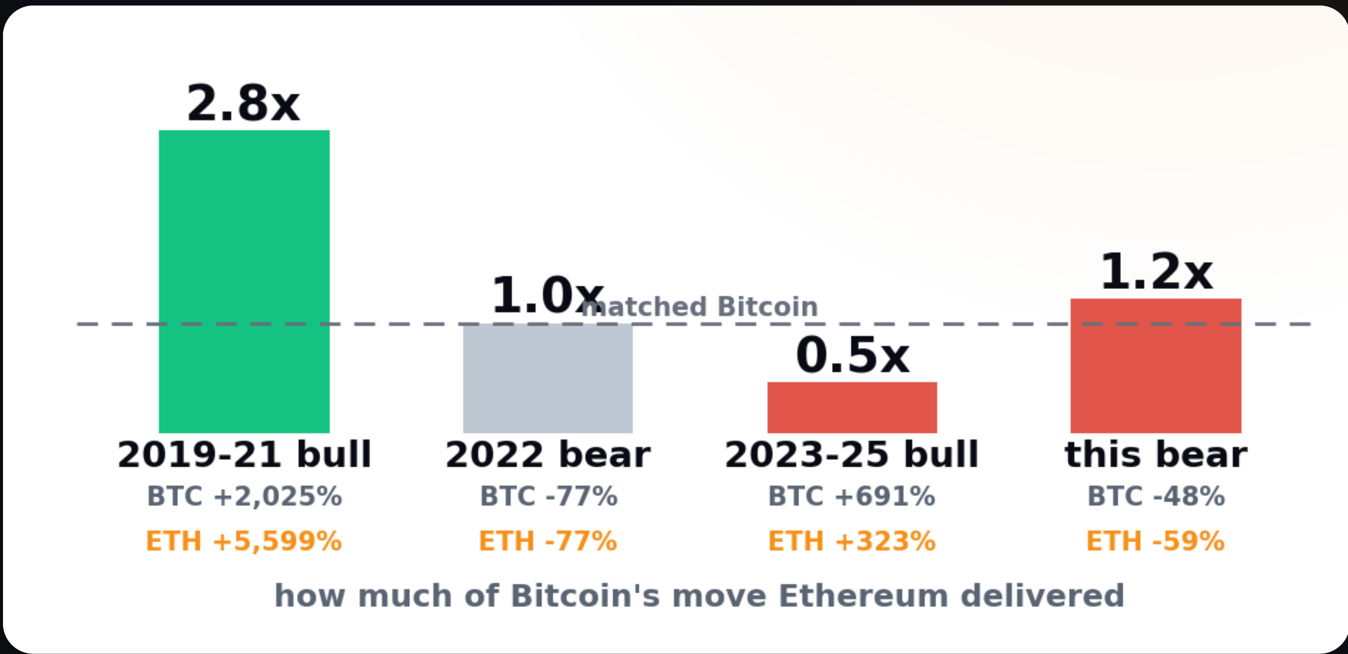
THE ETHEREUM LEVERAGE STUDY

Almost nine years of daily data on the most common reason people buy Ethereum.

It worked for one entire cycle. Then it quietly stopped, and almost nobody rechecked.



2.8x
what ETH delivered in the 2019-21 bull

0.5x
what it delivered in the 2023-25 bull

1.2x
what it is delivering in this bear

Educational, not financial advice. Every number here is computed from daily price history and reconciles with every chart in this guide.

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THE BELIEF

IT WAS TRUE. THAT IS WHY IT STUCK.

The reasoning behind most Ethereum positions is simple. Bitcoin is the engine of crypto, Ethereum is the same engine in a bigger gear. Bitcoin runs 10%, Ethereum should run 20%. You buy ETH to get Bitcoin's upside, only more of it.

For one complete cycle that was exactly right. From the December 2018 bottom to the November 2021 top, Bitcoin gained 2,025%. Ethereum gained 5,599%. Nearly three times the move, in the same market, over the same window.

Anyone who bought Ethereum for leveraged Bitcoin exposure in that window was correct and got paid for being correct. This is worth stating plainly, because beliefs that were never true are easy to dismiss. Beliefs that used to be true are the dangerous ones. They come with receipts.

