

Ahead of the curve

Market Update

Summertime sadness?

Bitcoin sold off hard this week, dropping below \$70,000 for its first double-digit weekly loss since February 10. ETFs sold aggressively, CME exposure fell to multi-year lows, and perp open interest climbed alongside rising funding rates. We read the latent selling pressure in those leveraged longs as a warning of possible deeper lows and advise caution, despite our earlier call that \$60k was the bottom. Separately, Strategy's sale of 32 BTC, only its second ever, is mostly noise given its tiny size and the company's standing aim to keep growing its stack.

Longer term, we still see BTC as deeply undervalued versus equities and attractively priced. But persistent relative weakness and heavy ETF outflows suggest much of the market views the opportunity cost of holding BTC as too high while anything AI-related soars. With outside capital reluctant to enter and existing holders trimming exposure, we may be in for a choppy summer.

CME exposure at 2.5 year lows

CME BTC futures open interest has dropped to 97,935 BTC as of June 1, its lowest since October 2023, while the 14-day average premium sits at just 4.1%, the weakest two-week basis since September 2023. The decline stems partly from futures-based ETF outflows (-2,140 BTC over 5 days) but mainly from active participants cutting exposure (-8,050 BTC), whose holdings now sit at 44,710 BTC, nearing the early-March 2026 lows.

Perps signal caution

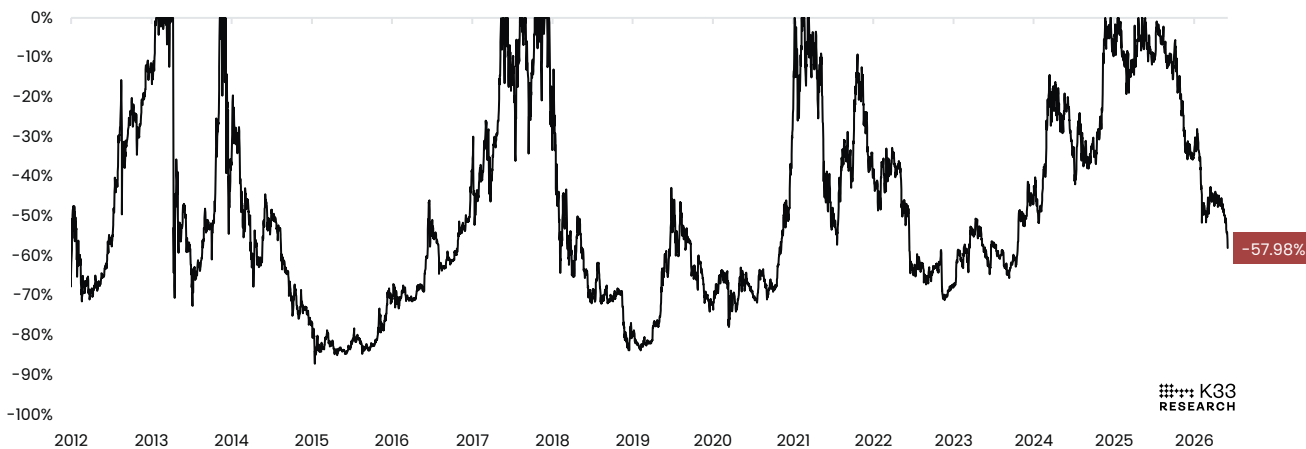
BTC perp funding has neutralized repeatedly over the past week for the first time since January 24, 2026, with the 7-day average annualized rate climbing to 7.62%, its highest since November 2025. Paired with falling prices and rising open interest, this unfortunate trifecta, heightens the risk of excess downside volatility driven by squeezed perp longs and solidifies the case for cautious, defensive positioning ahead.

Second-worst 3-week flow in BTC ETF history

BTC ETPs continue to see heavy outflows, with the past week recording net outflows of 28,990 BTC. The standout event was a \$1.3bn IBIT block trade on May 26, the single largest BTC ETF trade ever, which coincided with BTC's 7-day high of \$78k before prices drifted lower. Per FINRA ATS dark-pool data, only 13 trading weeks since IBIT's January 2024 launch have recorded higher total weekly ATS volume than that one trade represented on its own.

The selling has been severe: the past three weeks saw net outflows of 62,794 BTC, the second-deepest 3-week flow in BTC ETF history, behind only the Q1 2025 peak of -64,641 BTC. Flows soured in early May as BTC approached its 200d MA and ETF cost basis, then turned one-directional, likely on weak momentum confirmation from the failed 200d MA breakout. A second driver may be the perceived high opportunity cost of holding BTC versus AI/hardware or the upcoming SpaceX and Anthropic IPOs, pushing investors to sell underperforming BTC and rotate into stronger-performing sectors.

