

Ahead of the curve

Market Update

Digital Assets

Signals from the market

Vetle Lunde
Head of Research
vetle@k33.com
+47 416 07 190

Waiting and seeing

Bitcoin has spent the past week consolidating and trading broadly flat, while activity across crypto markets remains muted. Weekly spot volumes are approaching yearly lows, derivatives activity continues to decline across both CME and offshore venues, and open interest has largely stagnated. At the same time, realized and implied volatility have drifted toward historically low levels, reinforcing a broader wait-and-see environment with subdued participation and limited market conviction.

On the macro side, geopolitical signals around the Strait of Hormuz improved over the weekend after Trump stated that a peace framework was under negotiation, reportedly including a 14-point draft agreement and a short timeline for Iran to finalize terms. The situation remains fragile following recent U.S. strikes on Iranian military targets, but a credible de-escalation would likely support broader risk sentiment and could provide a catalyst for BTC to break out of its current low-volatility trading range.

CME still passive

CME BTC basis has recovered from last week's sharp compression, but the flatter term structure and stagnant open interest suggest institutional traders remain cautious and lightly positioned. Last week's plunge rebound in BTC and ETH basis appears driven more by reduced market participation and conservative liquidity pricing than by aggressive bearish positioning.

Climbing perp funding

Funding rates increased to their highest levels since January, while open interest remained largely stable, signaling a modest pickup in bullish positioning despite otherwise subdued perpetuals market activity. With much of the recent open interest built during a negative funding environment, the market remains vulnerable to sharp squeezes in either direction.

30-day funding turns positive

The 84-day streak of negative 30-day average funding rates, the longest of the 2020s, ended last week and historically similar transitions back to positive funding have often marked the beginning of constructive BTC recovery periods. While BTC performance during the latest negative funding regime was relatively muted compared to past episodes, weaker periods in 2018 and 2022 were also followed by some of the strongest rebounds once funding normalized.

Heavy stretch of ETP flows

BTC ETPs have seen net outflows in 10 of the past 12 trading days, marking the weakest flow period since February and pushing total holdings back toward yearly opening levels. At the same time, the relationship between BTC price performance and ETP flows has strengthened further in 2026, reinforcing the view that ETF demand has once again become a key driver of BTC price action as on-chain selling pressure has eased.

By the numbers

BTCUSD \$76,978
7d: **0%**
30d: **-2%**

ETHUSD \$2,117
7d: **-1%**
30d: **-9%**

Open Interest (BTC futures and perps)

\$39.3bn
509,000 BTC (**-2.3%** last seven days)

Average daily BTC spot volume

\$2.0bn (**-26%** last seven days)

BTC 90-d correlations (One Week change included)

ETH	Gold	S&P 500	DXY
0.94 (0.00)	0.28 (0.00)	0.56 (0.03)	-0.15 (0.00)

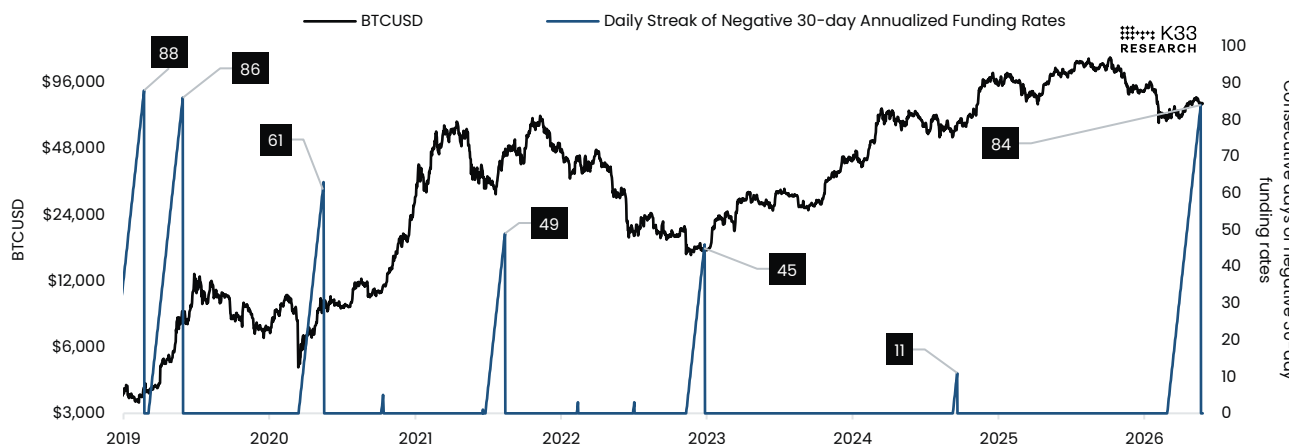
Percentage of Total Market Capitalization

Two week change in percentage points			
BTC	ETH	Stablecoins	Rest
59.8% (-0.2%)	9.9% (-0.1%)	10.4% (0%)	19.9% (0.3%)

Last week of top 50 by market cap

	Ticker	7d	YTD
Gainners			
1	NEAR	71%	70%
2	HYPE	30%	146%
3	OKB	16%	-14%
Losers			
1	BCH	-9%	-41%
2	UNI	-5%	-42%
3	TON	-3%	16%

Figure 1: BTCUSD vs Periods of Consistently Negative 30-day Average Funding Rates



Source: K33

Spot Market

Waiting and seeing

Bitcoin has spent the past week consolidating, trading broadly flat relative to last Tuesday. Activity across crypto markets remains subdued, with weekly spot volumes approaching yearly lows and the strongest daily spot volume within any rolling 7-day window falling to its lowest level since February 7, 2024.

The passivity is evident across all corners of the market. Derivatives volumes have continued to decline on both CME and offshore venues, while open interest has largely stagnated. At the same time, 30-day realized volatility in BTC has drifted toward yearly lows, pushing short-dated implied volatility in options closer to the all-time low levels observed in Q3 2023 and Q3 2025. Overall, crypto markets have returned to a wait-and-see environment amid BTC's rangebound consolidation, with inactivity and subdued participation dominating market conditions.

