



THE STAKING ILLIQUIDITY TRAP – EFFECTIVE FLOAT

A Third of Ethereum Is Locked – and the Exit Door Only Opens So Fast

Roughly a third of all ether is sitting in the staking contract, earning yield and, more to the point, not trading. That figure gets quoted as a bullish talking point. The mechanically interesting part is subtler and is written into the protocol itself: the staked third cannot come back to the market on demand, because the network meters how fast validators may leave. This note calculates Ethereum's effective float – total supply minus what is locked, custodied, and rate-limited – and shows why a thin float turns ordinary buying into an outsized move.

SUPPLY OUTSTANDING IS NOT SUPPLY AVAILABLE

There are roughly 120 million ether in existence. That is the number people divide a market cap by. It is not the number that sets the price. Price is set at the margin by the coins actually available to trade, and on that measure Ethereum has been quietly engineering itself scarce: over 39 million ether – more than 32% of the total – is committed to the deposit contract securing the network, held by more than a million validators. Those coins are not idle by accident; they are locked by design, and the design includes a governor on how quickly they can be un-locked.

~32.5%

Share of all ether staked in the deposit contract – some 39M ETH, an all-time high reached in 2026. Staked ether is not instantly sellable: to sell it a holder must first exit the validator set, and the protocol admits only a bounded number of exits per day. The larger the staked pool grows, the longer the queue to leave – so the scarcity deepens precisely when it would most want to unwind.

THE EFFECTIVE-FLOAT LEDGER

BUCKET	APPROX. ETH	% OF SUPPLY	LIQUIDITY
Total supply	~120.7M	100%	The number under the market cap
Staked (deposit contract)	~39.3M	~32.5%	Locked; exit is rate-limited by the protocol's queue
ETFs, ETPs & treasuries	Several M	~few %	Custodied for the long term; rarely re-sold into the float
Dormant / lost	Millions	meaningful	Coins that have not moved in years – supply on paper only
Effective liquid float	The remainder	Well under total	The thin slice that actually meets the marginal buyer

Read the ledger as subtraction, not augury. Every bucket above the last is supply that exists but does not compete to set today's price. The more that staking, wrappers, and dormancy remove, the smaller the denominator that absorbs the next wave of demand – and a fixed amount of buying pushed through a smaller float moves further. That is not a forecast of direction; it is the mechanics of a spring under compression.



WHY THE METERED EXIT IS THE WHOLE TRAP

Every proof-of-stake network could, in principle, let stakers leave whenever they liked. Ethereum does not: to protect consensus, it caps how many validators may enter or exit per unit of time, so a stampede for the door forms an orderly, days-to-weeks queue rather than an instant flood. For a security engineer that is a feature. For anyone modeling supply it is the crux. It means the staked third is not a reservoir that refills the float on demand; it is a dam with a fixed spillway. When a forced buyer – an ETF taking creations, a treasury accumulating – arrives, the supply that could theoretically meet it is on the wrong side of that spillway, and cannot cross fast enough to blunt the move. Engineered scarcity plus a metered exit is what converts steady inflows into amplified prints.

The retail tape reads the staking rate as a sentiment gauge – “conviction is high.” The desk reads it as a *float calculation with a rate limit attached*. The relevant question is never the 32% headline; it is how thin the tradable remainder has become, and how slowly the locked supply is permitted to return if holders wanted it to. Both halves of that – the staked total and the exit-queue mechanics – are public, on-chain, and updated every epoch.

1.2M+

Active validators securing Ethereum – the pool that must funnel through a metered exit queue to convert staked ether back into sellable ether. The bigger this number grows, the longer the queue and the harder the locked third is to unwind. Scarcity that deepens as participation rises is structural, not sentimental – it is written into the consensus rules, not into a narrative.

WHAT WE DO NOT KNOW

We do not know demand, price, or whether stakers will ever choose to exit en masse. We do not know how ETF and treasury accumulation will trend, and inflows reverse. What we offer is the part that is on-chain and rule-bound: the staked share, the validator count, the exit queue's governor, and the definitional shrinkage of effective float that follows. The rule holds – *when everyone can see the trade, the trade is already crowded*. “A third is staked” is the crowded headline. The quieter, mechanical fact is the metered exit beneath it: the reason the locked supply cannot arrive in time to soften a move, whichever way the move runs.

Sources & method: Staked total (~39M ETH, ~32.5% of supply) and validator count (~1.2M) from public beacon-chain data and staking dashboards, 2026. Total supply (~120.7M ETH) from network data. Exit-queue / churn-limit mechanics per the Ethereum proof-of-stake specification (a bounded number of validator activations and exits per epoch, scaling with set size). ETF/ETP, treasury, and dormant-supply buckets are approximate, from public custody disclosures and on-chain age analysis. “Effective float” is a definitional subtraction (total – staked – custodied – dormant), not a measured order-book depth. Figures are approximate and illustrative as of the dates cited. Ananke Alpha is an independent research publisher, not a registered investment adviser or broker-dealer.

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