Figure 1: BTC Drawdown vs. Nasdaq



Source: Tradingview

Digital Assets

Signals from the market

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By the numbers

BTCUSD \$67,791 **ETHUSD** \$1,932
7d: **-12%** 7d: **-8%**
30d: **-14%** 30d: **-17%**

Open Interest (BTC futures and perps)

\$36.2bn
532,000 BTC (**4.5%** last seven days)

Average daily BTC spot volume

\$2.7bn (**38%** last seven days)

BTC 90-d correlations (One Week change included)

| ETH | Gold | S&P 500 | DXY |
|-------------|-------------|-------------|---------------|
| 0.94 (0.00) | 0.32 (0.04) | 0.56 (0.00) | -0.20 (-0.05) |

Percentage of Total Market Capitalization

Two week change in percentage points

| BTC | ETH | Stablecoins | Rest |
|---------------|--------------|--------------|--------------|
| 58.2% (-1.6%) | 10.0% (0.1%) | 11.2% (0.8%) | 20.6% (0.7%) |

Last week of top 50 by market cap

| | Ticker | 7d | YTD |
|-----------------|--------|------|------|
| Gainners | | | |
| 1 | XLM | 50% | 12% |
| 2 | HYPE | 17% | 184% |
| 3 | TON | 4% | 21% |
| Losers | | | |
| 1 | SUI | -20% | -41% |
| 2 | BCH | -20% | -53% |
| 3 | UNI | -16% | -51% |

Spot Market

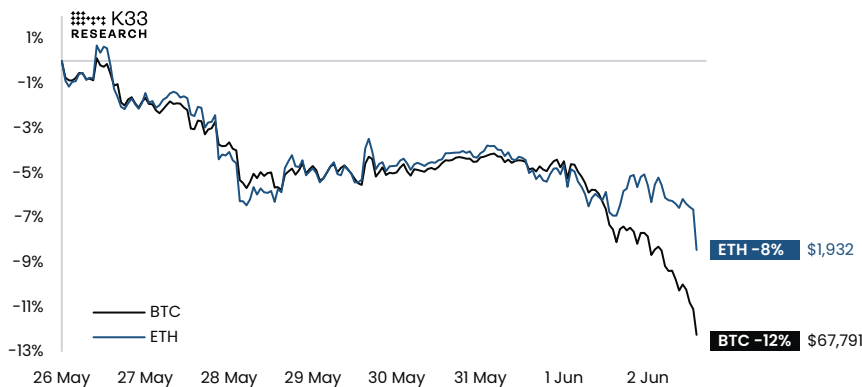
Summertime sadness?

Bitcoin has faced a heavy and steady sell-off throughout the week, pushing prices below \$70,000 and marking its first week of double-digit negative returns since February 10. As prices trended lower, ETFs sold aggressively and CME exposure compressed to multi-year lows, while perp open interest grew alongside rising funding rates. We read that combination, and in particular the explosive selling pressure latent in those leveraged longs, as a dangerous signal that could set the stage for deeper lows, despite our earlier call that \$60k marked the local bottom. From here, we advise caution.

The week brought another unusual announcement: Strategy sold 32 BTC, the second BTC sale in its history. The stated logic is that actively monetizing a sliver of its bitcoin reserve proves to credit-rating agencies that it can service its 11.5% STRC preferred dividend, making STRC more creditworthy and, ultimately, supporting more bitcoin accumulation down the line. We view the attention around the sale as mostly noise, both because of its tiny size and because Strategy's clear agenda remains to grow its BTC stack over time.

We continue to find BTC deeply undervalued versus equities and attractively priced for long-term exposure. Yet the ongoing relative weakness and heavy ETF outflows suggest that an important part of the market deems the opportunity cost of holding BTC far too high in an environment where anything AI-related soars. With external capital reluctant to enter BTC and internal capital recurrently reducing exposure, we might again be forced to brace for a choppy summer.

Figure 2: Last Week's Performance BTC and ETH



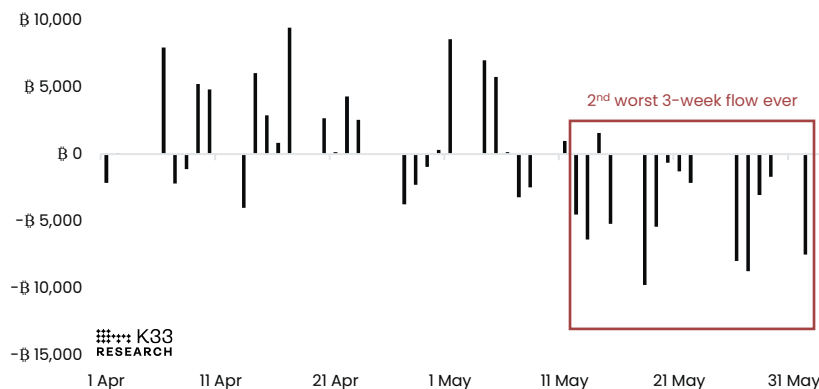
Source: Tradingview, (Coinbase, Binance)

BTC ETP exposure back at yearly open

After continued negative ETF flows over the past week, net BTC ETP exposure has fallen back into negative territory for the year.

