

BITFINEX Alpha



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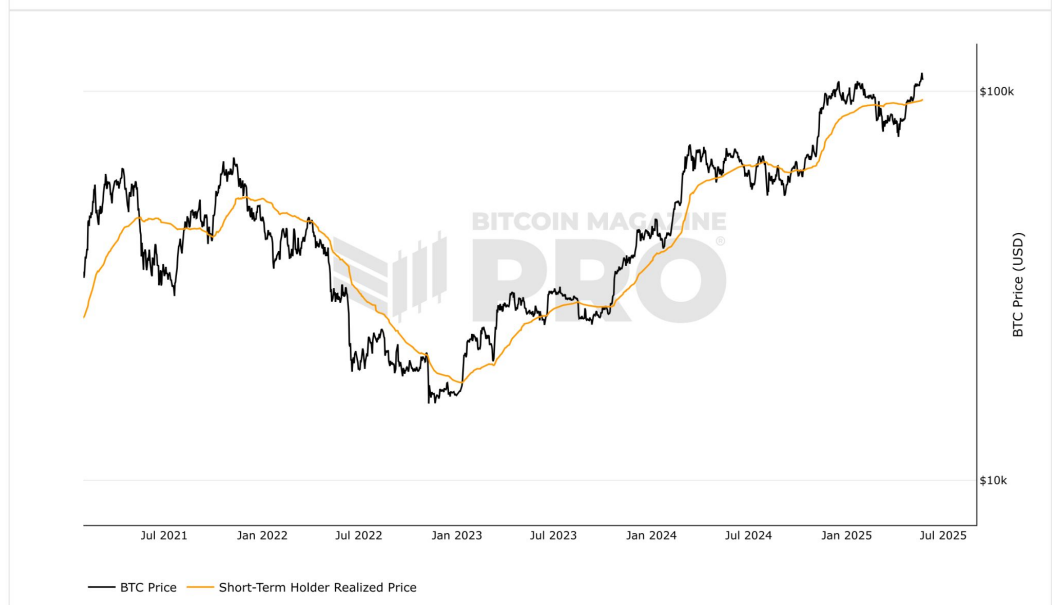
EXECUTIVE SUMMARY

Volatile Markets Expected

Bitcoin is undergoing its first meaningful correction since the April lows, cooling off after a relentless 50 percent surge that took the asset from \$74,501 to a new All-Time High of \$111,880. The current pullback reflects a change in tempo, following nearly 50 days of uninterrupted upside marked by minimal retracements. This retracement is not just technical—it comes amid renewed macro pressure following the unexpected decision by the US Court of Appeal to put on hold a lower court ruling suggesting some of the tariffs imposed by the US administration were illegal. The announcement saw a breakout in 30-year Treasury yields above 5 percent, and a wave of risk-off sentiment.

