long	$ 1.03M	$119501.3	11:21
0x612c..4a	BTC	Open Long	$ 1.19M	$119615.8	11:19
0xd064..87	ETH	Close Long	$ 2.26M	$3753.68	11:18
0x1dd0..2e	BTC	Open Long	$ 1.79M	$119010	11:17

Gate Research, Data from: Coinglass

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3.3.2 Whales as the Dominant Force of On-Chain Liquidity

According to wallet position data from July 23, 2025, on Hyperliquid, the platform's growth and activity are largely driven by whale users. Wallets holding over $100,000 in assets serve as key anchors for overall positioning and market confidence.

High Capital Concentration: While wallets holding less than $100,000 (Shrimp, Fish, Dolphin) number over 95,000, their combined positions total less than $700 million. In contrast, around 3,600 wallets holding between $100,000 and $50 million (Small Whales, Whales, Tidal Whales) contributed more than $600 million in long positions and $500 million in shorts, totaling over $1.1 billion in exposure. The Leviathan category (wallets over $50 million) includes just 118 wallets, yet they collectively control a staggering $6.82 billion in open interest ($2.9B long, $3.9B short), indicating that core liquidity is highly concentrated in the hands of a few ultra-high-net-worth participants.

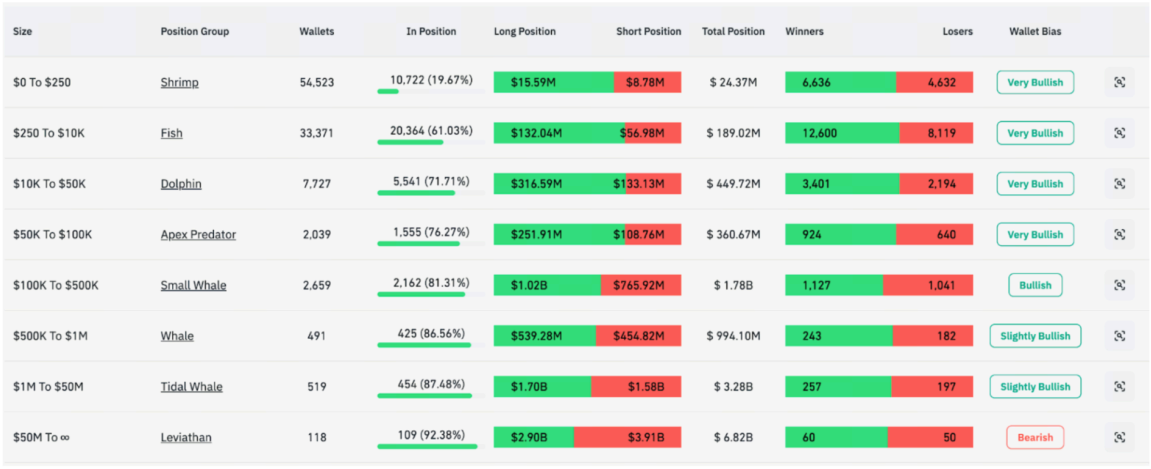
High Open Position Rate: Large wallets exhibit significantly higher trading activity than retail. Over 87% of Tidal Whale wallets and 92% of Leviathan wallets are currently in open positions, highlighting their consistent participation and sharp focus on trading opportunities on the platform.

Clear Profit Orientation: Among Small Whales ($100K–$1M), 2,162 wallets hold positions totaling $1.78 billion, with $1.02 billion in long exposure. More than 1,100 of these wallets are in

profit—over 52%—demonstrating that mid-to-large-sized traders are not only highly active but also consistently profitable, which in turn enhances the platform's attractiveness to similar capital profiles.

Few Wallets Control Majority of Liquidity: The combined group of Whales, Tidal Whales, and Leviathans—roughly 1,000 wallets—controls over $10.1 billion in total open interest, the majority of which is profitable. This suggests Hyperliquid's system design has been validated by sophisticated capital, and the platform is successfully transitioning from "airdrop-driven" to "trading-driven" growth.