The past week saw net weekly outflows of 28,990 BTC from BTC ETFs, with IBIT alone accounting for outflows equivalent to 19,098 BTC. Flows have been consistently negative for several weeks now, with BTC ETPs globally seeing net outflows of 62,794 BTC over the past three weeks, the second-worst three week BTC ETP flow on record.

Figure 3: Daily Global Net BTC ETP Flows



Source: K33 Research

Headlines last week

[Michael Saylor's Strategy sells 32 bitcoin for \\$2.5 million as total holdings drop to 843,706 BTC](#)

[US has seized nearly \\$1 billion in crypto from Iran, Bessent says](#)

[Mt. Gox moves \\$739 million worth of bitcoin to two addresses: Arkham](#)

[CME's 24/7 crypto derivatives market sees \\$50 million in opening weekend trading](#)

Calendar

Wednesday, June 3

- ADP Nonfarm Employment Change (Exp: 116k)

Friday, June 5

- U.S. Unemployment Rate (Exp: 4.3%)
- U.S. Nonfarm Payrolls (95k)

Spot Market

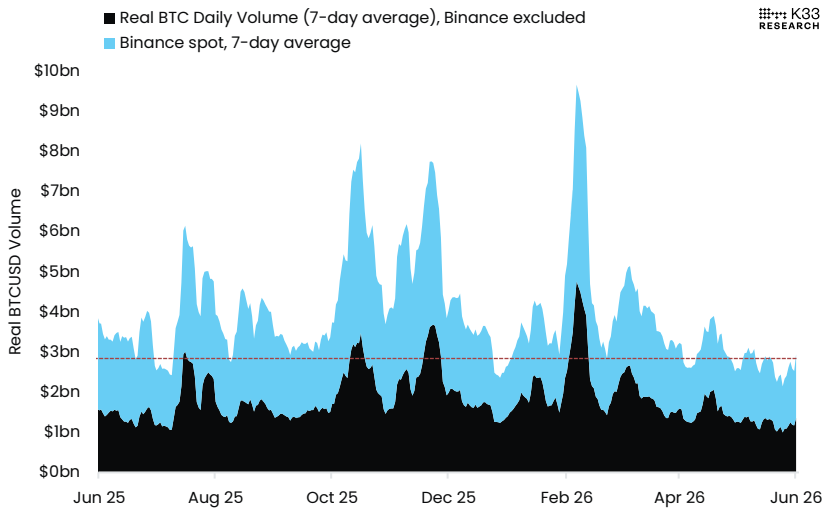
Moderate growth in spot volumes

BTC spot volumes climbed 38% to \$2.7bn over the past week. While a considerable uptick compared to last week, the figure remains below the 30th percentile of weekly spot volume averages over the past year, suggesting that the recent sell-off has occurred under rather muted trade volume conditions, with soft participation across the board.

Fear and Greed

Now: 23 (Extreme Fear)
Last week: 34 (Fear)
Last month: 39 (Fear)

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

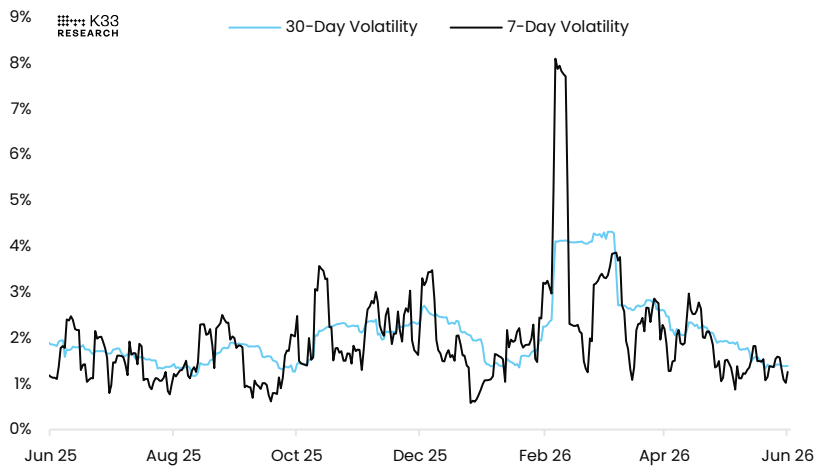


Source: Tradingview, Bitcoinity *Includes Bitwise 10 exchanges

Volatility declines to deeper lows

While BTC is down 10.5% over the past week, volatility stays muted, with 7-day volatility sitting at 1.2% and 30-day volatility sitting close to 1y lows at 1.39%. BTC's sell-off has for now been a steady grind lower, with six of the seven trading days between Tuesday May 26 and Monday June 1 closing in the red, and the current Tuesday candle well on track to close in the red as well.

