How Token Unlocks Move Markets

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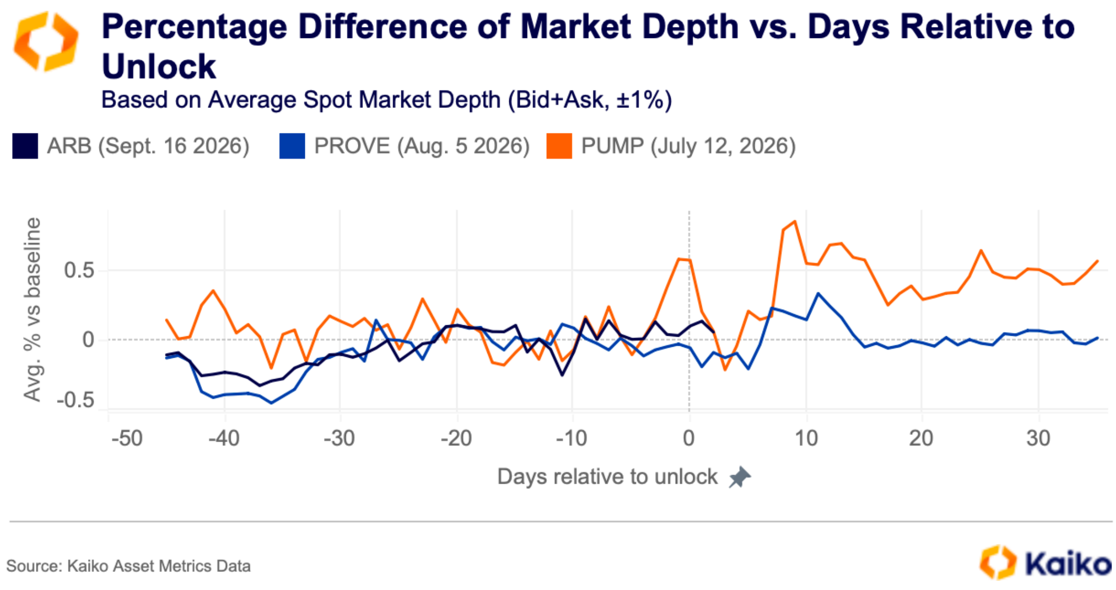
The assumption around a token unlock is simple: circulating supply increases, more tokens enter the market and in-turn more tokens are getting sold and, and price trends lower as early holders cash out. This debrief looks at three specific completed unlocks this year, Arbitrum (ARB) on September 16, Succinct (PROVE) on August 5, and Pump Fun (PUMP) on July 12, showing that assumption does not play out the same way twice. Market depth, positioning, and liquidations moved on different timelines and in different directions around each event

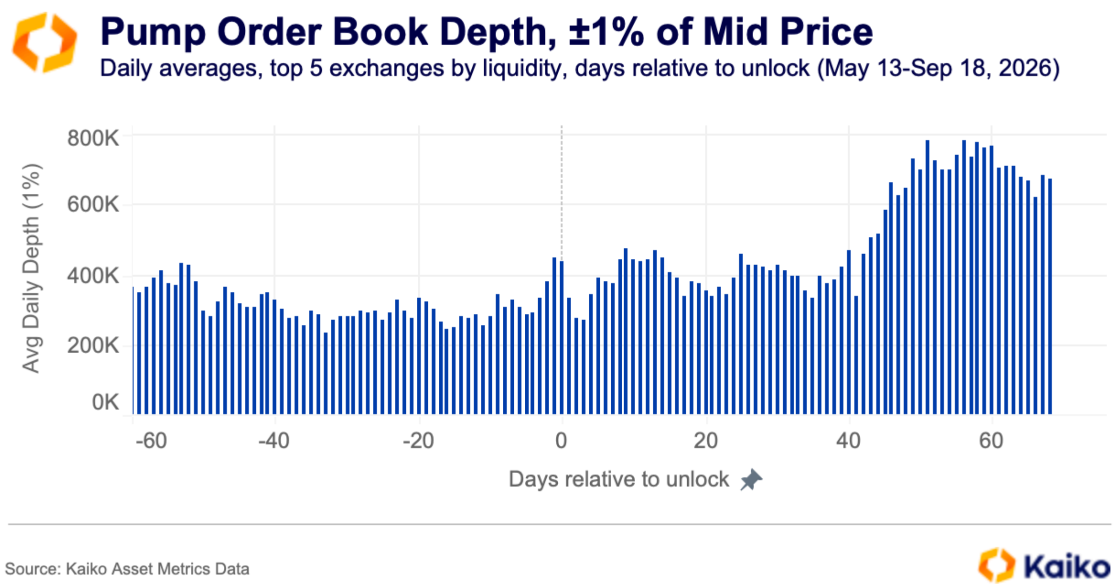
- Leverage on perp markets builds up prior to token unlock events.
- If a token's market depth is growing around the token unlock event, it can still point to positive price action.
- If liquidations and activity don't shift before the unlock, the market likely won't trade the asset after unlock either.