+2,025%
Bitcoin, 2018 bottom to 2021 top

+5,599%
Ethereum over the same window

2.8x
what a leveraged bet is supposed to look like

That is what genuine leverage looks like when it works. Hold the number in your head, because the rest of this guide is about how far the most recent cycle fell short of it.

THE REAL QUESTION

The question this study asks is not whether the belief was ever right. It is whether it is still right.

WHAT CHANGED

THE CYCLE THAT BROKE IT

Run the same measurement on every cycle leg since Ethereum has had a meaningful price history and the pattern falls apart in the most recent one.

CYCLE LEG	BITCOIN	ETHEREUM	ETH DELIVERED
2018 bottom to 2021 top	+2,025%	+5,599%	2.8x
2022 bear	-76.7%	-77.0%	1.0x
2022 bottom to 2025 top	+691%	+323%	0.5x
Current bear, from the 2025 top	-48.2%	-59.3%	1.2x

ETH delivered = Ethereum's return divided by Bitcoin's over the same leg.

Read the bottom two rows together. In the rally that just ended, Ethereum returned less than half of what Bitcoin did. In the decline that followed, it fell further than Bitcoin did. That is the opposite of the trade people believe they are making.

The 2022 bear is the honest middle case. Ethereum fell 77.0% against Bitcoin's 76.7%, which is a tie inside any reasonable margin. It neither helped nor hurt.

There is a simpler way to see the same thing. Price Ethereum in Bitcoin instead of dollars. That single ratio strips out everything the whole market did and leaves only the question of which one you were better off holding.

0.0295
one ETH priced in BTC today

Jan 2021
the last time it was this low

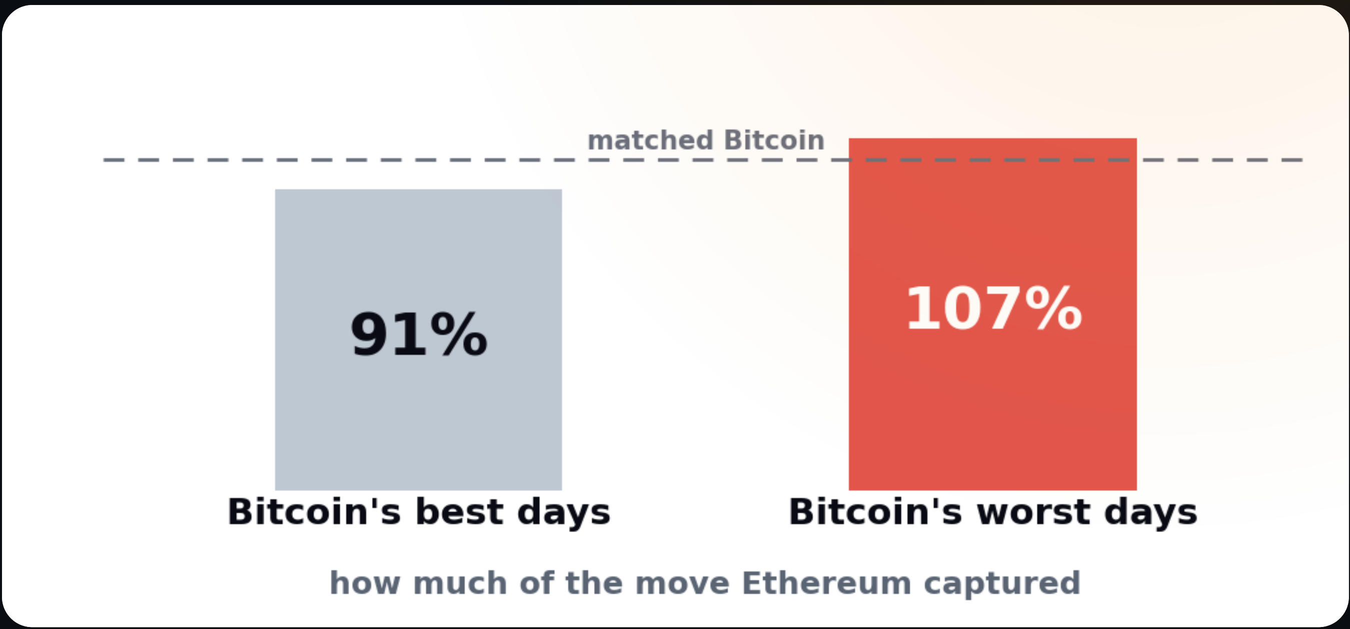
-74%
down from its 2018 peak ratio

Someone who moved from Bitcoin into Ethereum at the 2021 top and simply held has roughly 59% fewer bitcoin today than if they had done nothing at all. No leverage arrived. The position just shrank against the thing it was supposed to amplify.

