Ahead of the curve
Market Update

Digital Assets

Signals from the market

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

Crypto sector maintains its relative weakness
Bitcoin has retraced toward the yearly open after a sharp sell-off tied to Trump's tariff threats over Greenland. Even after the tariffs were cancelled and equities rebounded above pre-announcement levels, BTC failed to recover. Gold and silver continued to rally to new all-time highs, underscoring crypto's relative weakness.

In a fragile macro environment, cryptocurrencies have struggled to attract sustained buying interest. While correlations between BTC and equities are modestly rising, weekly returns continue to highlight crypto's underperformance. ETF flows reflect this uncertainty, with January marked by alternating periods of strong inflows and persistent outflows.

Last week's political turbulence triggered renewed de-risking, with BTC ETFs posting net outflows of 14,325 BTC. Wednesday saw the largest single-day outflow since November 20, totaling 7,517 BTC during Trump's WEF speech. Attention now shifts to the FOMC meeting, where markets assign a 97% probability that interest rates remain unchanged.

Idle CME, OI trending higher offshore
CME Bitcoin futures conditions remain defensive, with contango and yields near recent lows as traders avoid long-term exposure. Although yields recovered slightly after tariff suspensions, the term structure is still trending down, open interest remains flat around 120k BTC, and the January expiry is likely to drive further declines in positioning.

In perps, funding rates have slipped back below neutral, signaling a defensive perp market despite a brief normalization after last week's sell-off. At the same time, leverage has rebuilt, with open interest rising to two-week highs, increasing the market's vulnerability to squeezes.

Ambiguous market signals
Bitcoin derivatives remain subdued, with compressed yields and low activity across CME futures and offshore perpetuals, though exposure diverges between venues. CME open interest has halved from its 2024 peak, while perpetual leverage remains elevated, reflecting a structural shift toward ETF options and away from CME dominance. These docile conditions and weak relative performance leave the market without a clear directional signal, as current regimes resemble both past drawdowns and prior bull traps.

Relative weakness
Bitcoin continues to show pronounced relative weakness versus other risk assets, with 30-day correlations to equities rising even as BTC posts negative returns. While the S&P 500 has fully recovered recent losses and hard commodities have pushed to new highs, Bitcoin has lagged, reflecting persistent risk aversion across the crypto market. Heightened macro uncertainty, political frictions, and renewed tariff threats have encouraged investors to prioritize defensive positioning and safe-haven assets such as gold, contributing to ETF outflows and ongoing capital flight from BTC.

By the numbers

BTCUSD $87,881
7d: **-5%**
30d: **0%**

ETHUSD $2,913
7d: **-9%**
30d: **-1%**

Open Interest (BTC futures and perps)
$41.7bn
474,000 BTC (**1.7%** last seven days)

Average daily BTC spot volume
$2.9bn (**-8%** last seven days)

BTC 90-d correlations (One Week change included)

ETH	Gold	S&P 500	DXY
0.91 (0.01)	0.07 (-0.02)	0.50 (0.01)	0.04 (0.04)

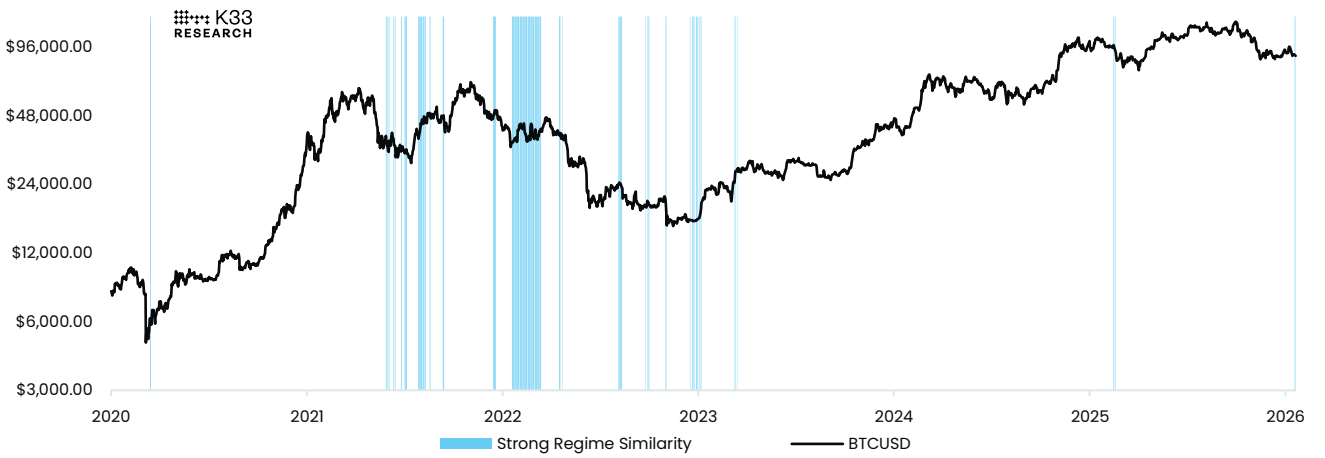
Percentage of Total Market Capitalization
One week change in percentage points