Market Depth Grows Before Unlock and Continues After

Market depth measures how much can be traded near the mid price without moving it. Kaiko's market data shows the spot order book depth for four selected assets on Binance against their own pre-unlock baseline, aligned to days relative to an unlock of a part of their supply. Token unlocks are typically a scheduled event where a portion of the total token supply becomes unlocked and can be interacted with. Usually, with tokens, only a certain amount of the supply is available at the token generation event (TGE) with portions of it becoming vested over time whether that be for early investors, team members or for other purposes. These then become "unlocked" and can be used as whoever controls them sees fit or previously agreed upon.



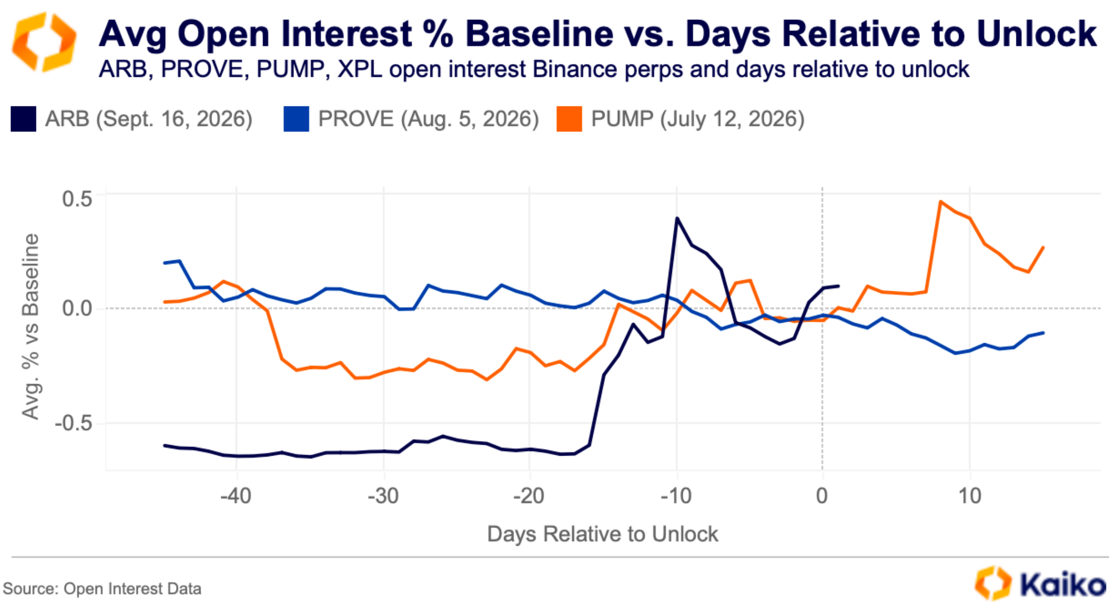
Depth begins to shrink as we get closer to the unlock date, likely reasoning behind this could point to individuals who provide the depth to the markets see this as a potential volatile event. With that in mind, they remove their liquidity as a way to derisk from the potential upcoming token unlock. From there, we see depth slowly increases after the unlock date, suggesting that liquidity is coming back to the token after unlock passes.