THE DAILY FINGERPRINT

LESS OF THE GOOD, MORE OF THE BAD

Cycle legs are only four observations. The same asymmetry should show up in daily data if it is real, and it does.



On Bitcoin's best 10% of days, Ethereum captured **91%** of the move. On Bitcoin's worst 10% of days, it took **107%**.

Measured as a formal beta, splitting on whether Bitcoin rose or fell that day, Ethereum's beta is **0.83 when Bitcoin rises and 1.18 when it falls.** Beta is simply how far Ethereum moves for each 1% Bitcoin moves. A genuinely leveraged asset would be at 2.0 or above in both directions.

0.83
ETH beta on Bitcoin up days

1.18
ETH beta on Bitcoin down days

8 of 9
years the gap held

SHOWING THE WORK

WHY I TRUST THIS NUMBER

A gap this convenient for a headline deserves to be attacked before it is published, so here is what it survived.

THE TEST	RESULT
Standard dual-beta regression	0.83 up against 1.18 down, t-statistic of 9.4
Each side given its own intercept	0.77 up against 1.11 down, gap holds
Wildest 1% of days removed	0.83 up against 1.11 down, gap holds
Bootstrap, 2,000 resamples	95% of outcomes between +0.21 and +0.47, and 100% of them positive
Measured year by year	The gap is positive in 8 of the 9 years

One honest caveat. Compare the simple average day instead of the beta and Ethereum looks symmetric, moving about 1.08 times Bitcoin on up days and 1.07 times on down days. The asymmetry lives in how Ethereum responds to the SIZE of Bitcoin's move, not in the average day. Both facts are true and the cycle-leg table is what settles which one matters for a holder.

The gap also changes shape by regime, and this is the part that explains the cycle-leg table.

WHEN BITCOIN IS	ETH BETA ON UP DAYS	ETH BETA ON DOWN DAYS
Above its 200-day average (bull)	0.65	1.08
Below its 200-day average (bear)	1.14	1.23

The 200-day average is the simple line most people use to separate a bull market from a bear one.

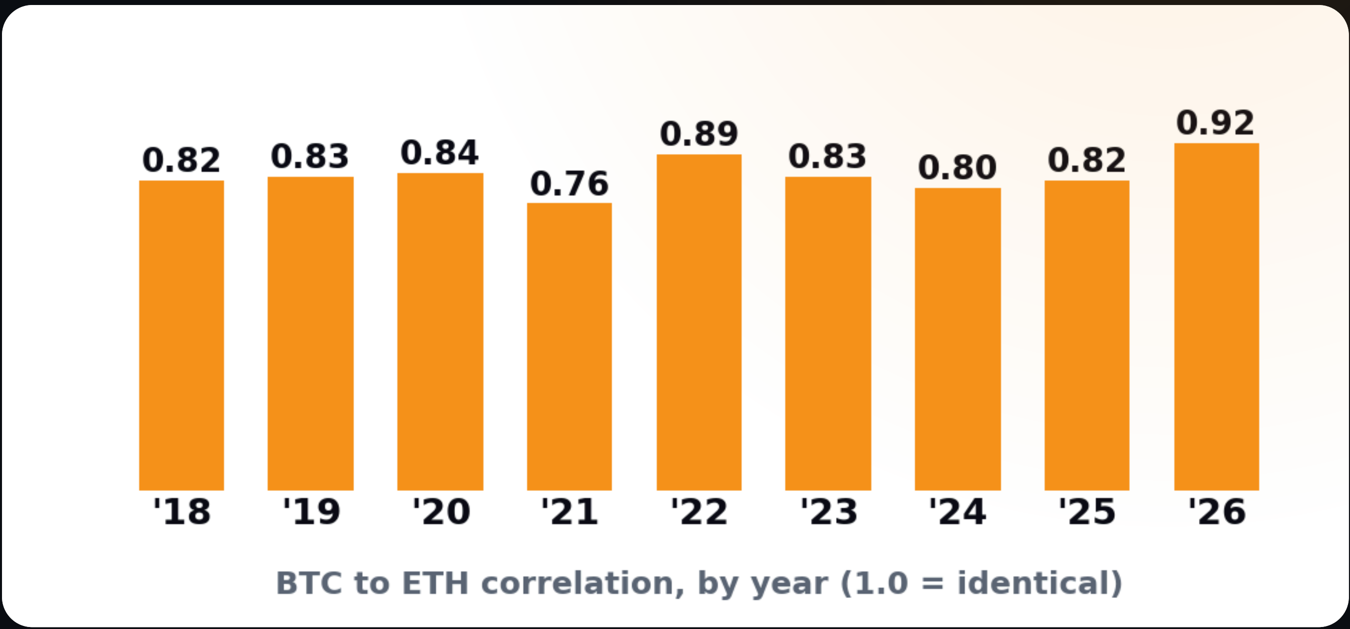
In a bull market Ethereum captures barely two thirds of Bitcoin's up moves while still taking all of its down moves. In a bear market it amplifies both directions. There is no regime in the data where the trade is in your favour.