Figure 13: Hyperliquid Wallet Position Distribution



Size	Position Group	Wallets	In Position	Long Position	Short Position	Total Position	Winners	Losers	Wallet Bias
$0 To $250	Shrimp	54,523	10,722 (19.67%)	$15.59M	$8.78M	$ 24.37M	6,636	4,632	Very Bullish
$250 To $10K	Fish	33,371	20,364 (61.03%)	$132.04M	$56.98M	$ 189.02M	12,600	8,119	Very Bullish
$10K To $50K	Dolphin	7,727	5,541 (71.71%)	$316.59M	$133.13M	$ 449.72M	3,401	2,194	Very Bullish
$50K To $100K	Apex Predator	2,039	1,555 (76.27%)	$251.91M	$108.76M	$ 360.67M	924	640	Very Bullish
$100K To $500K	Small Whale	2,659	2,162 (81.31%)	$1.02B	$765.92M	$ 1.78B	1,127	1,041	Bullish
$500K To $1M	Whale	491	425 (86.56%)	$539.28M	$454.82M	$ 994.10M	243	182	Slightly Bullish
$1M To $50M	Tidal Whale	519	454 (87.48%)	$1.70B	$1.58B	$ 3.28B	257	197	Slightly Bullish
$50M To ∞	Leviathan	118	109 (92.38%)	$2.90B	$3.91B	$ 6.82B	60	50	Bearish

Gate Research, Data from: Coinglass

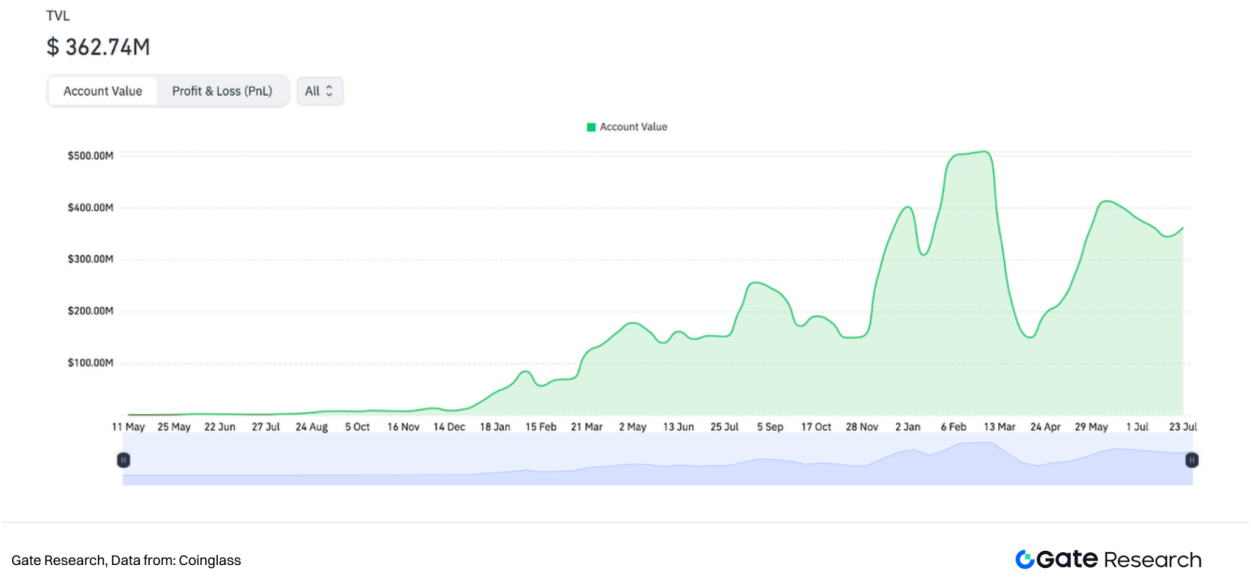
Gate Research

3.3.3 The Fusion of Freedom and Efficiency: Why Whales Prefer Hyperliquid

Whales frequently engage in "extreme trades" on Hyperliquid—high leverage combined with large position sizes—enabled by a robust infrastructure that caters to highly elastic, risk-intensive strategies.

