Ahead of the curve

Market Update

Digital Assets

Signals from the market

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A concentrated bearish bias grips the market
Bitcoin remains under heavy pressure after falling below $60,000 and ending the week down 7%. The selloff coincided with a sharp resurgence in ETF outflows, record-low institutional participation on CME, and an exceptionally compressed futures term structure, highlighting a market dominated by defensive positioning.

The options market reinforces this picture, with 6-month skew reaching levels previously seen only near the 2022 cycle lows, reflecting exceptionally strong demand for downside protection. While concerns over potential Strategy-related selling persist, the company's expanded USD reserve has modestly eased near-term balance sheet concerns by extending its dividend coverage from 10 to 17 months.

CME's bearish drought
CME activity remains exceptionally subdued. The front-month contango narrowed to its tightest level since January 2023, annualized basis stayed below 4%, and CME BTC futures open interest fell to its lowest level since October 2023. While futures-based ETF positioning changed little, active traders continued reducing exposure, underscoring the cautious institutional sentiment.

The only skew analogies to the current match with former bottoms
The 1-month skew reached 23.35 on June 27, its highest level since November 25, 2022. Even more notably, the 6-month skew climbed to 16.92, the fourth-highest reading on record. Only November 13-14, 2022 and June 19, 2022 recorded higher levels, both coinciding with major BTC bottoms. In other words, downside insurance is currently abnormally expensive, with the only past parallels occurring near global bottoms.

Unfortunately mild indications of optimism in perps
Perpetual futures have turned modestly more optimistic, with open interest above 300k BTC and funding rates moving higher as traders cautiously buy the dip with leverage. While participation remains muted, the combination points to a mild long bias that could leave the market vulnerable to another move lower.

Rebalancing to shake up an overwhelmingly negative ETF trend?
ETF outflows reaccelerated last week, with five-day net flows falling to -34,267 BTC, the second-largest five-day outflow on record, adding further pressure to BTC. However, quarter-end portfolio rebalancing has more consistently supported ETF inflows over the past year, particularly following periods of BTC underperformance versus the S&P 500, suggesting flows could improve in the first few trading days of July.

Strategy opens the door for selling BTC to support MSTR and STRC
The sharp declines in STRC and MSTR prompted Strategy to respond by raising STRC's dividend rate, expanding its USD Reserve, authorizing buyback programs for both MSTR and Digital Credit securities, and formally allowing BTC sales to support these initiatives. While the larger USD Reserve reduces the risk of BTC sales to fund dividends, the flexibility to monetize BTC for buybacks increases the risk of BTC sales to support MSTR and STRC.

By the numbers

BTCUSD $59,255
7d: **-7%**
30d: **-20%**

ETHUSD $1,581
7d: **-8%**
30d: **-22%**

Open Interest (BTC futures and perps)
$30.3bn
507,000 BTC (**1%** last seven days)

Average daily BTC spot volume
$3.0bn (**47%** last seven days)

BTC 90-d correlations (One Week change included)

ETH	Gold	S&P 500	DXY
0.93 (0.00)	0.28 (-0.01)	0.58 (0.02)	-0.23 (0.00)

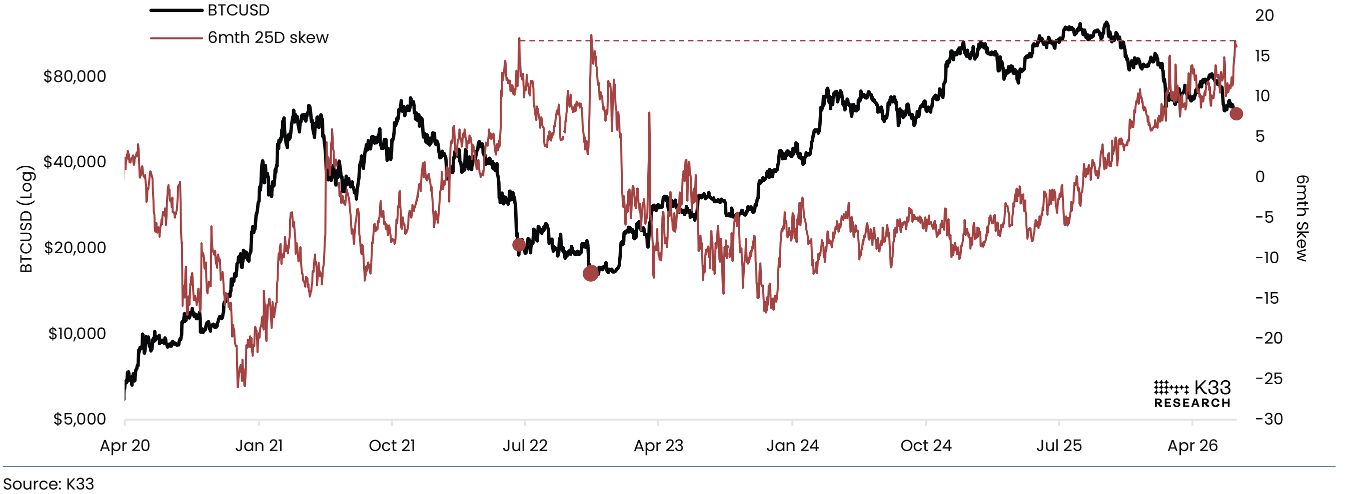
Percentage of Total Market Capitalization
One week change in percentage points