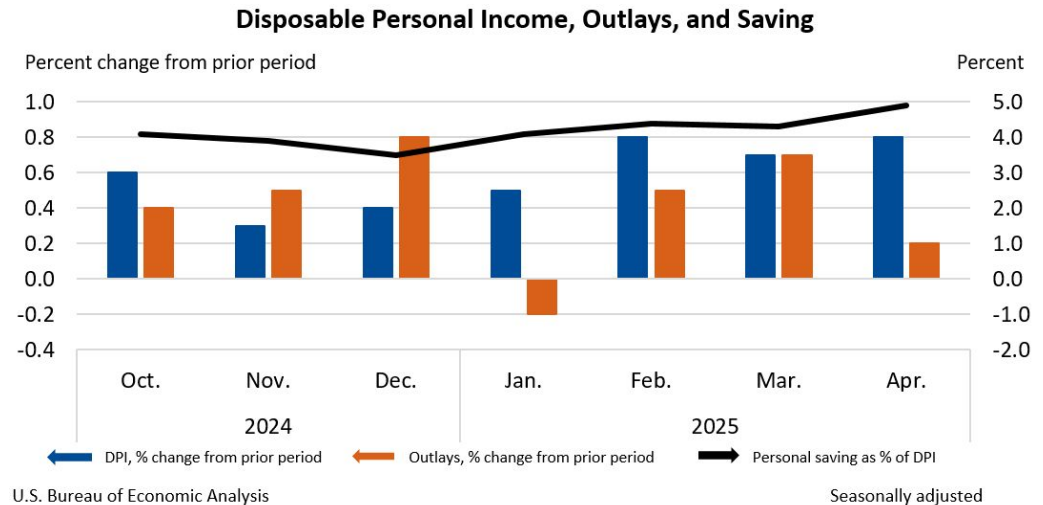
At the same time, Bitcoin's derivatives markets are showing some signs of overheating. [Options open interest](#) has climbed to an All-Time High of \$49.4 billion—highlighting elevated institutional activity and increased hedging/speculation following the recent Bitcoin ATH. Such positioning suggests that the market is expecting heightened volatility, with expectations of further macro headwinds and structural profit-taking. On-chain metrics corroborate this: the [Relative Unrealised Profit](#) indicator has broken above its +2 standard deviation band, a historically euphoric zone that typically precedes sharp intraday swings and local tops.

Bitcoin: Short-Term Holder Realized Price

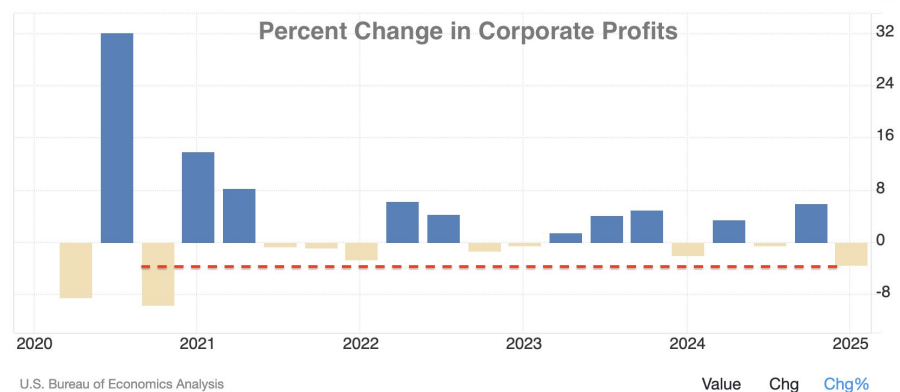


Despite the pullback, we believe Bitcoin remains structurally strong. This correction appears to be a healthy reset rather than a breakdown—driven by leverage flushing and profit realisation after one of the sharpest recoveries in crypto history.

In contrast, the US economy is showing signs of strain as consumers and businesses navigate a landscape marked by trade tensions, cooling demand, and policy uncertainty. [Consumer spending](#) slowed significantly in April, with households favouring savings over discretionary purchases amid growing concerns about the long-term effects of tariffs. While [inflation](#) remains subdued for now, this may be temporary as businesses begin to pass on higher costs from elevated tariffs.



Trade dynamics have also shifted sharply. [Imports](#) fell nearly 20 percent in April after a front-loading rush to beat tariff hikes in the first quarter, which in turn caused the goods trade deficit to shrink by 46 percent. Although this narrowing trade gap could support GDP in the short term, business inventories remained flat, signalling hesitation to invest or restock. In parallel, orders for [core capital goods](#)—an indicator of business investment—dropped 1.3 percent, the steepest decline since October, pointing to growing corporate caution.



The [labour market](#) is also showing early signs of stress, with continuing jobless claims hitting their highest level since 2021 and firms increasingly freezing hiring plans. Corporate profits fell sharply in Q1, and sentiment among business leaders has weakened. Even with a temporary trade truce between the US and China, confidence remains fragile. While consumer sentiment rebounded in May, underpinned by hopes of tariff relief, both businesses and households are adopting a cautious, wait-and-see approach.