HLP Vault: A Whale-Friendly Liquidity Hub: Hyperliquid's HLP vault is not a passive LP pool but actively participates in market making and liquidations. With over $360 million TVL, it provides deep, on-chain liquidity. Users can stake USDC to mint HLP tokens and become co-owners of the vault, sharing in trading fees, funding rates, and liquidation revenue. This "decentralized market-making + revenue-sharing" model enables continuous capital inflow and ensures sufficient liquidity for whales to execute large trades with minimal slippage and risk.

Figure 14: HLP Vault TVL



Funding Rate Mechanics: Fast Settlement + Market Maker Advantage. Hyperliquid's funding rates are calculated using external oracles and settled every 1/8 of an hour (every 7.5 minutes), with a cap of 4% per hour. This system minimizes manipulation and reinforces price anchoring. For the HLP vault, this structure creates a natural market-making advantage, while for whales, it becomes a strategic signal for executing arbitrage and spread-based strategies.

Capital Cost Advantage: Low Margin Requirements for Large Positions. Hyperliquid employs fixed and relatively flat margin requirements (e.g., 1% initial, 0.5% maintenance), meaning even massive positions can operate under the same low margin rules. Compared to the tiered margin systems on CEXs, this substantially reduces whales' entry and holding costs.

Privacy and Transfer Freedom: Hyperliquid is non-custodial, giving users full control over funds via their wallets—eliminating CEX-style risks like withdrawal limits or account freezes. Additionally, the platform does not implement ADL (Auto-Deleveraging), ensuring that even during extreme market volatility, profitable accounts are not forcibly closed or burdened with others' losses. Governance is based on a "Swordbearer" model combining smart contract execution with validator voting, striking a balance between on-chain efficiency and trading freedom—aligning with the privacy and autonomy that whales demand.

Whale users' needs for anonymity, extreme liquidity, and public influence make Hyperliquid an ideal alternative to centralized exchanges. The platform is now shifting from "airdrop-driven acquisition" to a new growth phase led by deep liquidity and active trading from high-net-worth individuals.

Through their large-scale, high-frequency, and consistently profitable trading behavior, whales are the key force sustaining Hyperliquid's liquidity, volume, and market credibility—and the primary engine powering its ascent to a dominant position in the on-chain derivatives market.

4. Challenges and Opportunities

Despite its milestone achievements in the on-chain futures market through innovative technology and strategic execution, Hyperliquid, as an emerging DeFi project, still faces several key challenges:

- **Validator Centralization Risk:** Although Hyperliquid has upgraded its validator set to 21 permissionless nodes—allowing anyone to register and compete for active validator status by staking (the top 21 stakers become active)—validators are still largely team-controlled. This presents a bottleneck in the decentralization process. If a subset of validators underperforms, it could directly impact network stability, user experience, and overall platform trust.
- **Quality Risk of the EVM Ecosystem:** The success of HyperEVM hinges on the caliber of projects that join the ecosystem. If it attracts only low-quality or copycat projects, it will struggle to gain capital and engagement. Attracting genuine builders—not speculators—is essential.
- **DeFi Innovation & Regulatory Risks:** With EVM integration, innovations like liquid staking and lending may increase HYPE capital efficiency. However, these could introduce unknown risks at the L1 interaction level, and affect HYPE token value and the platform's operational integrity.
  Globally, crypto derivatives face strict regulatory scrutiny. Hyperliquid's hybrid model and borderless structure bring complex compliance challenges—including legal classification, KYC/AML enforcement, cross-border coordination, and debates around decentralization.
- **Intensifying Market Competition:** Hyperliquid must compete against centralized exchanges (CEXs) with strong brand recognition, large user bases, seamless fiat on- and off-ramps, and broad product offerings. It also faces competition from emerging DEXs offering novel mechanisms and lower fees, risking liquidity fragmentation.
- **Technical Iteration & Security Bottlenecks:** Long-term scalability, blockchain interoperability, and smart contract security (e.g., oracle manipulation risks) remain ongoing concerns. While its off-chain matching engine offers high performance, it also introduces potential risks of centralized abuse or system instability. Further decentralization and reliability enhancements are essential.
- **User Education & Adoption Barriers:** Mainstream users still face hurdles with Web3 concepts like wallet management, gas fees, and decentralized trading. Continuous investment in user education and trust-building is required for broader adoption.