BTC	ETH	Stablecoins	Rest
59.1% (-0.1%)	11.8% (-0.4%)	8.7% (0.1%)	20.4% (0.4%)

Last week of top 50 by market cap

	Ticker	7d	YTD
Gainers			
1	HYPE	21%	14%
2	LEO	6%	-4%
3	ZEC	4%	-25%
Losers			
1	XMR	-16%	10%
2	AVAX	-6%	-5%
3	ETH	-6%	-2%

Figure 1: Proprietary Regime Comparison: Cosine Test of OI, CME and Perp Yield Regime



Source: K33

Spot Market

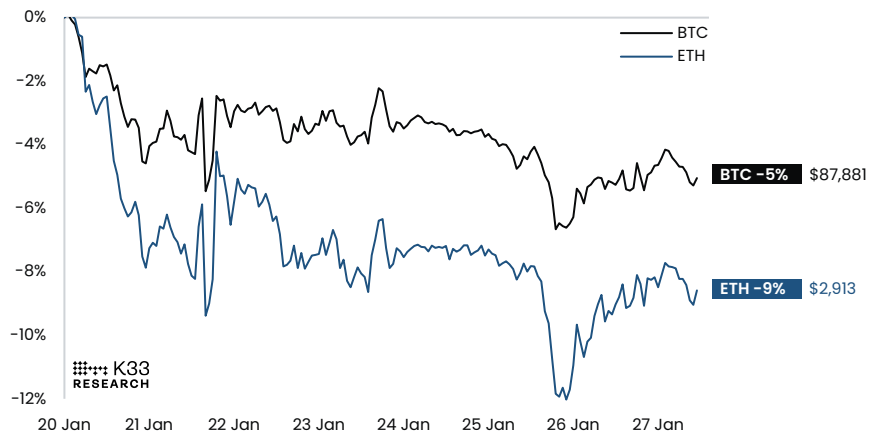
Relative weakness returns
Bitcoin has retraced towards the yearly open after a steep sell-off in the wake of Trump's tariff threats over the Greenland dispute. While he reversed course and cancelled the tariffs, BTC failed to recover, despite equity markets recovering back above the tariff announcement levels.

Gold and silver maintain their strong rallies, hitting new all-time highs last week, while equities have fully recovered from last week's turmoil. The crypto sector, on the other hand, maintains its downtrend and continues to showcase relative weakness.

In the current dicey macro environment, cryptocurrencies fail to catch a sustained bid, and while correlations between BTC and equities are in a modest uptrend, weekly return profiles highlight the sustained relative weakness.

This week, attention will again move towards the FOMC. Wednesday, January 28, will see a new FOMC meeting, with the market largely expecting rates to stay flat, pricing a 97% chance of unchanged interest rates following the Fed's communicated wait-and-see approach.

Figure 2: Last Week's Performance BTC and ETH

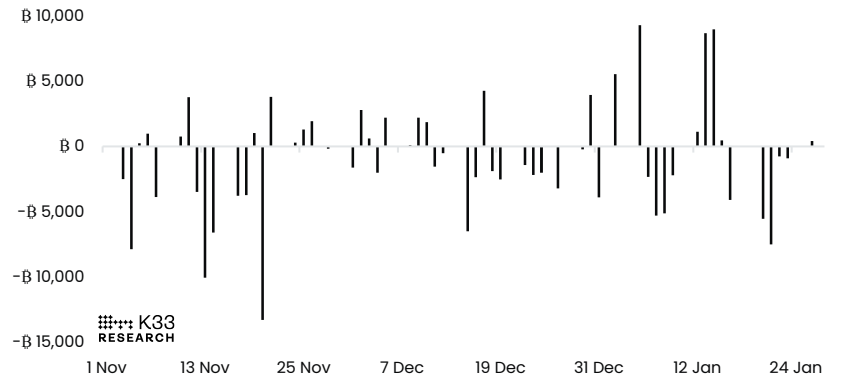


Source: Tradingview, (Coinbase, Binance)

Focus returns to reducing risk
ETF flows have been volatile throughout January with brief stretches of very strong net inflows, followed by steady stretches of back-to-back outflows. Last week's political turbulence prompted a new stretch of de-risking, with BTC ETFs enduring back-to-back outflows throughout the week, resulting in net weekly outflows of 14,325 BTC.

On Wednesday, during Trump's speech at the World Economic Forum, BTC ETFs experienced net outflows of 7,517 BTC, the largest daily outflow in BTC ETFs since November 20.

