

Bitcoin creeps toward \$30K, but data shows bears in favor for Frida

Traders are calling for a “relief rally” to \$35,000, but derivatives data shows bears stand to profit from this week’s \$1.81 billion BTC options expiry.

Traders’ calls for a “mean reversion” and “relief rally” to \$35,000 may be premature, according to @noshitcoins’ analysis of derivatives data pointing to another victory for bears.

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Bitcoin ([BTC](#)) price has been unable to close above \$32,000 for the past fifteen days and is currently down 37% year-to-date. Although that might seem excessive, it does not stand out among some of the largest U.S.-listed tech companies which have also sustained notable losses recently.

In this same 15-day period, Shopify Inc. (SHOP) stock dropped 76%, Snap Inc. (SNAP) crashed 73%, Netflix (NFLX) is down 70% and Cloudflare (NET) presented a negative 62% performance.

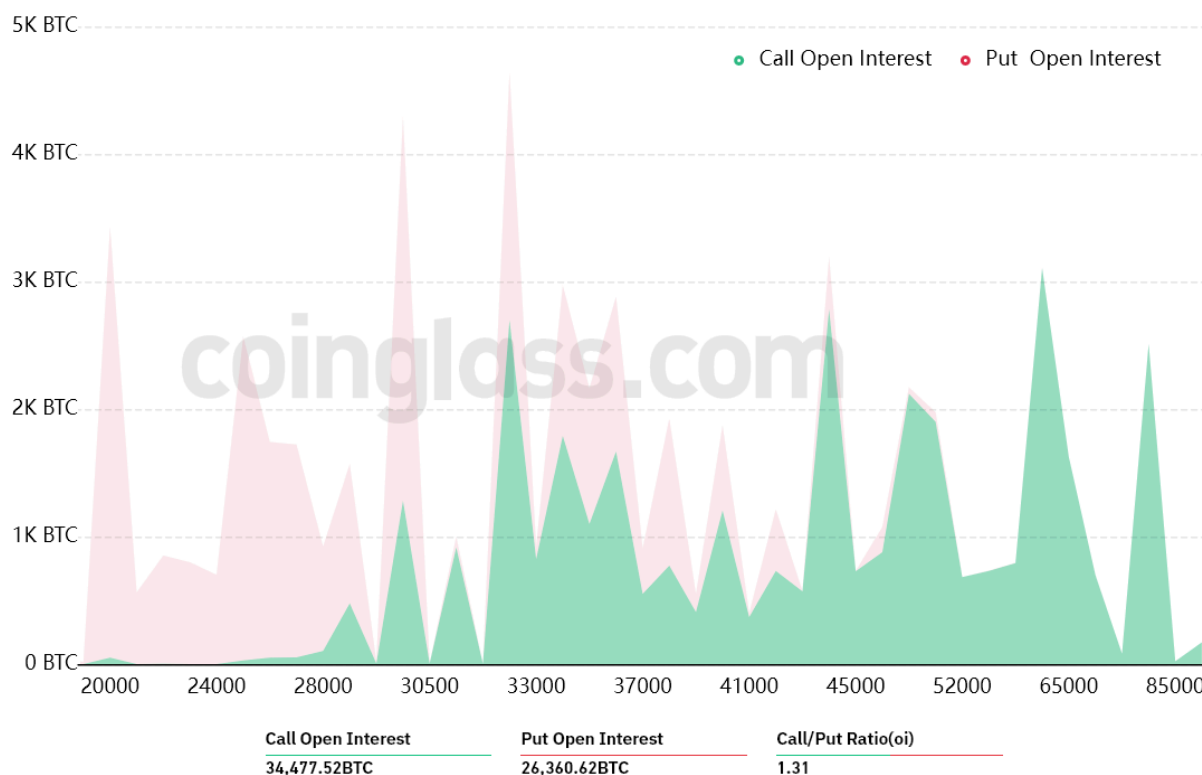
Cryptocurrency investors should be less concerned about the current “bear market” considering Bitcoin’s 79% annualized volatility. However, that is clearly not the case, because [Bitcoin's "Fear and Greed Index"](#) reached an 8 out of 100 on May 17, the [lowest level since March 2020](#).

Traders fear that worsening macroeconomic conditions could cause investors to seek shelter in the U.S. dollar and Treasuries. Japan’s industrial production data released on May 18 showed a 1.7% contraction year over year. Moreover, May 20 retail sales data from the United Kingdom showed a 4.9% decline versus 2021.

Financial analysts across the globe blame the weakened market conditions on the [U.S. Federal Reserve's slow reaction](#) to the inflation surge. Thus, traders increasingly seek shelter outside of riskier assets, which negatively impacts Bitcoin price.

Bulls placed most bets above \$40,000

The open interest for the monthly May 27 options expiry in Bitcoin is \$1.81 billion, but the actual figure will be lower since bulls were caught by surprise as the BTC price has fallen 26% in the last 30 days.



Bitcoin options aggregate open interest for May 27. Source: CoinGlass

The 1.31 call-to-put ratio reflects the \$1.03 billion call (buy) open interest against the \$785 million put (sell) options. Nevertheless, 94% of the bullish bets will likely become worthless as Bitcoin currently trades near \$30,000.

If Bitcoin's price remains below \$31,000 on May 27, bulls will only have \$60 million worth of these call (buy) options available. This difference happens because there is no use in a right to buy Bitcoin at \$31,000 if it trades below that level on expiry.

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Bears can secure a \$390 million profit on Friday

Below are the three most likely scenarios based on the current price action. The number of options contracts available on May 27 for call (buy) and put (sell) instruments varies, depending on the expiry price. The imbalance favoring each side constitutes the theoretical profit:

- **Between \$28,000 and \$30,000:** 800 calls (buy) vs. 14,200 puts (sell). The net result favors bears by \$390 million.
- **Between \$30,000 and \$32,000:** 2,050 calls (buy) vs. 11,200 puts (sell). Bears have a \$250 million advantage.
- **Between \$32,000 and \$33,000:** 5,650 calls (buy) vs. 9,150 puts (sell). The net result favors bears by \$110 million.

This crude estimate considers the call options used in bullish bets and the put options exclusively in neutral-to-bearish trades. Even so, this oversimplification disregards more complex investment strategies.

For example, a trader could have sold a call option, effectively gaining negative exposure to Bitcoin above a specific price, but unfortunately, there's no easy way to estimate this effect.

Bitcoin bears need to sustain the price below \$30,000 on May 27 to profit \$390 million from the monthly options expiry. On the other hand, bulls can reduce their loss by pushing BTC above \$32,000, an 8% rally from the current \$29,700 price. However, judging by the bearish macroeconomic conditions, bears seem better positioned for May 27 expiry.

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