BTC	ETH	Stablecoins	Rest
57.9% (-0.5%)	9.3% (0%)	12.6% (0.4%)	20.2% (0.1%)

Last week of top 50 by market cap

	Ticker	7d	YTD
Gainers			
1	SOL	7%	-41%
2	AVAX	7%	-46%
3	BCH	6%	-67%
Losers			
1	WLD	-25%	-13%
2	HBAR	-9%	-33%
3	DOGE	-8%	-38%

Figure 1: BTCUSD (Log) vs 6mth 25d skew, Dots mark days where 6mth skews sits above the current levels



Source: K33

Spot Market

Headlines last week

Strategy pauses bitcoin buys, establishes $1B digital credit repurchase program as USD reserve tops $2.5B

Galaxy Research cuts Clarity Act 2026 passage odds to 50%, citing Senate calendar concerns

SBI Holdings agrees to acquire Japanese crypto exchange Bitbank in $288.6 million deal

Securitize to debut on NYSE this Thursday after gaining final nod for merger

Self-exiled Chinese billionaire sentenced to 30 years for fraud involving crypto

Calendar

Wednesday, July 1
- ADP Nonfarm Employment Change (exp: 118k)

Thursday, July 2
- U.S. Unemployment Rate (Exp: 4.3%)

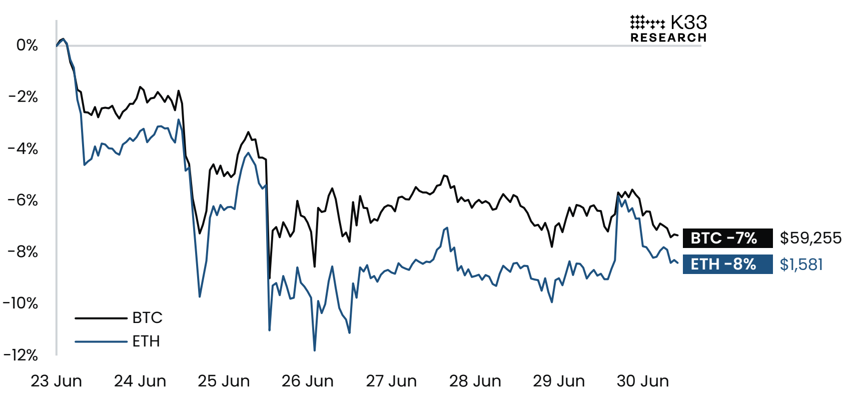
Friday, July 3
- U.S. Banking Holiday

A concentrated bearish bias grips the market
Bitcoin continues to face persistent weakness, falling below $60,000 over the past week and closing down 7%, with prices hovering at levels not seen since 2024.

The decline was driven by a sharp resurgence in ETF outflows alongside continued signs of exceptionally weak institutional participation on CME. Several market indicators have now reached extreme levels. Short-term ETF outflows are comparable to those seen during the February 2025 selloff, CME BTC futures open interest has fallen to its lowest level since October 2023, and the term structure on CME compressed to its tightest level since January 2023.

Adding to the picture, 6-month skew has climbed to levels reached only three times before, on June 19, 2022 and November 13-14, 2022. This reflects an exceptionally high premium for downside protection, with the only historical parallels occurring near major cycle bottoms. Concerns that Strategy-related BTC selling could reinforce the current weakness may be supporting demand for downside hedges. However, this week's expansion of Strategy's USD reserve offered modest relief by extending its capacity to cover preferred dividend payments from 10 months to 17 months.