More constructive geopolitical signals emerged over the weekend related to the Strait of Hormuz, after Trump stated that a peace framework was under negotiation, including a reported 14-point draft memorandum and a 5-7 day window for Iran to finalize terms. Still, the situation remains fragile following recent U.S. strikes on Iranian military targets. A credible de-escalation in the conflict would likely be received positively by markets and could serve as a meaningful catalyst for BTC to break out of its current low-volatility, rangebound regime.

Headlines last week

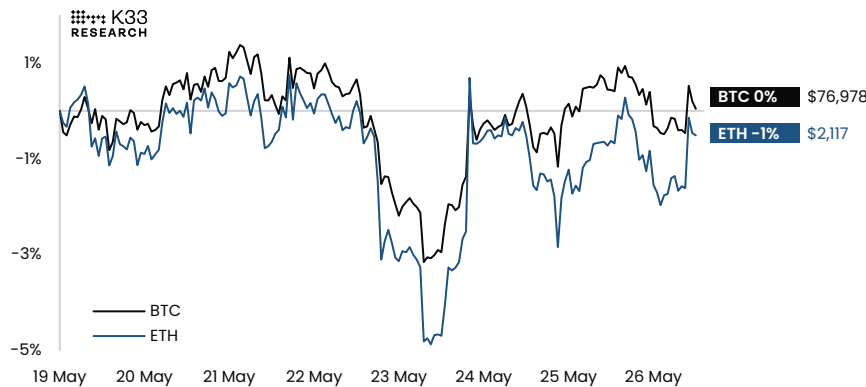
[Trump orders Fed to review giving crypto firms access to master accounts](#)

[Fed seeks input on expanding master account access following Trump's executive order](#)

[New strategic bitcoin reserve bill drops 1 million BTC purchase target, adds 20-year lockup period](#)

[Satoshi-era bitcoin whale moves over \\$200 million in BTC to FalconX, Cumberland](#)

Figure 2: Last Week's Performance BTC and ETH



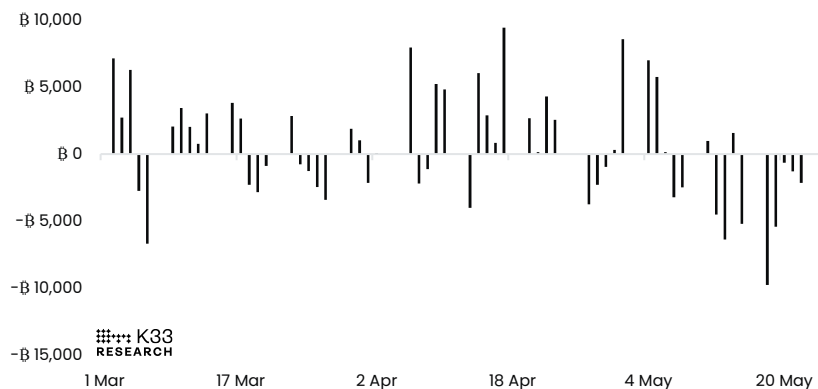
Source: Tradingview, (Coinbase, Binance)

BTC ETP exposure back at yearly open

Bitcoin ETPs globally have now recorded six consecutive trading days of outflows, with ten of the past twelve sessions ending negative. Over the past five trading days alone, BTC ETPs have seen cumulative outflows of 19,271 BTC.

The sustained outflows have reduced total global BTC ETP holdings to 1.524 million BTC, effectively retracing aggregate ownership back to levels seen at the start of the year.

Figure 3: Daily Global Net BTC ETP Flows



Source: K33 Research

Calendar

Thursday, May 28
• U.S. Core PCE

Spot Market

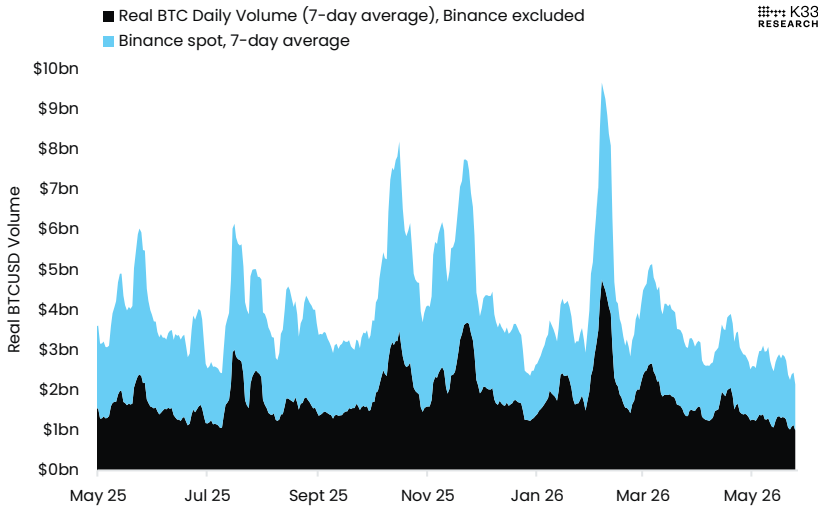
Yearly low spot volume

Bitcoin spot volumes have declined to levels last seen during the 2025 Christmas holiday period, with 7-day average daily turnover falling below \$2bn for the first time in 2026. The highest-volume trading session over the past week recorded just \$2.68bn in daily turnover. In fact, the strongest daily spot volume within any rolling 7-day window has not been this low since February 7, 2024, underscoring the notably drowsy market of late.