Figure 3: Daily Global Net BTC ETP Flows



Source: K33 Research

Headlines last week

BlackRock looks to bring yield-generation to Bitcoin investments with iShares Bitcoin Premium Income ETF

SEC to dismiss Gemini Earn lawsuit with prejudice after full investor recovery, ending three-year battle

Senate Ag Committee's sweeping crypto market structure bill faces ethics amendment ahead of next week's hearing

Democratic aide: 'We are all willing to return to the table' after Senate Ag crypto talks unravel

UBS considers crypto trading offering for some private clients

BitGo shares surge 36% then retrace in volatile first day of NYSE trading

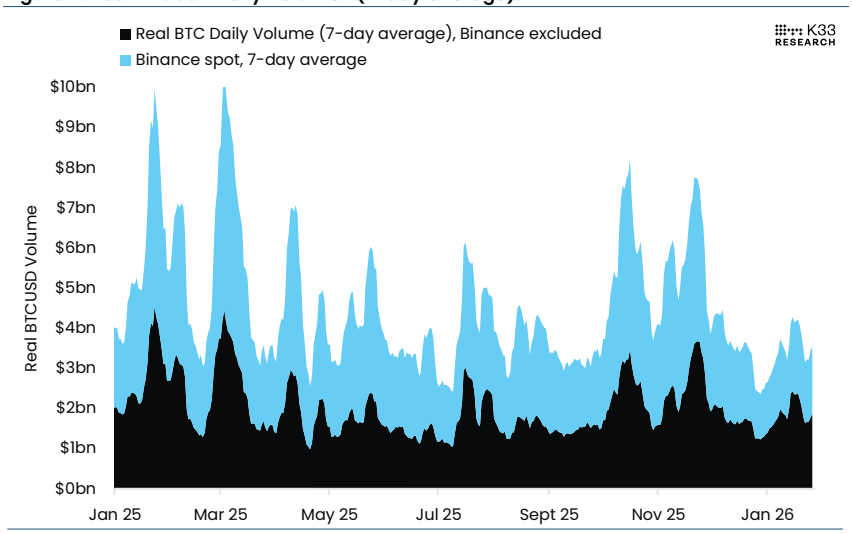
Calendar

Wednesday, Jan 28
- U.S. Interest Rate Decision (Exp: Unchanged)

Spot Market

Activity returns
Spot activity has declined by 8% since last week, with average daily spot volumes falling to $2.9bn, following relative weakness in BTC after the elevated uncertainty driven by the new tariff threats and the following suspension. Current spot market activity levels resemble the mid-December consolidation, with traders largely remaining hands-off as BTC remains in stagnant territory.

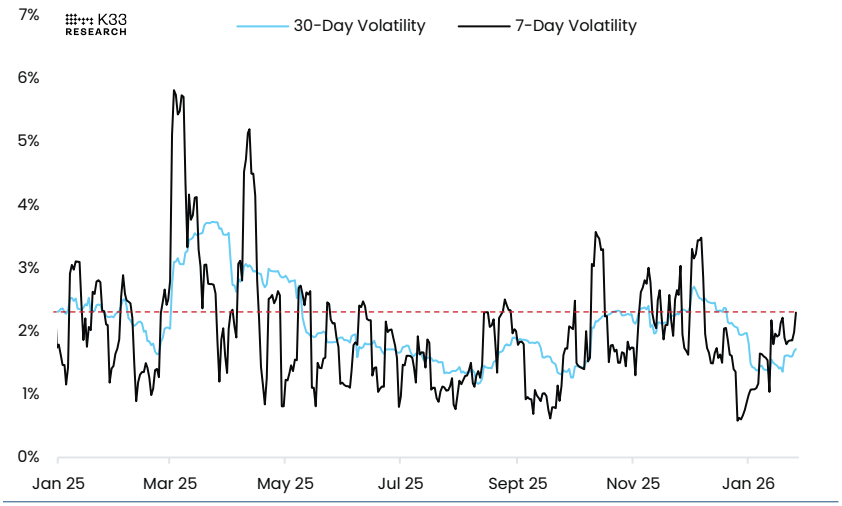
Figure 4: Real BTCUSD Daily Volume* (7-day average)



Source: Tradingview, Bitcoinity *Includes Bitwise 10 exchanges

Volatility at yearly highs
Bitcoin's sharp retracement has pushed BTC volatilities to new yearly highs, mainly driven by BTC's 4.6% retracement last Tuesday amid the heightened Greenland-related tariff noise.

Figure 5: BTC-USD Volatility



Source: Tradingview (Coinbase)

Fear and Greed

Now: 29 (Fear)
Last week: 32 (Fear)
Last month: 23 (Extreme Fear)

Derivatives
CME, Futures and ETFs

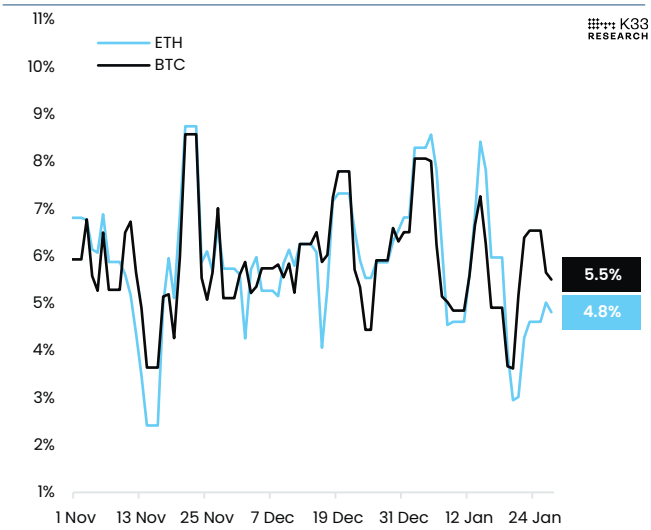
Conditions on CME remain defensive, with the contango as the 7d avg term structure slips toward November lows.