Figure 2: Last Week's Performance BTC and ETH

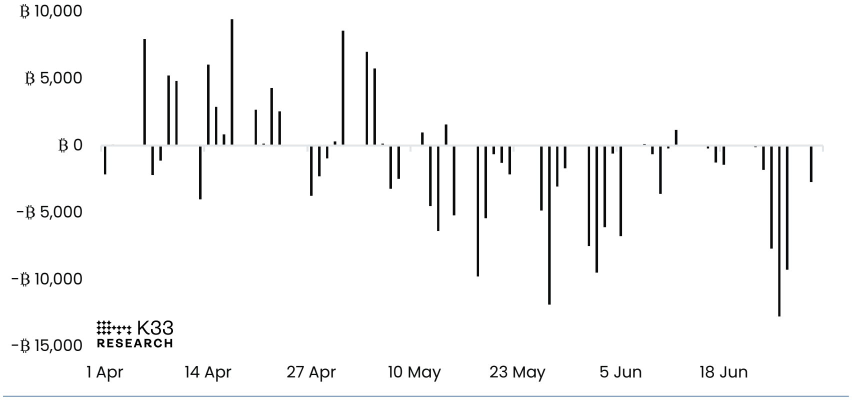


Source: Tradingview, (Coinbase, Binance)

Gargantuan outflows
After several weeks of subdued activity, ETF flows surged over the past week, resulting in net 5-day outflows of 34,268 BTC. This reduced global BTC ETP holdings to 1,431,761 BTC, the lowest level since May 16, 2025.June 25 recorded net outflows of 12,766 BTC, the third-largest daily ETF outflow on record, behind November 20, 2025 and February 25, 2025.

The three-day period from June 24 to June 26 saw cumulative outflows of 29,733 BTC, also the third-largest three-day outflow on record. Only the three-day windows ending February 26 and February 27, 2025 were worse, coinciding with the initial capitulation phase of last year's tariff-driven selloff.

Figure 3: Daily Global Net BTC ETP Flows



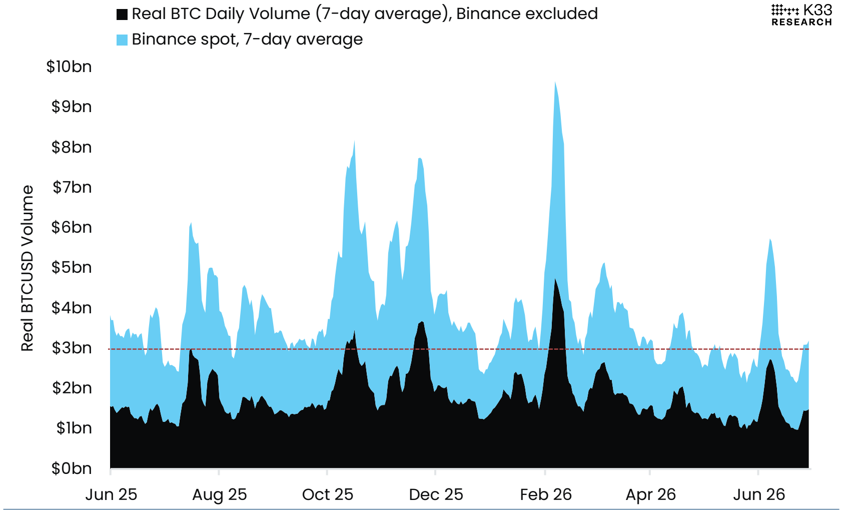
Source: K33 Research

Spot Market

Volumes recover
With BTC holding near multi-year lows around $60,000 over the past five trading days, trading activity has picked up. Average daily spot volumes rose 47% week over week to $3.0bn.

Lower prices have drawn more participants into the market, with sellers anticipating another leg lower while buyers have stepped in to accumulate BTC at levels not seen since 2024.

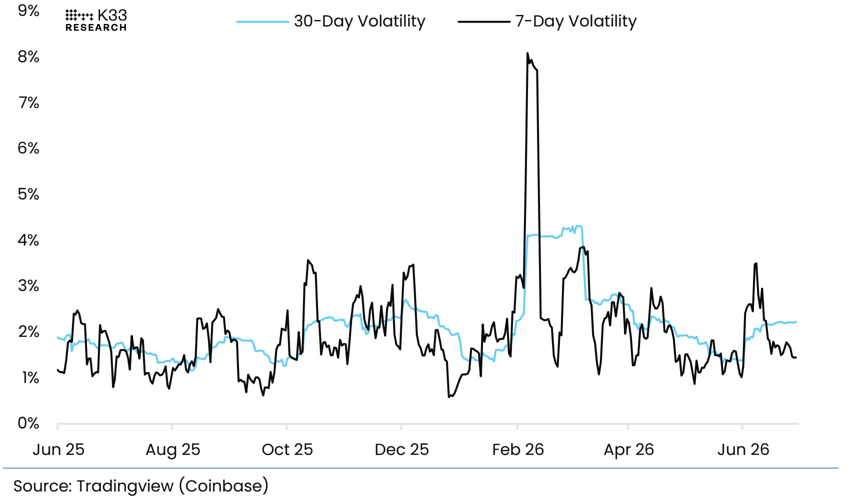
Figure 4: Real BTCUSD Daily Volume* (7-day average)