Fear and Greed

Now: 34 (Fear)
Last week: 25 (Extreme Fear)
Last month: 33 (Fear)

Figure 4: Real BTCUSD Daily Volume* (7-day average)

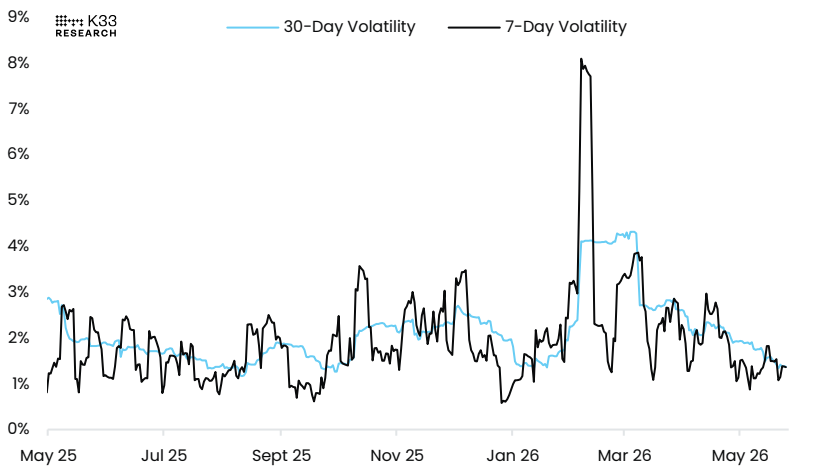


Source: Tradingview, Bitcoinity *Includes Bitwise 10 exchanges

Volatility declines to deeper lows

Bitcoin continues to trade in an exceptionally low-volatility environment, with 7-day realized volatility hovering near 1.3% over the past week after only one session with daily price moves exceeding 2%. The persistently muted price action has pushed 30-day realized volatility down to 1.36%, now broadly in line with 7-day volatility and approaching the yearly low of 1.316% recorded in early January.

Figure 5: BTC-USD Volatility



Source: Tradingview (Coinbase)

Derivatives

CME, Futures and ETFs

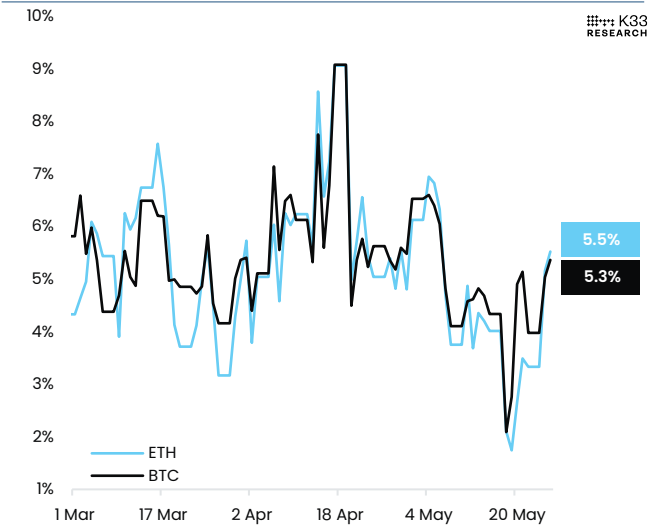
CME's annualized BTC basis has recovered following last week's sharp contraction, though the term structure has flattened modestly, indicating that a defensive bias among CME participants remains intact.

More broadly, activity on CME continues to appear subdued. Open interest hovered between 115,000 and 120,000 BTC throughout the week, as institutional traders largely maintained a cautious and low-engagement approach to crypto markets.

The front-month annualized BTC futures basis rebounded from 2.1% last Tuesday to 5.3%, while ETH's basis recovered from 1.7% to 5.5% over the same period. Although the basis compressed sharply last week, the move coincided with collapsing trading activity, with CME BTC futures recording their seventh-lowest daily trading volume of 2026 during the selloff.

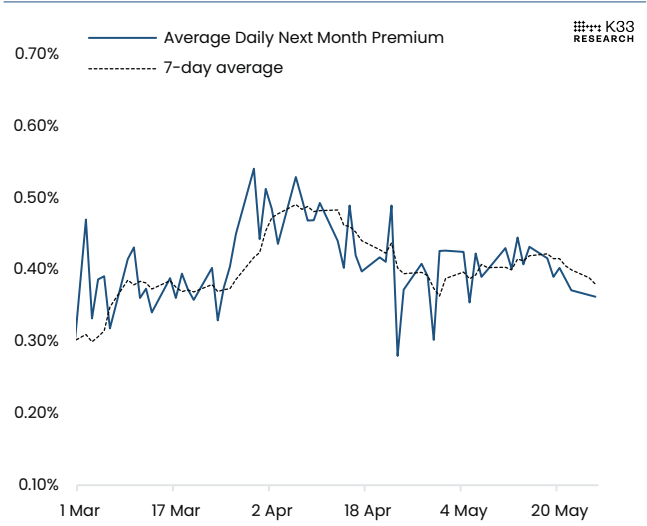
This suggests that the narrowing in yields was driven less by aggressive bearish positioning and more by reduced participation alongside increasingly conservative pricing from liquidity providers.

Figure 6: BTC basis sees modest recovery
CME BTC and ETH Futures Annualized Rolling 1mth Basis