At the same time, the rapidly evolving blockchain and DeFi landscape presents immense opportunities for Hyperliquid:

- **Sustained DeFi Market Growth:** As the crypto market matures and DeFi ecosystems evolve, demand for on-chain financial services will continue to grow—offering Hyperliquid a vast market to capture.

- **Web3 Integration of Traditional Finance:** Hyperliquid's high performance and decentralization make it an ideal gateway for traditional financial institutions entering the on-chain derivatives space.
- **RWA Integration into On-Chain Derivatives:** The tokenization of real-world assets (RWAs) can provide a broader range of tradable assets, expanding Hyperliquid's business verticals.
- **Technological Advancements:** Maturation of technologies like Layer 2 solutions, modular blockchains, and zero-knowledge proofs may help Hyperliquid improve performance, lower costs, and enhance decentralization.
- **Global Financial Inclusion:** Hyperliquid has the potential to provide investment and risk management tools to underserved populations worldwide, playing a role in democratizing access to financial services.

In summary, Hyperliquid's success is the result of bold experimentation in both technological innovation and market strategy. It has demonstrated the vast potential of on-chain perpetual DEXs. However, to achieve long-term growth and solidify its market position, the platform must continue to advance in compliance, technological scalability, security, and user adoption.

5. Conclusion

Hyperliquid's rise marks not only a milestone in the on-chain derivatives market but also signals a profound shift in the decentralized finance paradigm. By building a high-performance Layer 1, deploying a native on-chain order book, optimizing the user experience, and innovating with its HLP vault mechanism, Hyperliquid has overcome long-standing barriers of poor performance and limited liquidity in on-chain futures trading—delivering an experience that rivals centralized exchanges while upholding decentralization principles like verifiability and self-custody.

Its growth flywheel has been propelled by shrewd go-to-market strategies, including an innovative points airdrop system, anti-VC narrative, and transparent, community-driven operations. These have successfully driven user acquisition and built strong community loyalty. Most importantly, Hyperliquid has effectively captured the core needs of whale users—low margin thresholds, freedom from ADL (Auto-Deleveraging), capital flexibility, and visibility—which attracted professional market makers, quant firms, and crypto whales. Their presence not only provides deep liquidity but also serves as a "live advertisement," accelerating Hyperliquid's transition from an airdrop-driven to a trading-driven platform—solidifying its dominance in the on-chain derivatives landscape.

However, as a fast-evolving project, Hyperliquid still faces many challenges, including validator decentralization, EVM ecosystem quality, regulatory uncertainty, escalating competition, technical scalability, and user onboarding.

Yet the project is well-positioned to seize massive future opportunities. Continued DeFi expansion, the Web3 migration of traditional finance, the integration of RWAs, and

breakthroughs in blockchain infrastructure offer vast growth potential. Hyperliquid's unique positioning could make it a critical bridge between traditional finance and Web3, with the potential to drive global financial inclusion.

In summary, Hyperliquid stands as a benchmark of how technical innovation and market strategy can converge to unlock new possibilities in DeFi. It has proven the immense potential of on-chain futures DEXs and laid the foundation for the next generation of decentralized financial infrastructure. To ensure long-term sustainable growth and maintain its market leadership, Hyperliquid must continue to tackle present-day challenges while relentlessly innovating—shaping the future of the on-chain derivatives market.

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