Source: Tradingview, Bitcoinity *Includes Bitwise 10 exchanges

Idle volatility
Bitcoin has stabilized after being pushed to lows below $60,000 with low daily volatility and prices closing in close proximity to $60,000 in the past five trading days. This has resulted in continuously low realized volatility, with 7-day volatilities currently hovering at a relatively modest 1.7%.

Figure 5: BTC-USD Volatility



Source: Tradingview (Coinbase)

Fear and Greed

Now: 15 (Extreme Fear)
Last week: 23 (Extreme Fear)
Last month: 23 (Fear)

Derivatives
CME, Futures and ETFs

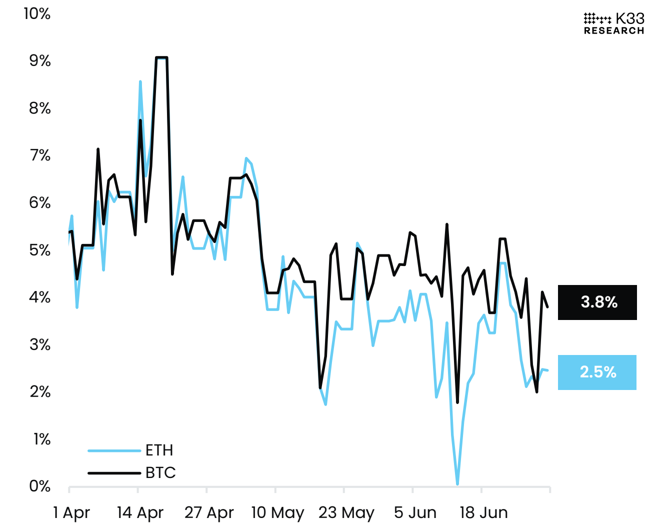
Amid expiry, the contango narrowed to just 0.02%, with July trading at a slight premium over June. While this occurred on the expiry date, the spread was still exceptionally tight by any measure. We have not seen a narrower front-month premium since January 2023.

The annualized basis also remained remarkably low, once again dipping toward 2% during illiquid weekend hours before hovering below 4% early this week. Overall, sentiment remains very cautious.

Open interest tells the story of the ongoing CME reluctance. Following the June expiry, OI in CME BTC futures declined to 90,030 BTC, the lowest level since October 19, 2023. It also represents a 57.7% notional decline from the peak of 212,845 BTC reached on December 17, 2024. This highlights the passive and lackluster activity in CME BTC futures in recent months.

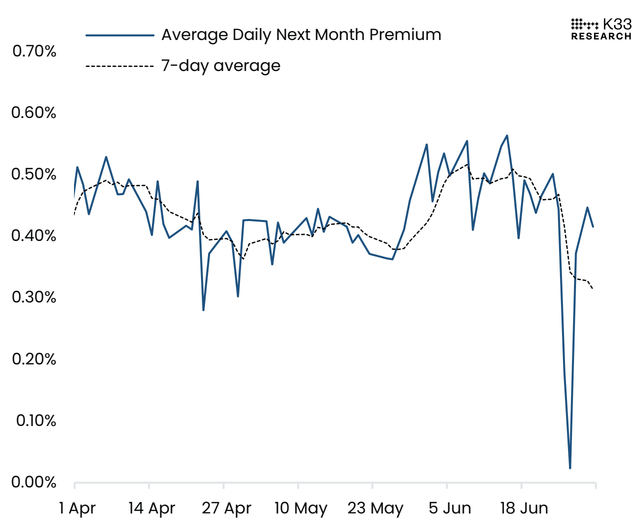
Muted flows in futures-based ETFs have contributed to the sluggish environment, but net exposure across futures-based BTC ETFs declined by only 1,500 BTC over the past week. By comparison, active market participants reduced exposure by 10,110 BTC. This suggests that active traders, rather than ETF flows, have been the primary driver of the sharp decline in CME OI.