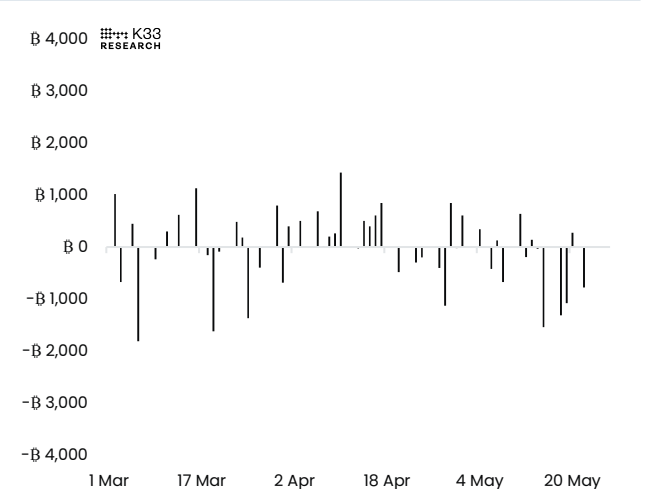
Source: Tradingview

Figure 7: Contango narrows
CME BTC Futures: Average Daily Next Month Premium



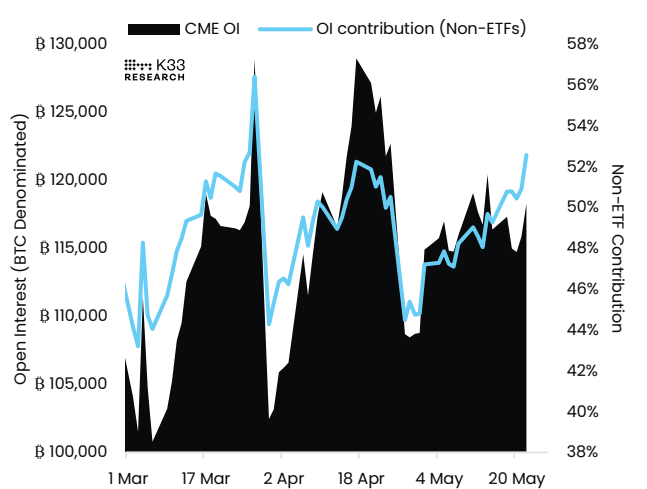
Source: Tradingview

Figure 8: Futures-based ETFs faces steady outflows
Futures-based ETFs: Net Flow – BTC Equivalent



Source: ProShares, Valkyrie, VanEck, Bitwise, CSOP, Samsung, VolatilityShares

Figure 9: CME OI stagnates
CME BTC Futures: Open Interest



Source: CME, ProShares, Valkyrie, VanEck, Bitwise, CSOP, Samsung, VolatilityShares

Derivatives

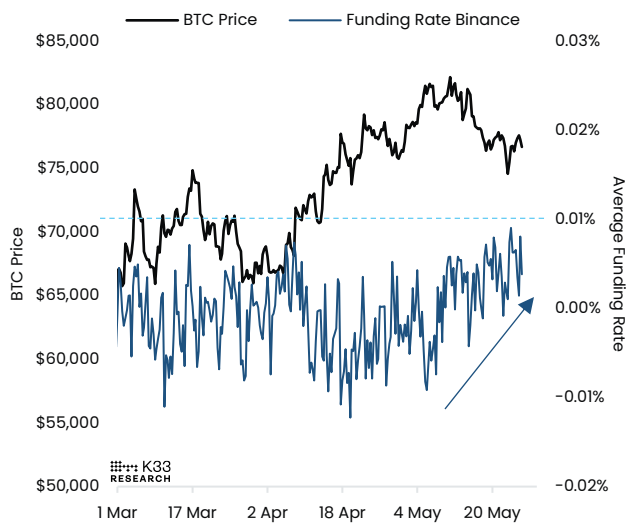
Perpetual Swaps and Options

Perpetual swaps

Funding rates trended higher over the past week, with annualized 7-day average funding rates rising to 5.3% yesterday, their highest level since January. Meanwhile, open interest has remained broadly stable, fluctuating between 285,000 and 300,000 BTC throughout the week.

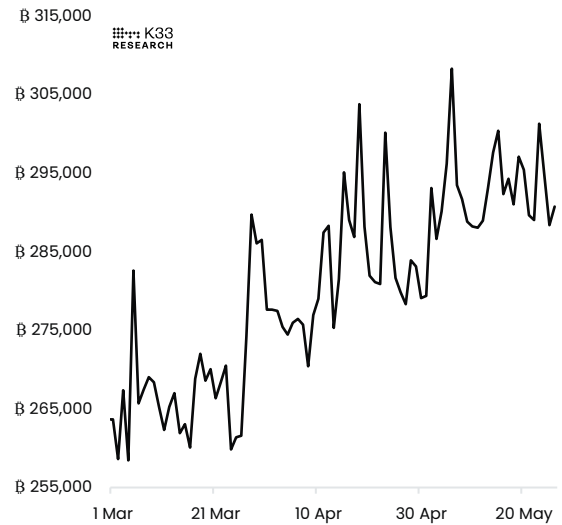
Overall, perpetuals market conditions remain relatively subdued, with few notable changes over the past week. A significant share of the open interest growth seen over the past three months was established during the negative funding regime, continuing to leave the market vulnerable to squeezes in either direction.

Figure 10: Funding rates maintains uptrend
Bitcoin Perpetuals: Funding Rates vs BTC Price



Source: Binance, Laevidas

Figure 11: Open interest remains elevated
Bitcoin Perpetuals: Open Interest

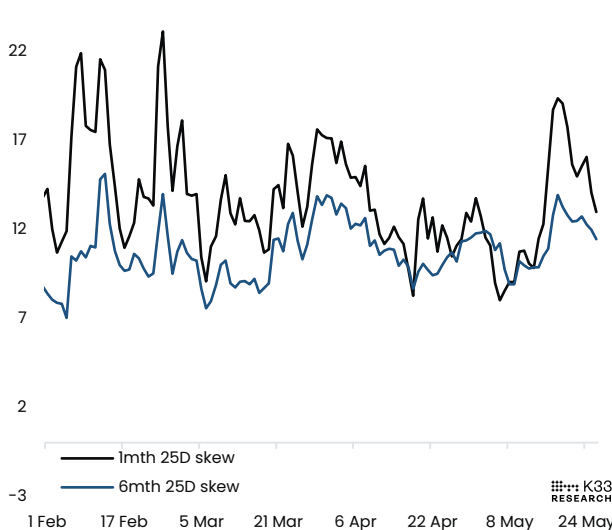


Source: Laevidas

Options

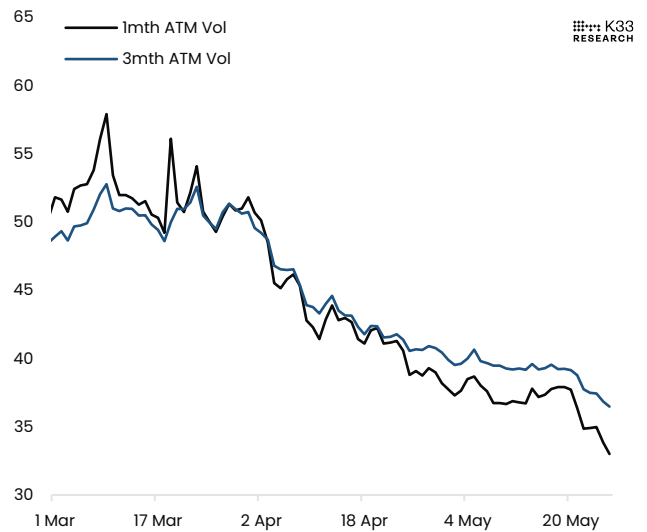
While skews have narrowed modestly following BTC's subdued consolidation over the past week, they remain elevated across tenors as options traders continue to maintain a defensive bias. At the same time, persistently muted volatility conditions in BTC continue to weigh on implied volatility, with 1-month IVs approaching all-time low levels reached in Q3 2023 and Q3 2025.