The annualized bitcoin futures basis currently sits at 5.5%, trading mildly above ETH's basis of 4.8%. Last week saw volatile conditions in CME's crypto futures yields as traders moved in an aggressively defensive direction amid Trump's new tariff threats. The market appreciated Trump's suspension of tariffs on Northern European countries, leading yields to recover mildly.

While yields have recovered, the term structure remains in a downtrend, with next-month 7-day average premiums currently at 0.39%, near a 3-month low, as traders remain reluctant to build long-term exposure to BTC.

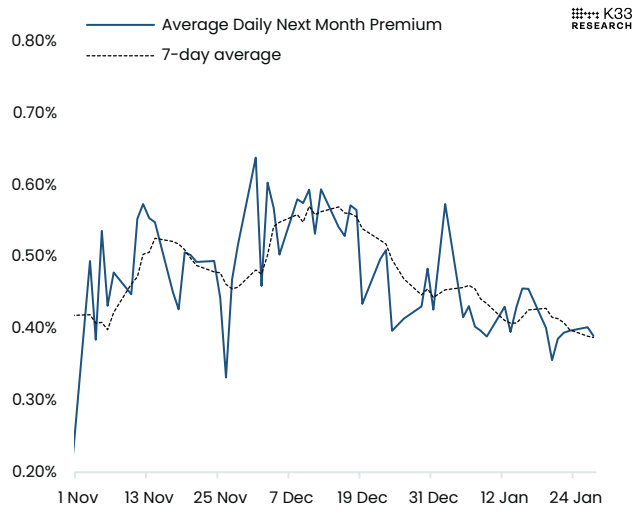
Alongside soft yields, exposure remains modest, with open interest stagnating at 120k BTC over the past week. This Friday marks the January expiry. As 10,064 contracts remain held in the January expiry, OI is poised to see a further decline onwards.

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



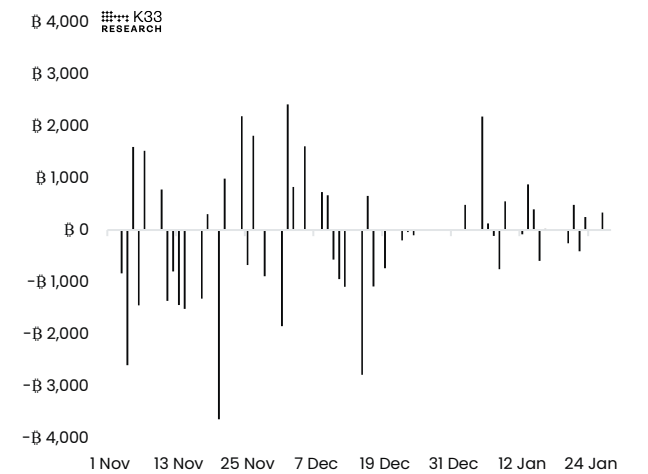
Source: Tradingview

Figure 7: Term structure stagnates in shallow contango
CME BTC Futures: Average Daily Next Month Premium



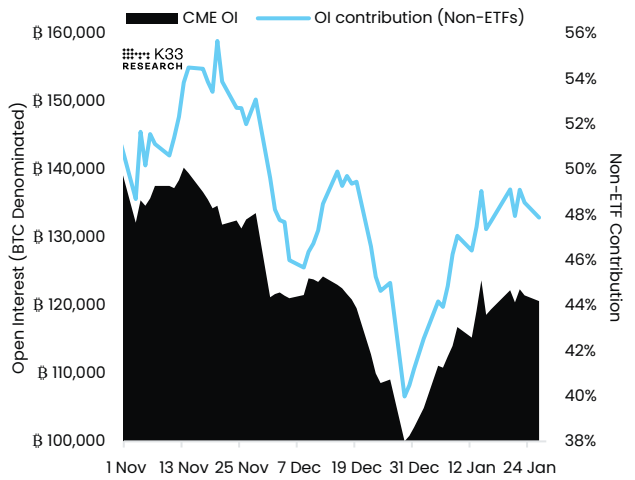
Source: Tradingview

Figure 8: Activity remains low in futures-based ETFs
Futures-based ETFs: Net Flow – BTC Equivalent



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

Figure 9: Open interest stabilizes ahead of expiry
CME BTC Futures: Open Interest