Figure 6: Basis falls further
CME BTC and ETH Futures Annualized Rolling 1mth Basis



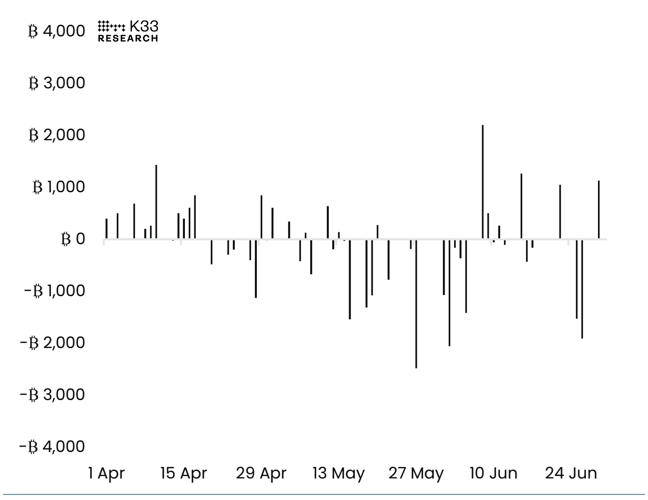
Source: Tradingview

Figure 7: Narrowest next-month premium since Jan 2023
CME BTC Futures: Average Daily Next Month Premium



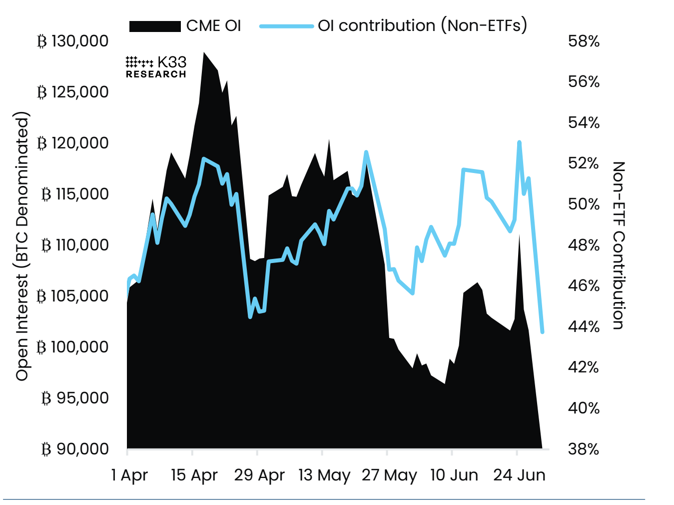
Source: Tradingview

Figure 8: Stagnant days in futures-based ETFs
Futures-based ETFs: Net Flow – BTC Equivalent



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

Figure 9: CME OI reaches 32-month lows
CME BTC Futures: Open Interest

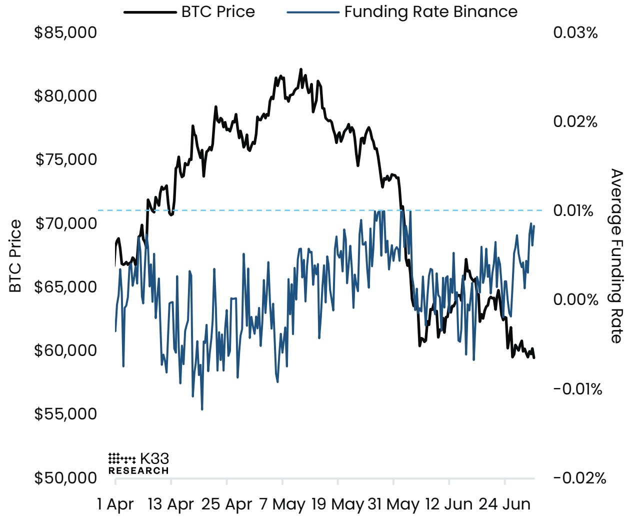


Source: CME, ProShares, Valkyrie, VanEck, Bitwise, CSOP, Samsung, VolatilityShares