Figure 12: Skews softening
BTC Options - 25D Skew (1mth + 6mth)



Source: Laevidas

Figure 13: IVs at 8 month lows
BTC Options - Implied Volatility



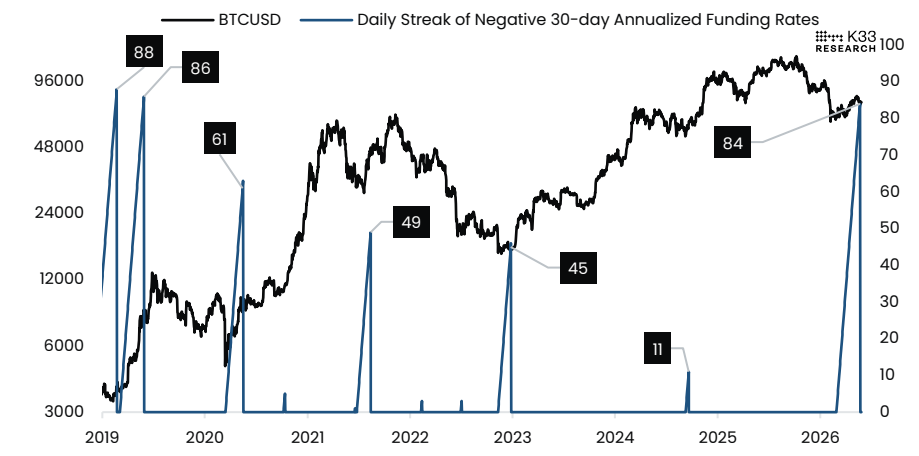
Source: Laevidas

A deeper dive

30-day funding flips positive

The streak of negative 30-day average funding rates ended at 84 days last week, narrowly missing the 2019 record. This was the longest stretch of negative funding rates in the 2020s.

Figure 14: BTCUSD vs Periods of Consistently Negative 30-day Average Funding Rates



Source: K33

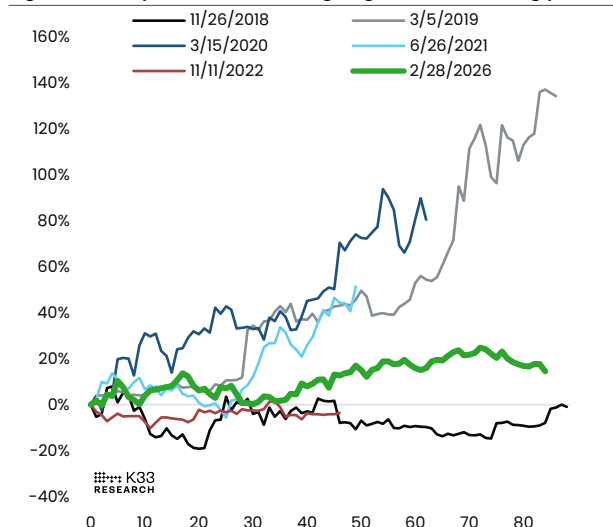
The transition from negative to positive 30d funding rates has been promising historically

BTC appreciated 14.5% during the recent 84-day period of negative 30-day average funding rates. For comparison, BTC returned -18% during the 88-day streak from November 26, 2018 to February 22, 2019, while the November-December 2022 streak ended with a 3.6% decline. The three other periods of sustained negative funding lasting 40 days or more all saw BTC appreciate by more than 50%. Overall, the latest negative funding regime ranks toward the weaker end historically.

Still, the weakest negative funding periods in 2018 and 2022 were followed by the strongest BTC recoveries once funding rates turned positive again. This suggests that muted BTC performance during negative funding regimes has historically tended to precede stronger rebounds as funding normalizes. In addition, downside following a recovery to positive 30-day funding rates has generally been limited. Across all six periods, BTC's maximum drawdown in the 100 days after funding rates turned positive was 13%.

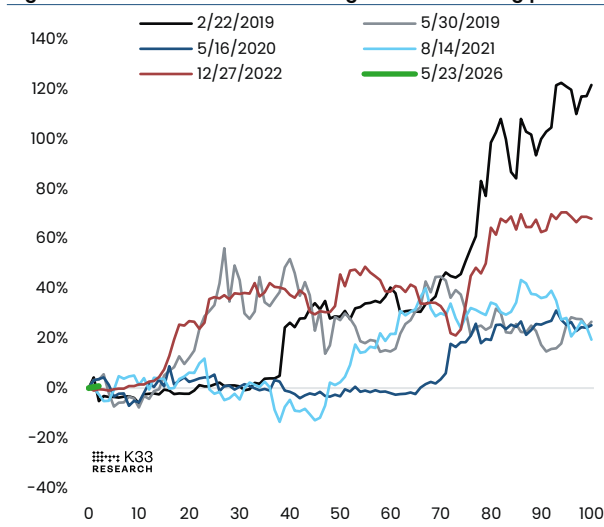
That said, the sample size remains small, and we view these observations as indicative rather than conclusive. The underlying dynamic is intuitive: negative funding environments tend to emerge when traders adopt defensive positioning, a regime that has prevailed only 11.5% of the time since November 2018. These periods have generally coincided with limited downside in BTC, while the transition back to positive funding has historically marked constructive, though often gradual, recovery periods.

Figure 15: BTC performance during negative 30d funding period



Source: K33, Tradingview

Figure 16: BTC Performance after negative 30d funding period



A deeper dive

ETF flows and prices still goes hand in hand

Ten of the past 12 trading days in BTC ETPs have recorded net outflows, bringing cumulative outflows since May 6 to 38,549 BTC. This marks the weakest 12-day flow period for BTC ETPs since February 5. Following the sustained outflows, total BTC holdings across ETPs have declined back toward the yearly open level of 1.524 million BTC.