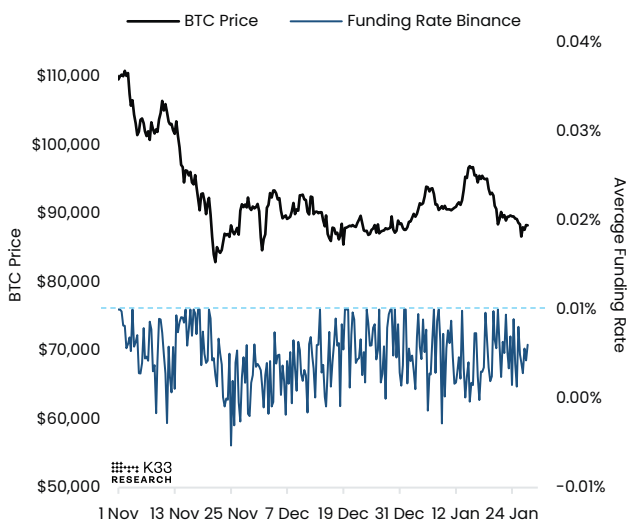


Source: CME, ProShares, Valkyrie, VanEck, Bitwise, CSOP, Samsung, VolatilityShares

Derivatives
Perpetual Swaps and Options

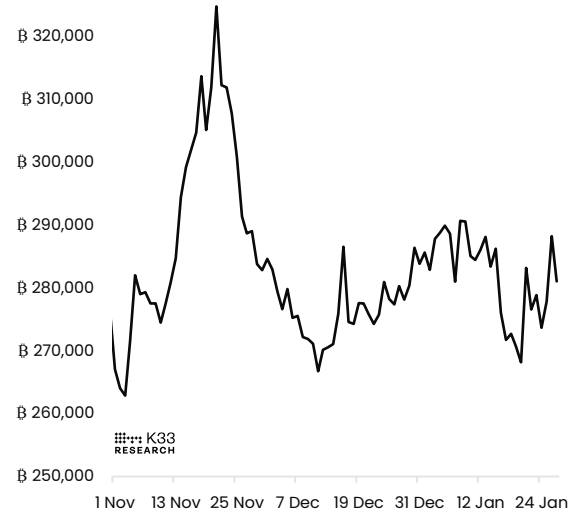
Perpetual swaps
Funding rates have returned well below neutral after a brief visit to neutral territory following last week's sell-off. The past 7 days have seen annualized funding rates average at 5.86%, up from 4.34% last Tuesday, due to the brief push toward neutral rates early last week. Nonetheless, perp yields continue to highlight a predominantly defensive bias. While funding rates have returned to below neutral levels, leverage has resurfaced, with notional open interest climbing to two-week highs of 288k BTC on Monday, rising by 20k since January 20, leading the market more exposed to squeezes ahead.

Figure 10: Funding rates back toward 0%
Bitcoin Perpetuals: Funding Rates vs BTC Price



Source: Binance, Laevitas

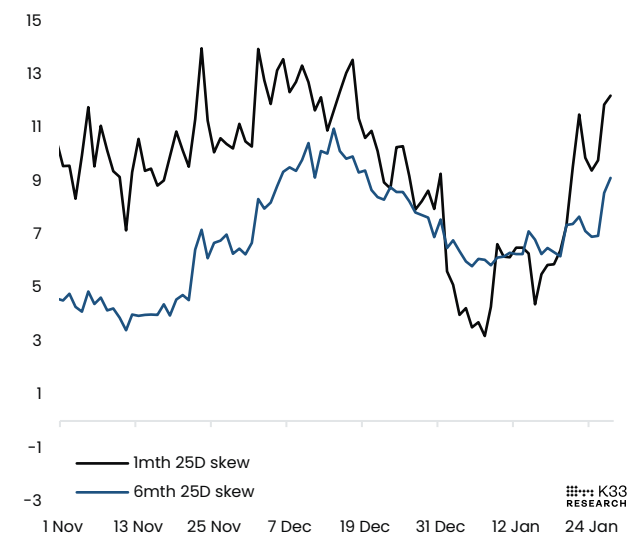
Figure 11: OI returns to early January highs
Bitcoin Perpetuals: Open Interest



Source: Laevitas

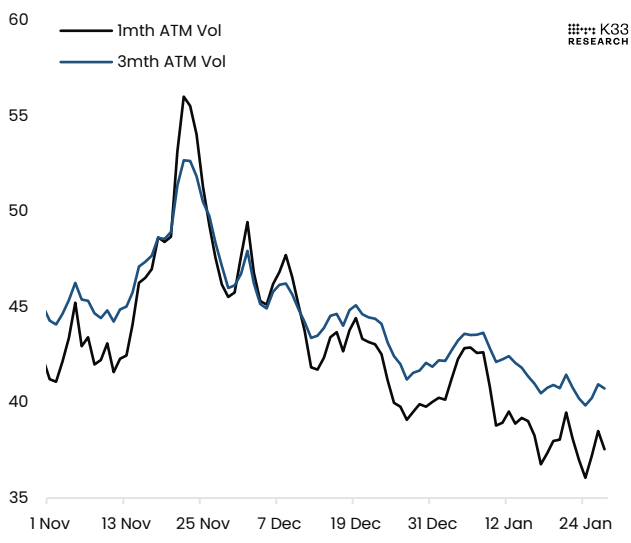
Options
Options traders have again moved in a heavily defensive direction, as skews across tenors have jumped to highs not seen since mid-December, as increased demand for downside protection has led puts to trade at sizeable premiums to calls.