Derivatives
Perpetual Swaps and Options

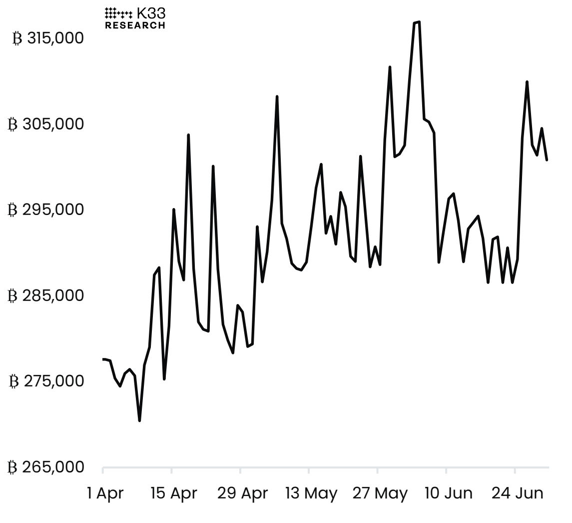
Perpetual swaps
Open interest has again climbed above 300k BTC as BTC hovers around $60k. During this idle consolidation, funding rates have moved higher, pointing to a modest resurgence in long positioning despite BTC trading near multi-year lows. This may suggest that the market is building leverage to set BTC up for another leg lower, reminiscent of late May when funding rates rose while prices fell. Elevated open interest, rising funding rates, and weaker BTC prices suggest traders are attempting to buy the dip with leverage, which is typically an unfavorable setup. That said, the recent rise in funding rates has occurred only over the most recent funding intervals, a period marked by subdued price action and limited changes in open interest. Overall, participation remains muted, suggesting the market is still largely hands off.

Figure 10: Funding rates recover
Bitcoin Perpetuals: Funding Rates vs BTC Price



Source: Binance, Laevitas

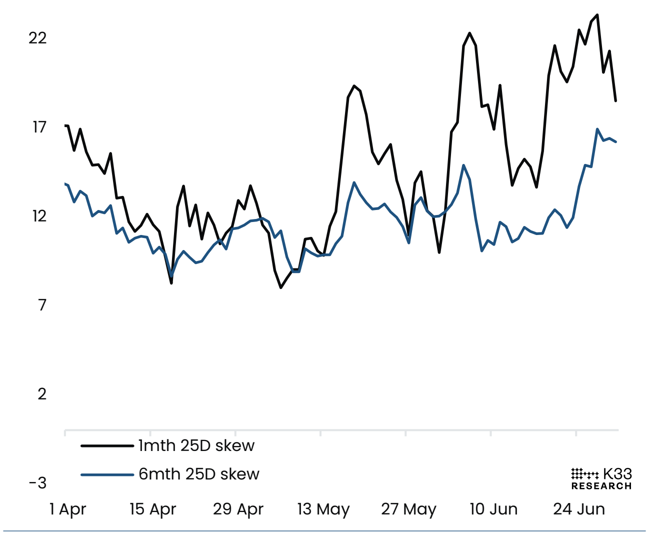
Figure 11: Open interest pushing back above 300k BTC
Bitcoin Perpetuals: Open Interest



Source: Laevitas

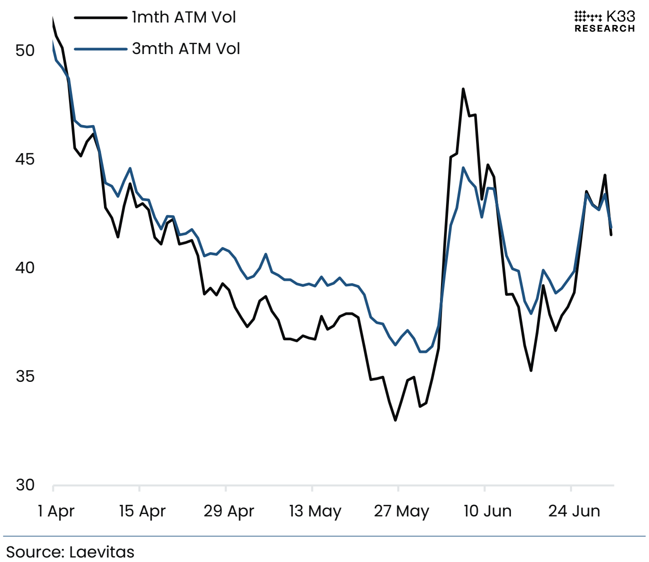
Options
The 1-month skew reached 23.35 on June 27, its highest level since November 25, 2022. Even more notably, the 6-month skew climbed to 16.92, the fourth-highest reading on record. Only November 13-14, 2022 and June 19, 2022 recorded higher levels, both coinciding with major BTC bottoms. In other words, downside insurance is currently abnormally expensive, with the only past parallels occurring near global bottoms.