Figure 5: BTC-USD Volatility



Source: Tradingview (Coinbase)

Derivatives

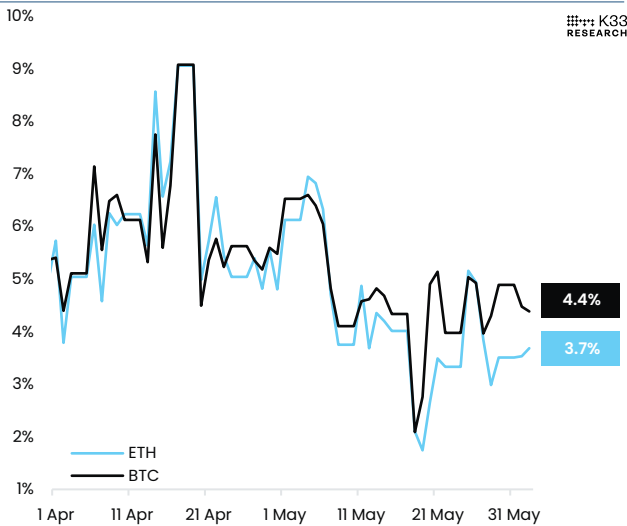
CME, Futures and ETFs

Notional open interest on CME's BTC futures has fallen to its lowest level since October 2023 following the May contract close. As of Monday, June 1, CME's BTC futures OI sat at 97,935 BTC.

Amid the shrinking exposure, CME premiums remain low, averaging 4.1% over the past 14 days, the lowest 2-week average CME basis since September 2023. The plunging open interest is driven partly by futures-based ETF outflows (5d: -2,140 BTC), but mainly by reduced exposure among active market participants (5d: -8,050 BTC).

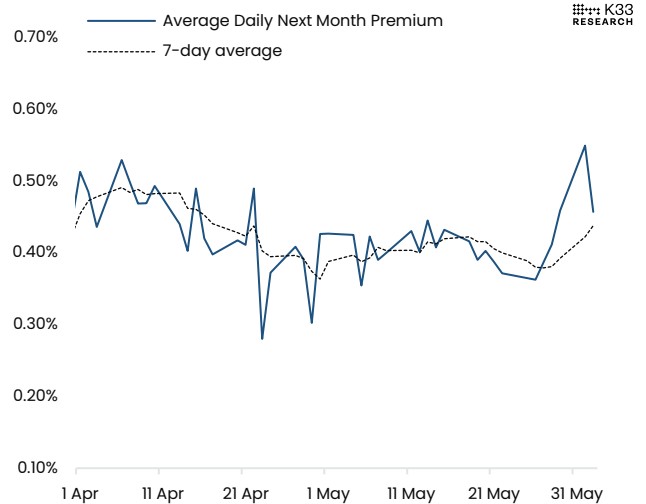
Active market participants currently hold exposure equivalent to 44,710 BTC on CME, closing in on the lows from early March 2026.

Figure 6: Collapsing CME basis
CME BTC and ETH Futures Annualized Rolling 1mth Basis



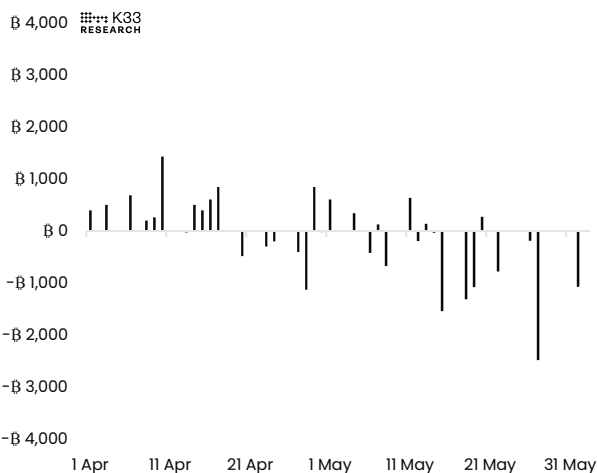
Source: Tradingview

Figure 7: Contango jumps higher amid low volume
CME BTC Futures: Average Daily Next Month Premium