Figure 17: BTC Under Management by BTC ETPs Globally



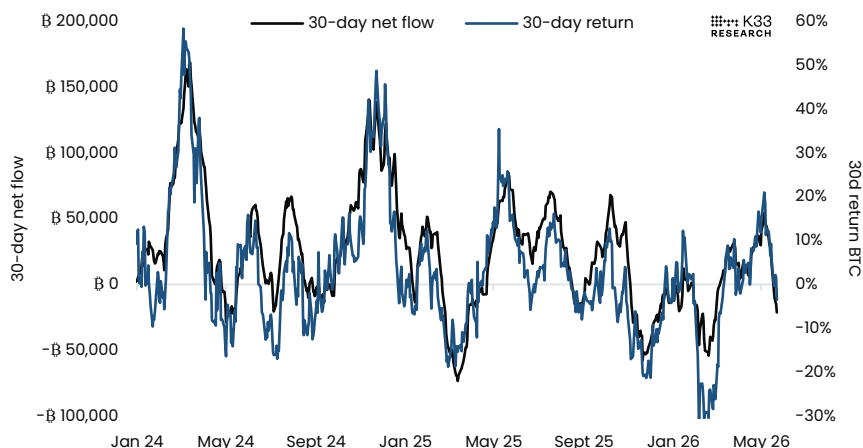
Source: K33

ETF flows and BTC performance continues to go hand in hand

Thirty-day BTC ETP flows have now turned modestly negative, alongside BTC's 30-day return. The relationship between 30-day BTC performance and 30-day ETP flows remains strong, with the R^2 between the two sitting at 0.7846 from January 10, 2024 through today. In 2026 alone, the relationship has strengthened further, with the R^2 currently at 0.806.

The explanatory power of ETP flows over BTC performance has increased notably since 2025, when the R^2 averaged 0.72, and is now much closer to the levels observed in 2024, when the R^2 stood at 0.81. The stronger relationship between ETP flows and BTC returns likely reflects a fading influence from other supply-side factors, particularly on-chain selling pressure. The weaker relationship observed in 2025 likely stemmed from unusually heavy distribution from long-term holders while BTC traded near all-time highs. As this source of supply pressure has eased, BTC ETP flows have once again become a more dominant driver of price action.

Figure 14: 30-day BTC ETF Flow vs 30d BTC return

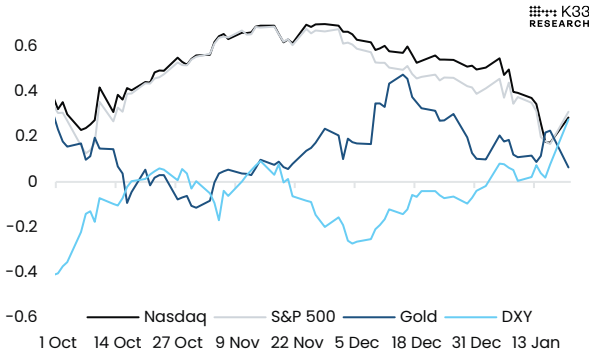


Source: K33

Market Related Charts

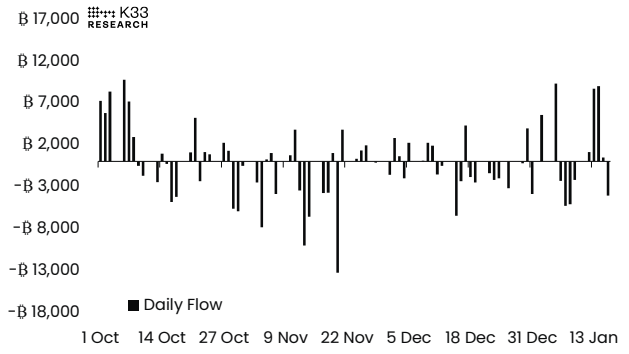
Data updated Tuesday, May 26, 2026

Figure 19: BTC 30-d correlations*



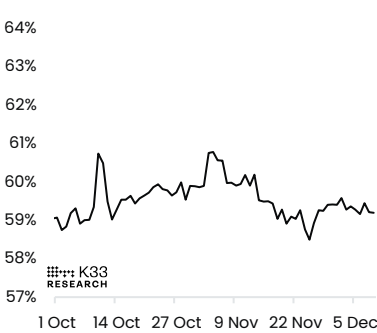
Source: Tradingview *Pearson

Figure 20: Daily Flows (BTC ETFs)