Figure 12: Aggressive defensive push
BTC Options - 25D Skew (1mth + 6mth)



Source: Laevitas

Figure 13: While IVs dwindle lower
BTC Options – Implied Volatility



Source: Laevitas

A deeper dive

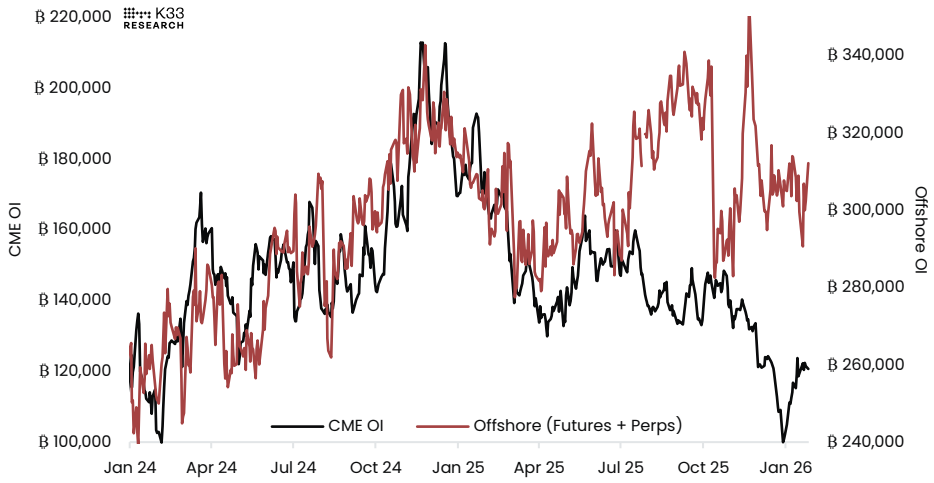
Inactive and idle derivatives environment

Bitcoin derivatives are currently facing very docile conditions. Implied yields, both in CME's calendar futures and in offshore perps, have been compressed since October, and the first weeks of 2026 have been associated with low activity across both instruments.

While low activity is a descriptive observation of what we're seeing on both CME and in offshore derivatives exchanges, the degrees of exposure compared to long-term trends differ across the two markets. CME OI has faced a steady downtrend over the past year and is down roughly 50% from its December 2024 peak, measured in notional units. In perpetuals, on the other hand, notional leverage sits above Q1, 2025 lows, hovering around 300,000 BTC.

Whereas the OI in the two types of venues mirrored each other's paths in 2024, a gap formed throughout 2025. This may partly be attributed to the heightened institutional popularity of BTC ETF options for hedging and building strategies, eating into some of the near-monopolistic institutional market share in derivatives enjoyed by CME prior to the ETF options approval. Secondly, a sustained reduced demand for leveraged BTC exposure through 2x leveraged long BTC ETFs has further weakened CME's OI dominance over the last year.

Figure 14: Open Interest Comparison, CME (LHS) vs. Offshore Exchanges (RHS)

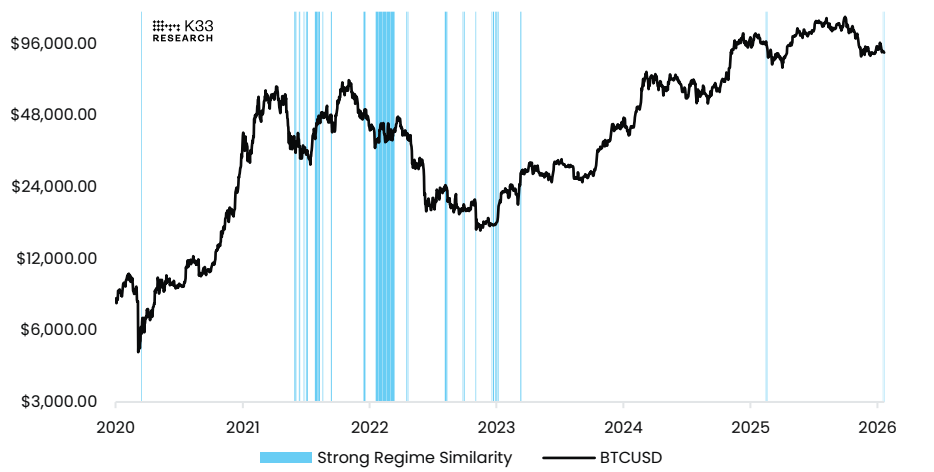


Source: K33

Ambiguity

The current docile conditions and relative weakness of BTC vs. other asset classes offer little room for clear directional takes on the market. Our market structure regime framework, covering yields and exposure across various derivative products, adds to the ambiguity of our broad market assessment. Per our framework, the current low-yield environment and soft leverage conditions mirror the regimes near BTC's peak drawdowns of 2021, 2023, and 2025, but also the regime seen throughout the bull trap formed in Q1-Q2, 2022.