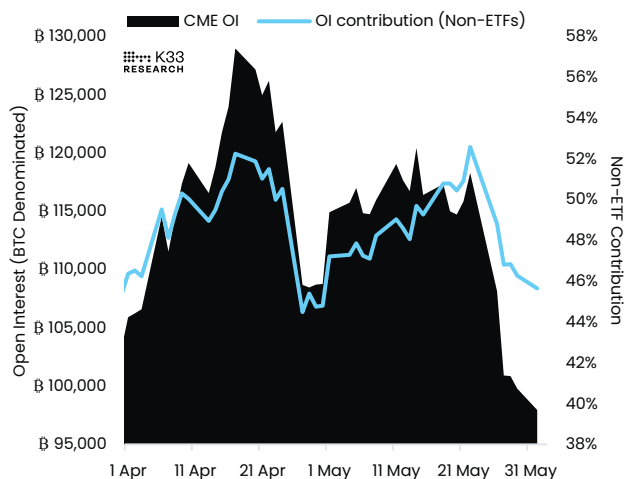
Source: Tradingview

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 at 2.5 year lows
CME BTC Futures: Open Interest



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

Derivatives

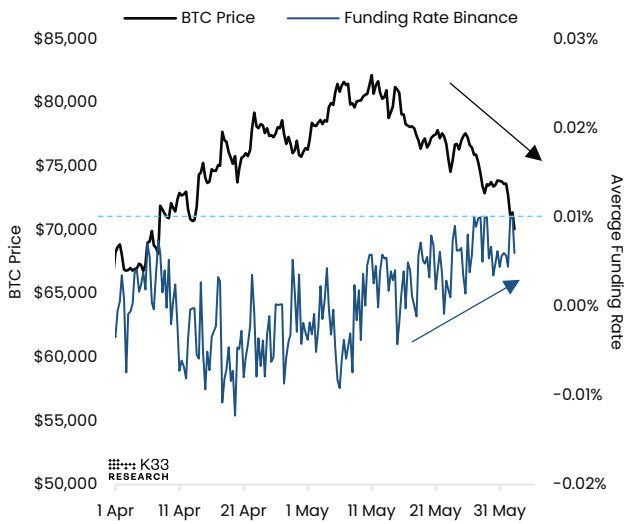
Perpetual Swaps and Options

Perpetual swaps

We've seen multiple incidents of neutral funding rates in BTC perps over the past week, the first such instances since January 24, 2026. We've seen multiple incidents of neutral funding rates in BTC perps over the past week, the first such instances since January 24, 2026. The 7-day average annualized funding rate has climbed to 7.62%, a high not seen since November 2025. Alongside neutralizing funding rates, prices have fallen and open interest has trended higher.

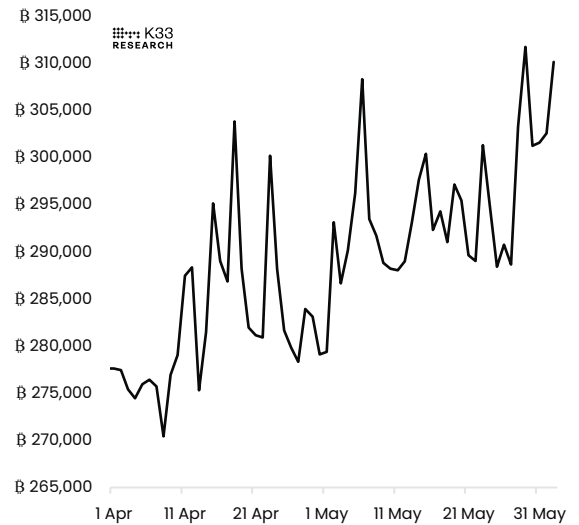
This is an unfortunate trifecta, heightening the risk of excess downside volatility driven by squeezed perp longs and solidifying the case for cautious, defensive positioning ahead.

Figure 10: Funding rates climbing, prices falling
Bitcoin Perpetuals: Funding Rates vs BTC Price



Source: Binance, Laevitas

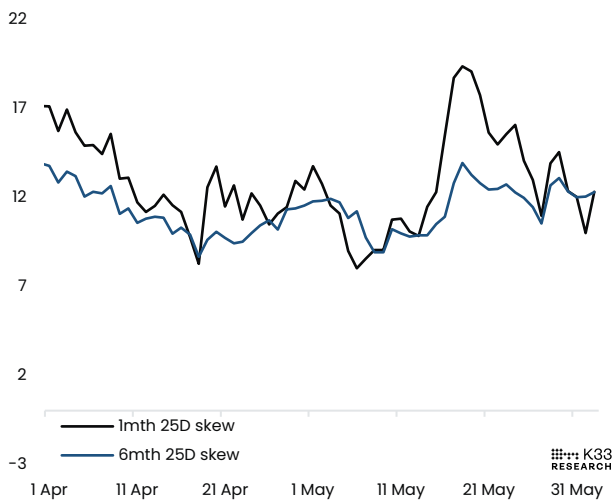
Figure 11: Open interest reaches yearly highs
Bitcoin Perpetuals: Open Interest