Source: K33 Research

Figure 21: BTC Dominance



Source: Tradingview

Figure 22: BTC + Stables Dominance

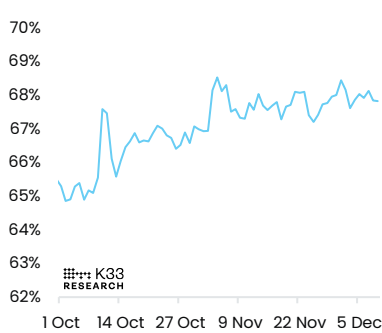


Figure 23: BTC + Stables + ETH Dominance

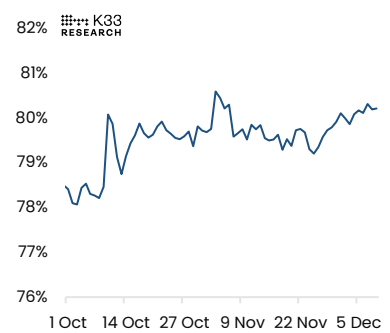
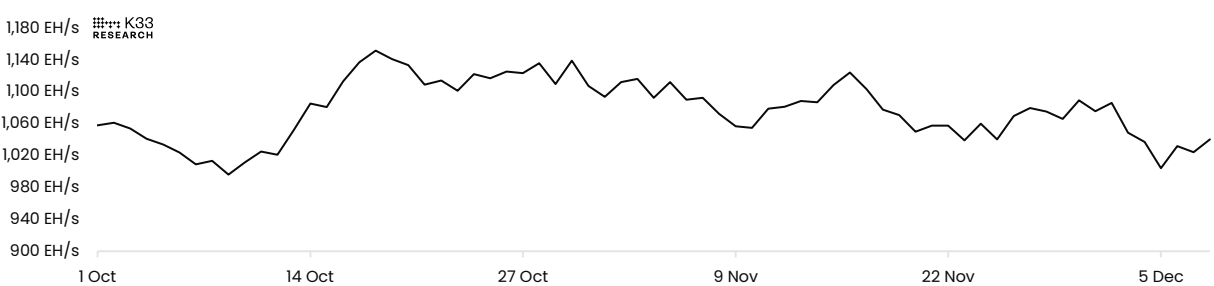
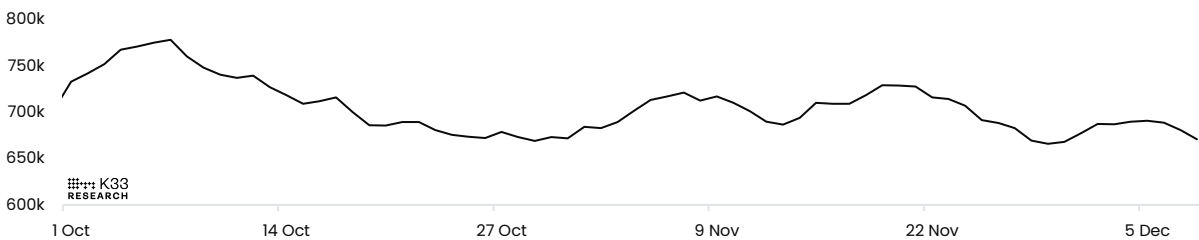


Figure 24: Bitcoin Hashrate (7-day average)



Source: Coinmetrics

Figure 25: Active Addresses (7-day average)



Source: Coinmetrics

Why we choose the charts we do

Heavy Bitcoin focus

The crypto market is heavily correlated. Movements in BTC tend to be reflected by sharper moves in altcoins. In many ways, BTC is the lower beta exposure alternative to crypto and the definite market leader. However, don't worry – whenever we find a topic, a coin, or some tendencies worth drilling deeper into – we will. This report will get you the most important information from the crypto market.

Market by the numbers

We highlight the most critical market data by numbers in this table. A glance at these data should be sufficient to assess the state of the market superficially.

Open interest is an essential underlying market driver. Crypto tends to be very volatile, and leverage exacerbates volatility. We have had frequent massive liquidation cascades throughout the last years, mostly towards the downside, but we've periodically seen short squeezes emerge. During the March 12th collapse in 2020, cascading liquidations were the root cause of the absolute carnage in the market. You should always pay close attention to open interest if you aim to be an active participant in the market. Our derivatives pages will contribute to delivering you a directional assessment of the data.

The spot volume is an efficient way to gain an overview of the general activity in the market.

Correlations have been growingly important in the last year due to the complicated macro picture post-COVID. It's important to be aware of BTC's, for now, close relationship with U.S. equities and its inverse relationship with the dollar strength index (DXY). However, the current correlation regime is unlikely to be as strong as today forever. Through awareness of correlation trends, you may be able to execute trading strategies before the market catches up to correlations breaking.

The simplified market cap distribution box allows you to assess the general risk sentiment in the market quickly. In general, the "Rest" category may be used as a proxy for risk aversion in the market. Currently, BTC, ETH, and stablecoins represent nearly 75% of the crypto market, which is telling for a risk-averse crypto market.

The two charts on the first page illustrate the two most interesting topics covered in our market analysis. A more thorough examination of these charts is found in the last section of the report, where we dive deeper into two topics that currently seem to drive the market.

Spot Primer

Top 3 coins

We explore the last week's performance of the top 3 cryptocurrencies to assess deviations and opportunities within the safer bracket of digital assets. Currently, BTC, ETH, and BNB represent the three largest. Both ETH and BNB have a thriving DeFi user base and unique drivers of price and demand, which could generate temporary or long-term correlations within crypto to decline as trading opportunities arise or spread trade opportunities.

Indexes

We use the Bletchley Indexes to gauge and assess market activity across BTC and altcoins grouped by market cap size. Documentation for the index weights may be found at through [this link](#).

Volume

The BTC spot volume is an efficient way to communicate the general activity in the market. It may help you identify frantic market bottoms or peaks. Our volume data is based on Bitwise's 10. In 2019, Bitwise explored wash-trading and market manipulation in the spot market, leading to this index. In general, our volume assessment likely underestimates the volume to some degree, as legitimate volumes in other exchanges are excluded. However, the volume estimate is a good proxy for general activity in the market.

We differentiate Binance's volume from the remainder of the exchanges due to Binance's removal of trading fees this summer. We believe a substantial amount of the recent trading volume on Binance is related to "inorganic" trades, i.e., high-volume trading strategies that were not economically feasible prior to fees being removed. Of course, removing fees has likely also contributed to moving traders from alternative exchanges over to Binance.

Volatility

Volatility is a topic well worth paying attention to. In specific periods, such as the current – where BTC trails in a shallow volatility regime, new trading opportunities emerge related to options and straddles. This chart is handy to pay close attention to, as it may help you enhance your ability to act on opportunities in the market when activity is low and options are becoming cheap.

Derivatives primer

Why should you care about derivatives flows?

The crypto market is periodically extremely volatile, and activity in derivatives enhances the market reactions. Crypto derivatives are at the cutting edge of financial innovation, the offshore market is periodically wild, and animal spirits tend to take over. Derivatives more or less always carry a clue of overheating in the market or full-on depression. It's highly actionable and worthwhile understanding if you aim to be an active crypto market participant.

The market is also clearly divided. There are two branches worth monitoring – institutional and offshore. Both components periodically lead the market, and assessing sentiment and general risk aversion in these two provides you the tools to understand dangers or opportunities on the horizon.