Data from November 2017 to August 2026, 3,191 trading days. Bitcoin history from daily closes, Ethereum from the same daily series.

THE OTHER HALF

YOU ARE NOT DIVERSIFYING EITHER

If Ethereum gave up some upside but protected you when Bitcoin fell, that would be a trade worth making. It does the reverse. And it offers no shelter, because the two barely separate.



The 90-day correlation sits at **0.88** today against a long-run average of **0.83**. A correlation of 1.0 would mean the two move identically.

It has never closed a single year below 0.76. Not in a bull market, not in a bear market, not in the 2020 crash and not during the 2022 collapse. There is no regime in nine years where holding both meaningfully split your risk.

FOR SCALE

WHAT ACTUALLY SEPARATES FROM BITCOIN

A correlation of 0.83 only means something once you can see what a low one looks like. Here is Bitcoin measured against everything else over the same period. The lower the number, the more genuinely separate the two assets are.

PAIRED WITH BITCOIN	TODAY	AVERAGE SINCE 2017
Ethereum	+0.88	+0.83
S&P 500	+0.42	+0.27
Nasdaq 100	+0.41	+0.27
Gold	+0.38	+0.10
Long US bonds	+0.10	-0.02
US dollar index	-0.33	-0.11

90-day correlation of daily returns, measured over the same window as the Ethereum figures.

Read the top row against every row beneath it. The Nasdaq separates from Bitcoin twice as much as Ethereum does. Gold separates far more than that. Long bonds are close to unrelated, and the dollar has spent most of the period moving against Bitcoin outright.

THE UNCOMFORTABLE COMPARISON

Ethereum is the single least diversifying asset on this table. If the reason you hold it is to spread risk around a Bitcoin position, this row is the whole answer.

None of this is a recommendation to buy anything on this list. Low correlation is one property of an asset, not a reason to own it, and correlations drift over time.

THE HONEST LIMITS

WHAT THIS STUDY DOES NOT SAY

It does not say Ethereum is a bad asset. If you own it because you believe in what it is building, that is a judgment about technology and adoption, and nothing measured here touches it. This study is about one specific claim, that Ethereum is a leveraged way to own Bitcoin.

It does not predict the next cycle. The relationship already changed once, from 2.8x to 0.5x. Something that changed once can change again. What the data rules out is assuming today's Ethereum behaves like 2020's.

It does not say sell. That depends on your position, your timeframe and your reasons, none of which a study can see.

THE ONE CLAIM

What it does say is narrow and firm. If you hold Ethereum in order to get more Bitcoin upside, the last full cycle and the current bear both say you are not getting it.

The wider lesson is worth more than the Ethereum call. Beliefs rarely die because they were wrong to begin with. They die because the conditions that made them true quietly changed, and the people holding them never rechecked. This one had five years of evidence behind it before it stopped working.

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BD

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