Source: Laevitas

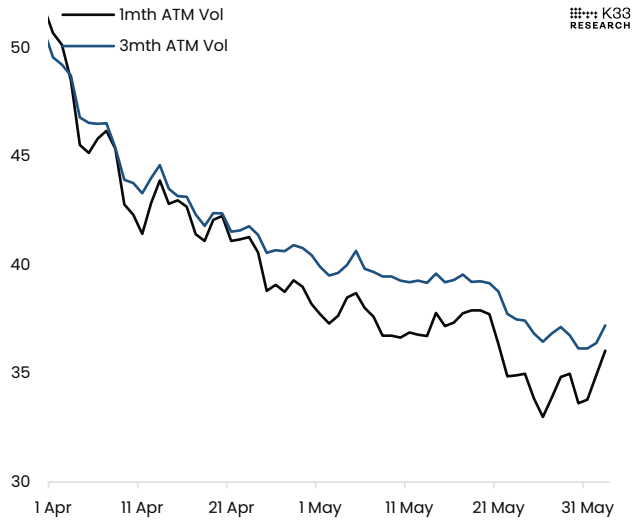
Options
Meanwhile, options exposure remains fairly stable and in line with the past few weeks' observations, with skews staying flat at a considerable put premium while IVs have flattened after weeks of downward-trending momentum.

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



Source: Laevitas

Figure 13: IVs stay compressed
BTC Options - Implied Volatility



Source: Laevitas

A deeper dive

Passive CME, active perps

While this weekend marked the opening weekend of 24/7 continuous trading on CME's BTC futures, it culminated in the lowest CME exposure in nearly three years. As of the Monday June 1 close, CME OI fell to 97,935 BTC, a low not seen since October 20, 2023, during the pre-ETF launch rally.

The reduced CME exposure is accompanied by narrowing CME futures yields, with the annualized front-month BTC basis hovering between 4-5% over the past week. The low yields reflect lackluster demand to bet on higher BTC prices in the institutional derivatives market, which in turn reduces the incentive for delta-neutral participants to engage in BTC futures, with trickle-down negative effects on ETP flows.

Prior to ETFs, CME participation was one of the core indicators we monitored to gauge institutional eagerness to allocate and take risks in BTC. While ETFs and ETF options may have eroded some of the monopolistic dominance CME enjoyed a few years ago, we view the ongoing steady drought in CME exposure as a clear symptom of the broad lack of institutional interest in BTC, and we will monitor CME positioning closely going forward to potentially identify an early hint of improving BTC morale.

Figure 14: CME OI

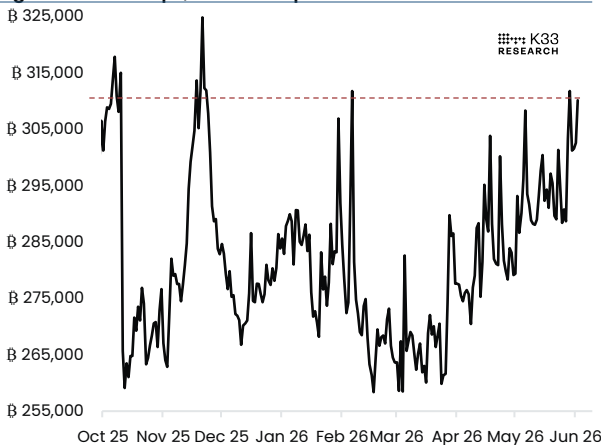


Source: CME

While perp traders takes more risks

Throughout April and May, we filled our reports with the message that perp traders were heavily defensive in BTC. This is no longer the case. The past week has seen annualized funding rates average 7.62%, reflecting new yearly highs and closing in on the levels reached in mid-November and early October 2025. Meanwhile, open interest has climbed further toward yearly highs at 310,000 BTC, suggesting the market is relatively heavily exposed to potential long liquidation squeezes ahead.