PUMP offers an interesting dynamic with its depth. The PUMP token's depth heading into the unlock remained in a range for quite some time before and after the unlock. It's only after about 40 days once the unlock was complete does PUMP see a major shift. The PUMP token climbed over 2x the average levels it had experienced before and shortly after its unlock. Liquidity started building right into the event and kept climbing. Rather than newly circulating supply chasing liquidity away, PUMP's unlock appears to have drawn more of it in, additional tokens available to trade brought more market makers willing to quote around them. For a token with real trading demand, an unlock can act as a liquidity catalyst.

Open Interest as a Signal for Upcoming Token Price Performance

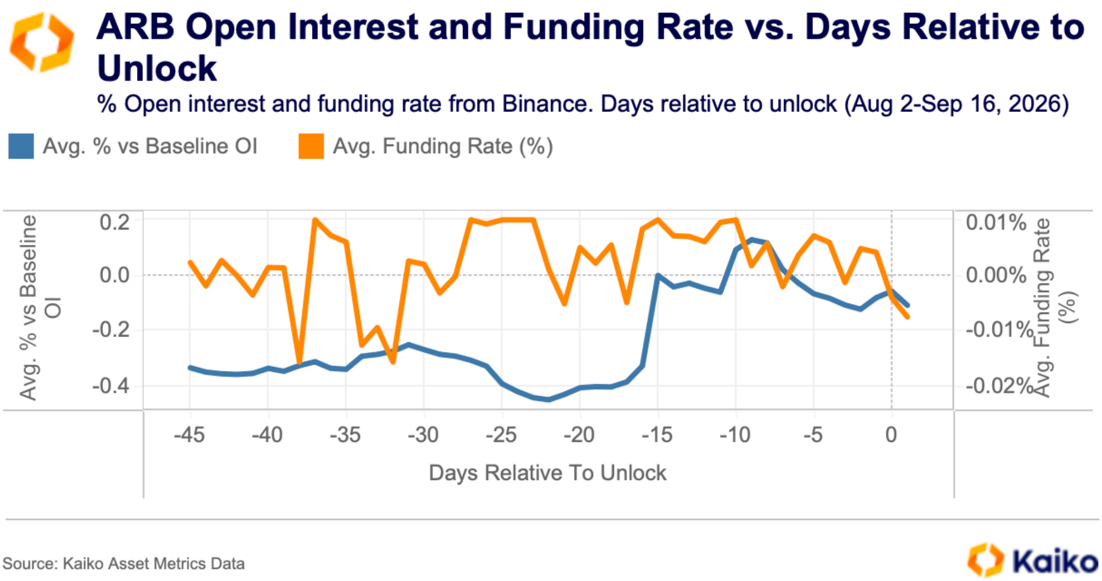
Open interest, the total value of outstanding derivatives positions, shows whether traders add leveraged exposure ahead of an unlock or only react once it has occurred. Each asset's Binance perpetual open interest appears below, measured against its own pre-unlock baseline.



With the open interest comparison we can see a few patterns emerge. For one, it's very clear that the ARB token experienced a notable uptick in open interest near the token unlock. This pattern likely happens as the token unlock is a consistent monthly cadence. With that expectation they are able to commit a more anticipatory position to the token unlocks. This reveals an important trait when it comes to token unlocks, traders feel compelled to do more when they have the information to do so. Specifically, when it comes to ARB as well, it seems it might also have had some added catalysts, in that the Robinhood chain which uses Arbitrum's technology had seen major increases to its chain's activity and could potentially be a contributing factor for the increase on the open interest.

Timing matters here as much as direction, ARB's leverage built up before its unlock and led straight into the liquidation spike described below, while PUMP's built up only after its unlock, so any unwind risk from that positioning was still ahead of it as of this data.