Figure 15: Proprietary Regime Comparison: Cosine Test of OI, CME and Perp Yield Regime



Source: K33

A deeper dive

Correlated underperformance

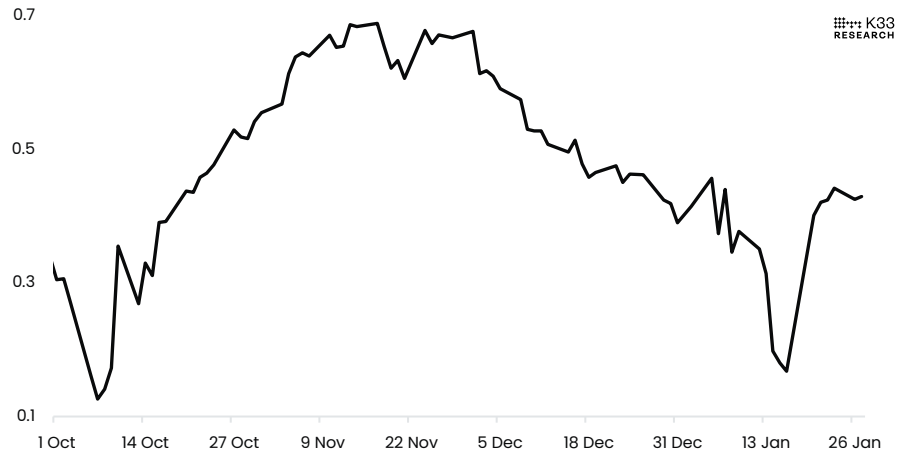
Bitcoin is again exhibiting weak relative performance compared to other risk assets. 30-day correlations between BTC and the S&P 500 rose in the past week, despite BTC posting negative returns since last Tuesday, while the S&P 500 has recovered all its losses since the January 16 close.

The recent week of rising correlations, amid considerable underperformance, resembles the relative weakness from mid-October to mid-November and highlights the prevailing risk aversion hitting BTC and the broader crypto market heavily over the last quarter.

Amid the current intense macro environment with heightened political frictions, rapidly shifting tensions between economic powers, and new rounds of tariff threats, BTC has underperformed while both hard commodities and equities have pushed to new highs. The current risk meta does not compel investors to add to BTC, leading to selling pressure from ETFs and an ongoing capital flight.

We maintain our view that BTC will outperform equities and hard commodities in 2026, but amid the ongoing status quo, investors seem largely preoccupied with hedging against the vast degree of uncertainty through safe-haven assets such as gold.

Figure 16: 30-day Correlation, BTC vs. S&P 500 Futures

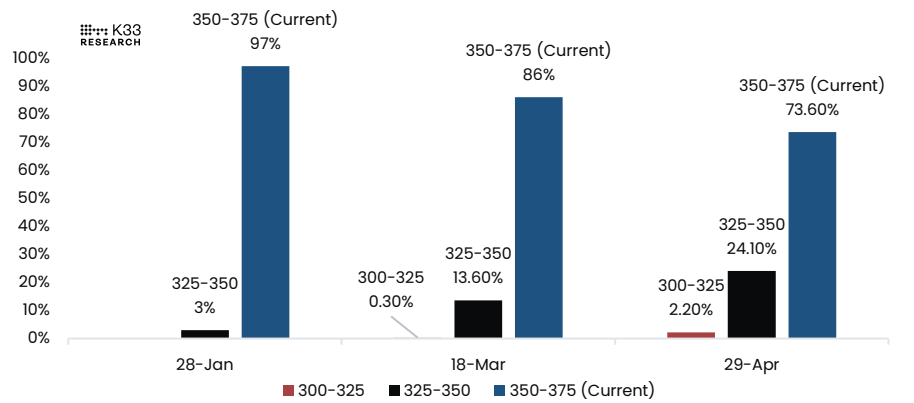


Source: K33

FOMC again the center of attention

The market is again awaiting the Fed's interest rate decision, which is due tomorrow, January 28. During the last Fed meeting, Jerome Powell communicated an expected wait-and-see period, during which the Fed will monitor the inflationary effects of its recent string of interest rate cuts, with the Federal Reserve anticipating unchanged rates in the upcoming meetings. While market expectations have fluctuated over the past month, current interest rate prices imply that the market now expects the Fed to maintain its wait-and-see approach and hold rates unchanged in the upcoming quarter, with the market pricing the current target rate as the most likely trajectory for the three upcoming Fed meetings.