Figure 12: 4th highest 6mth skew ever, behind Jun 19, Nov 13-14, 22
BTC Options - 25D Skew (1mth + 6mth)



Source: Laevitas

Figure 13: IVs climb modestly
BTC Options – Implied Volatility



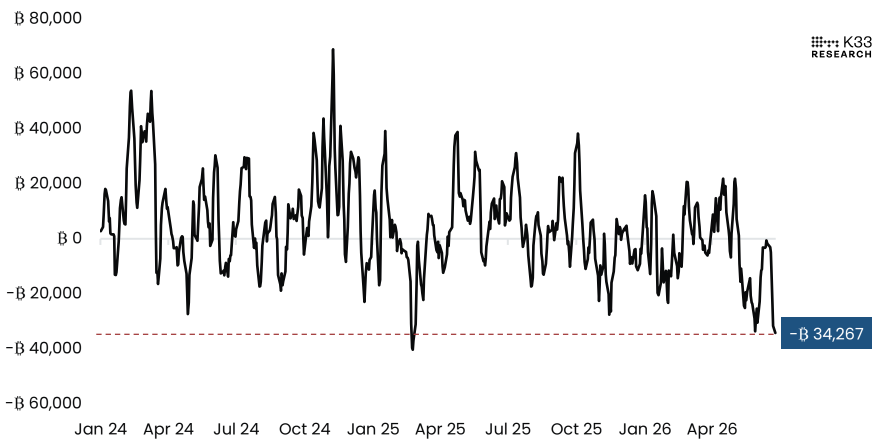
Source: Laevitas

A deeper dive

The ETF bleed to end with the quarterly rebalance?

After a few weeks of neutralizing ETF flows, aggressive ETF outflows resumed last week, with five-day net flows plunging to -34,267 BTC by Friday, the second-lowest five-day flow on record. These flows continue to be a major contributor to BTC's heavy price action of late. As we await the end of yet another quarter of significant BTC underperformance, rebalancing may once again push flows from negative to positive over the coming week.

Figure 14: 1-week flow BTC ETFs



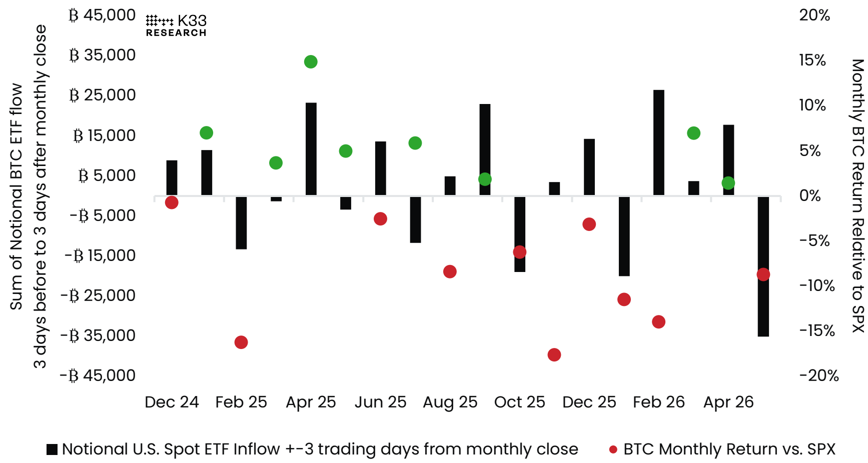
Source: K33

Periodic hints of a rebalancing trend, strong quarterly evidence
Over the past 18 months, 9 months have seen net ETF flows during the six-day window surrounding month-end (three trading days before and three trading days after month-end) diverge materially from the prevailing trend during the rest of the month. In several of these cases, months in which Bitcoin underperformed the S&P 500 were followed by stronger ETF inflows around month-end and into the start of the following month. This pattern is consistent with portfolio rebalancing, whereby investors increase their Bitcoin allocation after periods of relative underperformance.

The relationship is far from universal, however. The remaining 9 months did not exhibit this pattern. Four months of Bitcoin underperformance versus the S&P 500 coincided with heavy ETF outflows, while five months of relative outperformance were accompanied by positive ETF inflows. This suggests that portfolio rebalancing is not a persistent driver of Bitcoin ETF flows and is likely only one of several factors influencing investor demand.

That said, the pattern has been notably more consistent over the past four quarters. In each case, ETF flows around quarter-end moved opposite to Bitcoin's relative performance versus the S&P 500, with weaker relative returns followed by stronger inflows and stronger relative returns followed by weaker flows. If this relationship persists, quarter-end rebalancing could provide a well needed relief for Bitcoin during the first few trading days of July.