Figure 15: BTC Perps, Notional Open Interest



Source: CME

Figure 16: 7-day average annualized funding rate, perps



Source: CME

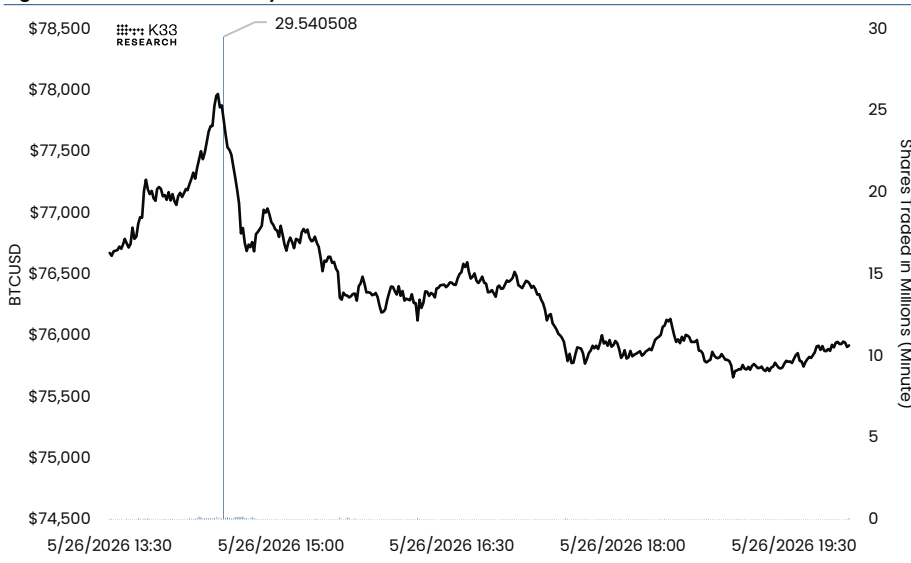
A deeper dive

Second-worst 3-week BTC ETF flow ever

BTC ETFs continue to see steady, heavy flows, with the past week recording net outflows of 28,990 BTC. The most notable event was undoubtedly the \$1.3bn block trade of IBIT on May 26. This marks the single largest BTC ETF trade ever and coincided with BTC's 7-day high of \$78k, before BTC drifted lower over the following days.

Using FINRA ATS transparency data, which aggregates weekly dark-pool trading volume across alternative trading systems, we found that only 13 trading weeks since IBIT's January 2024 launch have recorded a higher total weekly ATS share volume than this single trade represented on its own.

Figure 17: BTCUSD vs intraday IBIT trade volume June 2, 2026



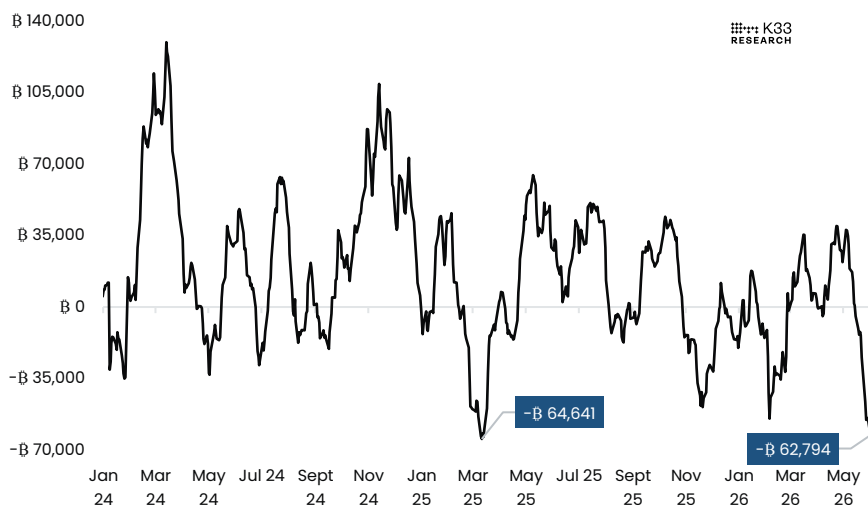
Source: K33

Second-worst 3-week flow on record

Selling pressure from ETP holders is one of the major negative forces currently pulling BTC lower. The past three weeks have seen net outflows of 62,794 BTC from BTC ETFs, the second deepest 3-week flow in BTC ETF history, beaten only by the Q1 2025 peak of -64,641 BTC over three weeks.

ETF flows suddenly soured in early May as BTCUSD approached its 200d MA and the BTC ETF cost basis. Since then, flows have been one-directional, potentially as a direct consequence of weak momentum confirmation from the failed 200d MA breakout. A second contributor to the escalating outflows may be the perceived high opportunity cost of staying exposed to BTC versus AI/hardware or the upcoming SpaceX and Anthropic IPOs, shifting incentives toward selling the underperforming BTC and rotating into the stronger performing sectors.