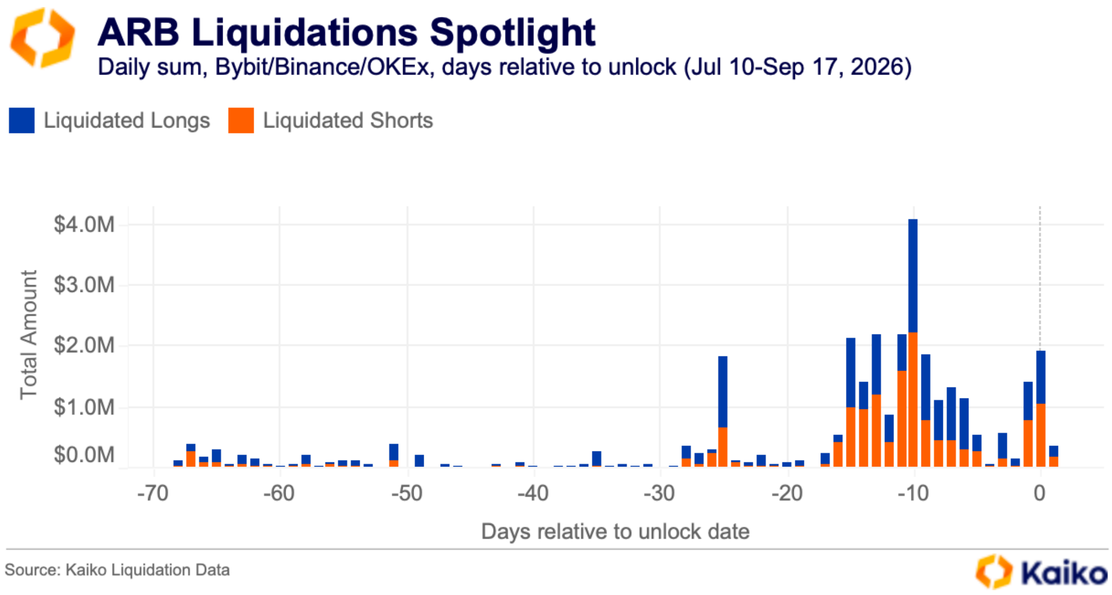
ARB's positioning buildup is worth examining in more detail given its scale. Funding rate joins open interest here, both measured against the same pre-unlock baseline.



Open interest builds steadily from day -15 through ARB's unlock, but funding rate swings between roughly -0.02% and +0.02% for the whole window, including two sharp dips favoring longs. That rules out a single one-directional bet building up before the unlock. Positioning grew on both sides of the market instead, which is why the liquidation event that followed hit shorts and longs together rather than squeezing just one side.

Liquidation Risk Around Token Unlocks

Leveraged positioning built up around known events typically doesn't just sit there and has the definite possibility to be tested as volatility increases. When a position moves against a trader without enough margin for them to cover their positions, a liquidation is the result. Daily liquidations are able to help us visualize how much a position mattered once the market makes its move. ARB and PUMP each built leverage around their unlocks, just at different times, and daily liquidations across Bybit, Binance, and OKX show how much of that positioning actually got tested.



Liquidations stay modest and balanced until day -25, then rise into two peaks that read as one unwind worked off in stages rather than two separate events, $4.1 million around day -10 and $1.9 million on the unlock itself, September 16, both splitting close to 55/45 toward shorts. That tight clustering is notable given how small ARB's unlock actually is, roughly 1% of supply on a schedule it repeats regularly, too little new supply to explain a shock this size on its own. The more likely driver is the date itself, a known event traders position around regardless of how much it releases, a pattern set by timing rather than magnitude.

Conclusion

Across the unlocks, the data does not support a single narrative about what a token unlock does to a market. Positioning and liquidity moved in opposite directions across the two assets that showed the most reaction to the metrics and they were both opposite sides of the spectrum.

The through line is timing rather than direction. Where an unlock leaves a mark, it shows up either as leverage built and unwound before the event, as with ARB, or as liquidity arriving after it, as with PUMP, not as a uniform drain at the moment tokens unlock.