Figure 17: U.S. Target Rate Probabilities, Next three Fed Meetings

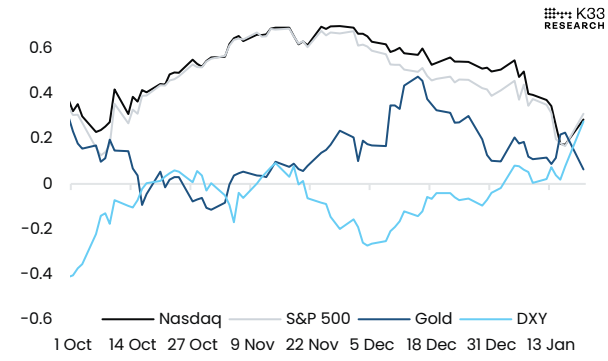


Source: CME

Market Related Charts

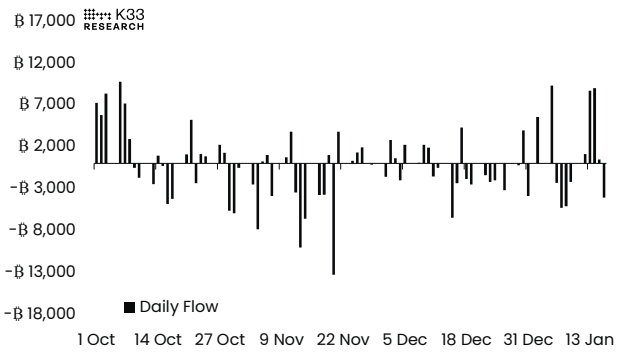
Data updated Tuesday, January 27, 2026

Figure 19: BTC 30-d correlations*



Source: Tradingview *Pearson

Figure 20: Daily Flows (BTC ETFs)



Source: K33 Research

Figure 21: BTC Dominance

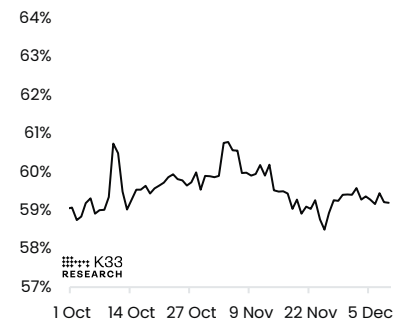


Figure 22: BTC + Stables Dominance

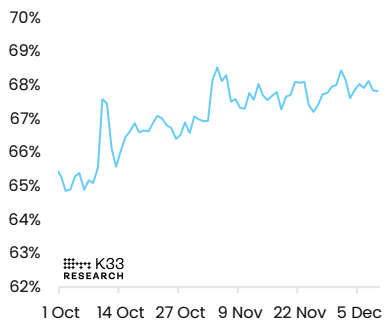
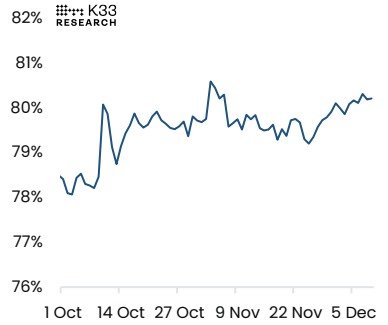
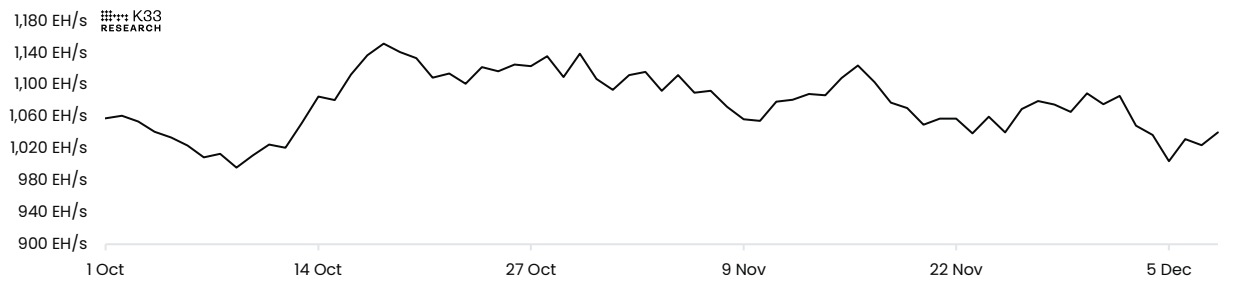


Figure 23: BTC + Stables + ETH Dominance



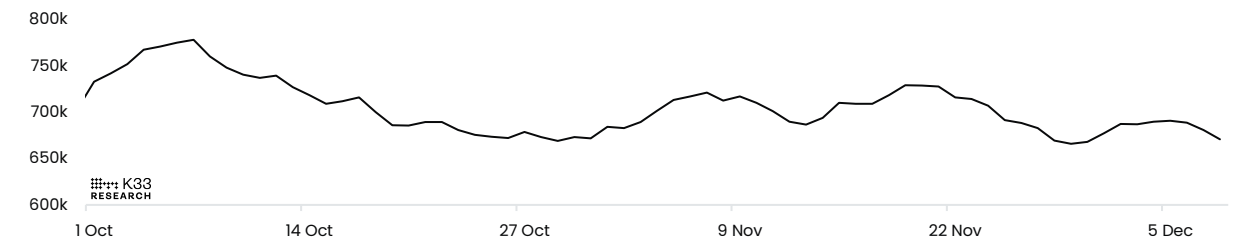
Source: Tradingview

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 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.

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