Figure 18: 3-week flows, BTC ETF

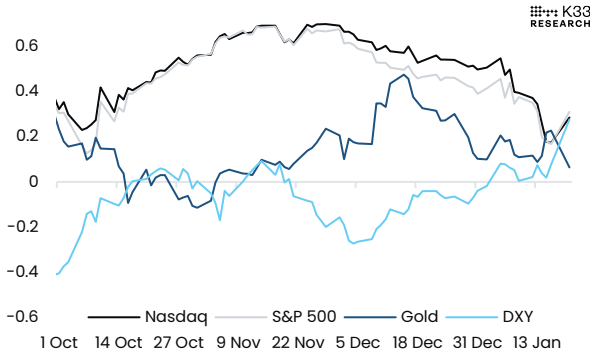


Source: K33

Market Related Charts

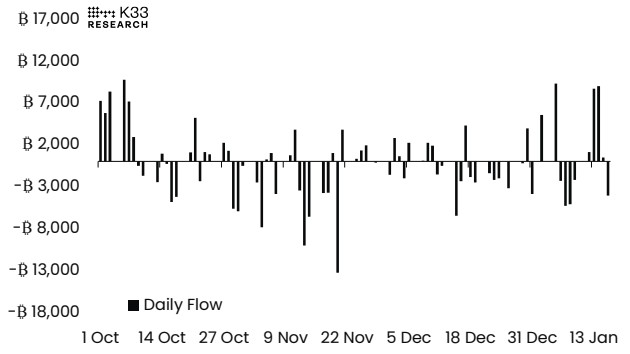
Data updated Tuesday, June 2, 2026

Figure 19: BTC 30-d correlations*



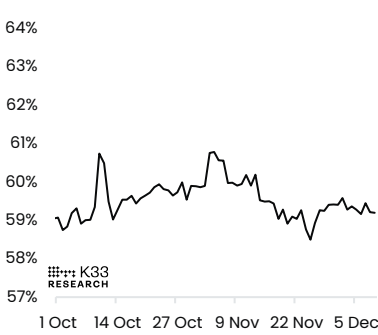
Source: Tradingview *Pearson

Figure 20: Daily Flows (BTC ETFs)



Source: K33 Research

Figure 21: BTC Dominance



Source: Tradingview

Figure 22: BTC + Stables Dominance

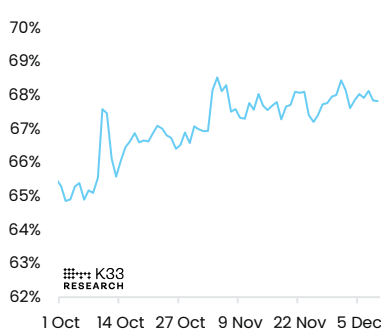


Figure 23: BTC + Stables + ETH Dominance

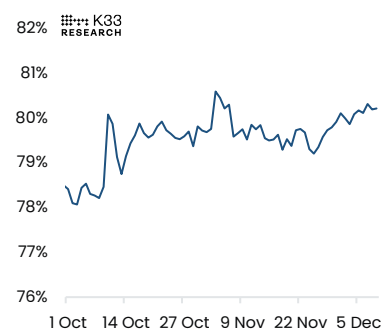
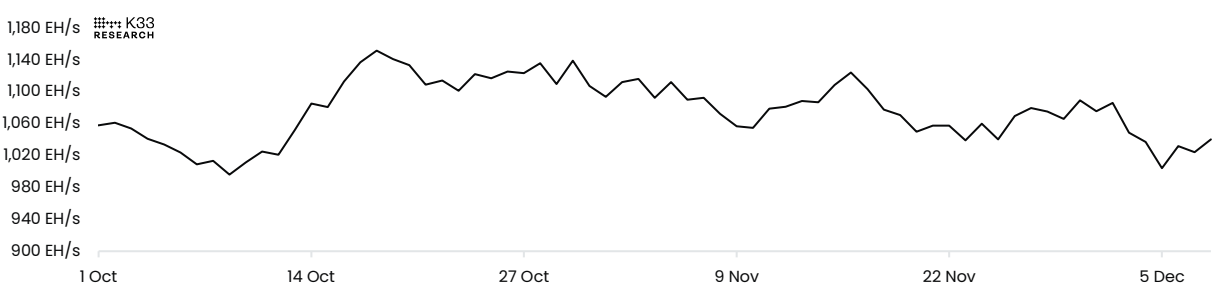
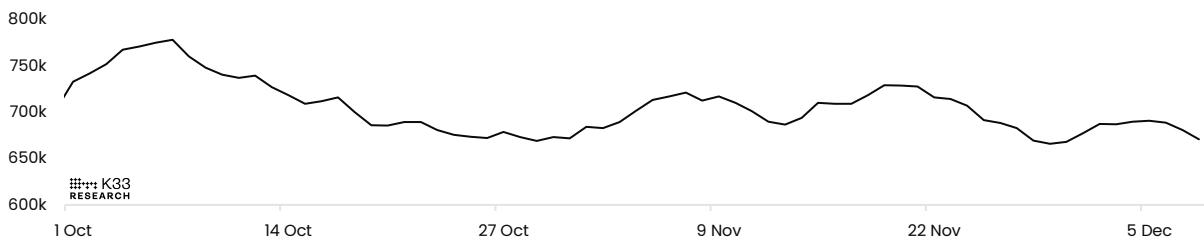


Figure 24: Bitcoin Hashrate (7-day average)



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.

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- 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.
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