CME – The importance of a cash-based futures market in BTC

Institutional traders strongly impact BTCs price discovery, as identified both by [Bitwise](#) and by [us](#). However, many institutional traders have limitations regarding access to crypto markets or even related to holding BTC. CME provides the most accessible, most efficient access to crypto markets for those traders. CME also has the added caveat of a familiar clearinghouse structure, leading to fewer barriers to entry for crypto exposure for institutional traders.

We assess institutional sentiment by monitoring the futures basis and contract spreads between the front month (upcoming expiry) and the near month (next expiry). In general, a positive and high futures basis on CME indicates a positive sentiment, whereas a negative basis indicates the opposite. We include Binance's basis to compare offshore and CME premiums to highlight different sentiments between institutional traders and retail. While Binance have institutional traders, they also enable easy access to derivatives for retail, which may provide useful information ahead of periods of distress.

We monitor aggregated ProShares flows, meaning inflows and outflows to both ProShares' long BTC ETF (BITO) and short BTC ETF (BITI) on the CME page. In the chart, inflows to BITI will be calculated as a negative flow impact, while inflows to BITO will be calculated as a positive flow impact. The opposite is true for outflows from the ETFs mentioned above. ProShares are by far the largest U.S. BTC ETF provider, holding a substantial amount of BTC contracts on CME. Retail and institutions have access to BITO and BITI. Periods of strong aggregated flows to BITO may substantially impact CME's basis. An interesting scenario that has yet to emerge would be one scenario with neutral flows but a rising CME basis. In this scenario, one can assume that certain institutional players actively add long BTC exposure.

We further monitor CME's open interest and the contribution of ETFs to the open interest to assess the degree of activity in CME futures.

Perpetual swaps

Perpetual swaps are the most frequently traded derivative in crypto markets. It's an everlasting futures-like instrument, utilizing funding rates to secure that perp prices align with spot markets. There are certain intricate nuances to funding rates, for instance, varying funding intervals and varying neutral funding rate thresholds. In normal conditions, Binance and Bybit's funding rate sits at 0.01% every eight hours – meaning longs pay shorts a fee. This structural element in crypto derivatives may lead to a natural structural contango. They may be utilized for cash and carry strategies (albeit in a non-arbitrage fashion, assuming that funding rates will average around neutral terrain).

During roaring markets, funding rates tend to be pushed towards extreme highs due to enormous demand to go long, leading perps to trade at a substantial premium over spot. By assessing funding rates, you may be able to act on market moves and liquidation cascades prior to a liquidation cascade. Similarly, funding rates may sit in extremely negative terrain during bear markets, foreshadowing potential short squeezes.

We monitor open interest in perps to better gauge the risks of soaring volatility and market instability. We monitor open interest in notional value, i.e., in BTC, to have a clear eye on the relative leverage in the market. Currently, the open interest sits at all-time highs in notional value. This is a dangerous trend, and we view it as likely that this will generate a dramatic reaction when BTC breaks out of its prolonged consolidation. Cascading liquidations may occur in both directions, so the open interest is best used as a proxy for how volatile a spike may be.

Options

We monitor two options charts. The 25–delta skew, which is a metric comparing the implied volatility of a 25–delta put option vs. a 25–delta call option, normalized by at the money implied volatility. Counter-intuitively, when the 25d skew is positive, traders are paying more for puts than calls and may be assessed as cautious/bearish behavior in the options market. The opposite is true when skews are negative. Skews trending in a certain direction may also elaborate on repositioning from options traders and is worth paying attention to. We show the 1-month skew for contracts expiring by the end of the month, and the 6-month skew, for contracts expiring half a year from now to assess differences in positioning across maturities.

The implied volatility illustrates options traders' forward-looking assessment of volatility – or the options pricing. Implied vols in BTC are rarely trailing below 60 for long, and this has previously been a good time to enter straddle strategies.

Disclaimer

- Ahead of the curve (the "Report") by K33 Research is a report focusing on cryptocurrencies, open blockchains and fintech. Information published in the Report aims to spread knowledge and summarise developments in the cryptocurrency market.
- The information contained in this Report, and any information linked through the items contained herein, is for informational purposes only and is not intended to provide sufficient information to form the basis for an investment decision nor the formation of an investment strategy.
- This Report shall not constitute and should not be construed as financial advice, a recommendation for entering into financial transactions/investments, or investment advice, or as a recommendation to engage in investment transactions. You should seek additional information regarding the merits and risks of investing in any cryptocurrency or digital asset before deciding to purchase or sell any such instruments.
- Cryptocurrencies and digital assets are speculative and highly volatile, can become illiquid at any time, and are for investors with a high risk tolerance. Investors in digital assets could lose the entire value of their investment.
- Information contained within the Report is based on sources considered to be reliable, but is not guaranteed to be accurate or complete. Any opinions or estimates expressed herein reflect a judgment made as of the date of publication and are subject to change without notice.
- The information contained in this Report may include or incorporate by reference forward-looking statements, which would include any statements that are not statements of historical fact. No representations or warranties are made as to the accuracy of these forward-looking statements. Any data, charts or analysis herein should not be taken as an indication or guarantee of any future performance.
- Neither Research nor K33 Operations AS provides tax, legal, investment, or accounting advice and this report should not be considered as such. This Report is not intended to provide, and should not be relied on for, tax, legal, investment or accounting advice. Tax laws and regulations are complex and subject to change. To understand the risks you are exposed to, we recommend that you perform your own analysis and seek advice from an independent and approved financial advisor, accountant and lawyer before deciding to take action.
- Neither K33 Research nor K33 Operations AS will have any liability whatsoever for any expenses, losses (both direct and indirect) or damages arising from, or in connection with, the use of information in this Report.
- The contents of this Report unless otherwise stated are the property of (and all copyright shall belong to) K33 Research and K33 Operations AS. You are prohibited from duplicating, abbreviating, distributing, replicating or circulating this Report or any part of it (including the text, any graphs, data or pictures contained within it) in any form without the prior written consent of K33 Research or K33.
- By accessing this Report you confirm you understand and are bound by the terms above.
- K33 Research is a department within K33 Operations AS, org. 994 608 673, and can be contacted at research@k33com or bendik@k33.com