Figure 15: Bitcoin monthly returns relative to SPX vs ETF flows +-3 days from month end



Source: K33

A deeper dive

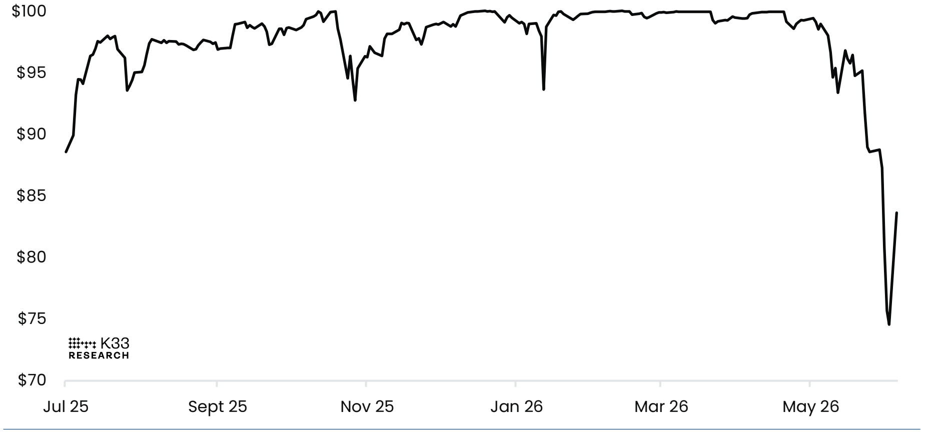
Comprehensive Strategy overhaul

STRC's price continued to collapse over the past week, plunging to record lows of $74.6 on June 26, well below its intended price level of $100. Its preferred stock remains above $10bn and annual dividend costs stay at roughly $1.2bn. In response to worsening STRC conditions, Strategy has launched a comprehensive overhaul outlining how it intends to support its growing stack of preferred securities. These measures helped STRC rebound to $83.7 by the end of yesterday's session, though it remains well below its target range.

STRC's dividend rate has been increased by 50 bps to 12.00%, effective for record dates beginning in July 2026. The rate will continue to be reviewed monthly, with the company's objective for STRC to trade within a $99 to $100 range over time. Strategy has also authorized repurchase programs for up to $1.0bn of Digital Credit securities and up to $1.0bn of MSTR. According to the company, these programs provide greater flexibility to repurchase securities when market dislocations create accretive opportunities. Repurchases will not be funded from the USD Reserve.

Strategy has also established a BTC Monetization Program under which it may sell BTC to fund the USD Reserve, subject to a $1.25bn cap, as well as dividends, interest expense, and repurchases of Digital Credit securities and MSTR under the authorized buyback programs.

Figure 16: STRC



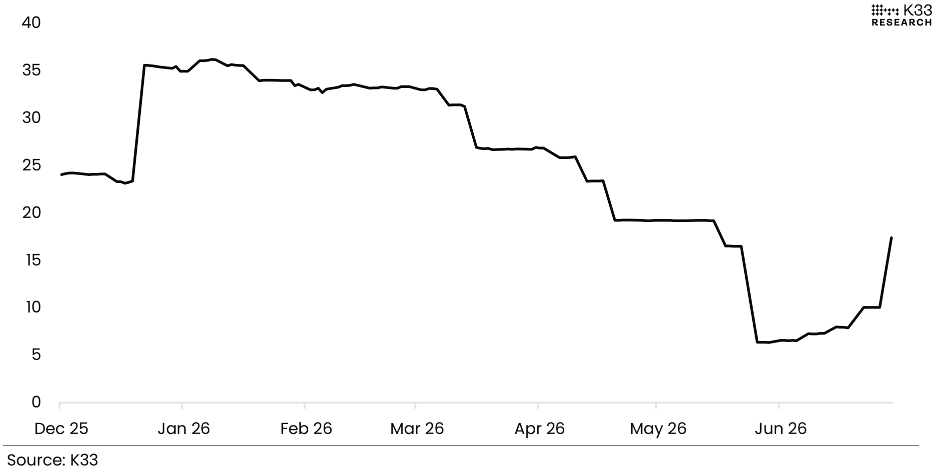
Source: Tradingview

Growing USD reserve

Strategy has increased its USD Reserve to $2.55bn, representing approximately 17.4 months (up from 10 mths) of dividend coverage. The USD Reserve may only be used to fund preferred dividends and interest expense, and the company intends to maintain a minimum coverage level of 12 months.

While the larger USD Reserve significantly reduces near-term pressure to sell BTC to fund dividends, Strategy may still monetize BTC to repurchase prefs (Digital Credit) securities or MSTR. As a result, the possibility of BTC sales from its 847,363 BTC holdings remains a risk to market sentiment, particularly if investors continue to worry about a potential doom loop in which Strategy ultimately suspends dividends on its preferred securities.

Figure 17:USD Reserve, Months of Dividend Coverage



Source: K33

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 asses 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 "in-organic" 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.

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