The cryptocurrency industry has seen a wave of significant developments across corporate, regulatory, and even global financial sectors. [GameStop](#), the well-known meme-stock made headlines with a bold \$513 million investment in Bitcoin, marking a strategic shift toward financial diversification amid declining sales. This move aligns the company with a growing list of firms integrating Bitcoin into their treasury strategies, though it also sparked investor unease over crypto market volatility and the company's limited experience in managing digital assets.

Meanwhile, the US Department of Labor [rescinded](#) its 2022 guidance that discouraged the inclusion of cryptocurrencies in 401(k) retirement plans, signalling a more neutral stance. This change allows fiduciaries greater flexibility to evaluate crypto investments for retirement portfolios, reflecting the digital asset market's growing maturity and improved regulatory clarity.

On the global stage, the [Bank of Russia](#) authorized financial institutions to offer crypto-linked financial instruments to qualified investors. Although these products are non-deliverable and tightly regulated, the decision marks a cautious yet significant step toward integrating digital assets into Russia's financial system. Collectively, these developments underscore a broader trend: cryptocurrencies are moving from the fringes into mainstream financial systems, prompting innovation while raising the stakes for sound regulation and risk management.



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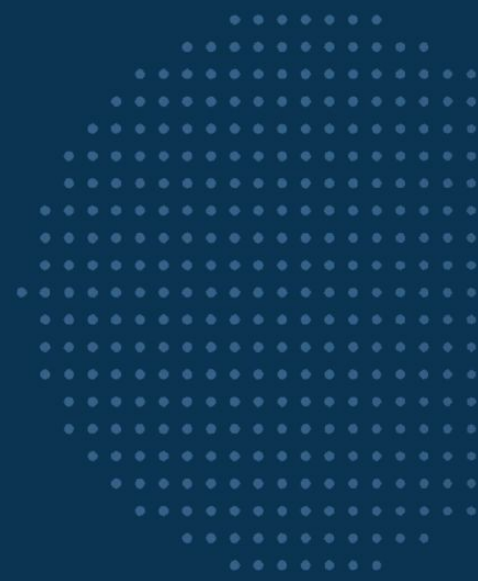
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MARKET SIGNALS



Bitcoin Experiences First Real Pullback Since April Lows

Crypto remains the most momentum-driven asset class in the history of risk markets, and Bitcoin's recent performance has only reinforced that reputation. After bottoming out at \$74,501 during a period of peak macro fear in April, Bitcoin staged a relentless rally to reach a new All-Time High of \$111,880—marking a staggering 50 percent surge over just 45 days. What made this upswing particularly punishing for bears was its lack of significant retracements; the deepest pullback during this run was a modest 3.2 percent peak-to-trough.

However, after such a long period of uninterrupted upside, we are now seeing the first meaningful correction since the cycle's largest drawdown. Bitcoin dropped almost 8 percent from its all-time high, most of which has unfolded over the past week. This marks an important shift in tempo and could represent a much-needed cooling off period following one of the sharpest recovery rallies in recent history.



Figure 1. BTC/USD Daily Chart Is Experiencing The First Real Pullback Since April 7th Lows.
(Source: Bitfinex)

Crypto markets retreated this week as intensifying global macro headwinds clashed with what had been a period of historic momentum on the regulatory front. The key catalyst was support from the Court of Appeal that [stayed a lower court order](#) that ruled some of the tariffs illegal. This was a reversal that surprised markets and triggered a broad sell-off across risk assets. This move in particular, saw a sharp rise in 30-year US Treasury yields, which climbed back above the psychologically significant 5 percent level - not seen since 2009.



Figure 2. US 30-Year Treasury Yield. (Source: FRED)

This resurgence in long-duration yields reignited fears of tighter liquidity conditions, pressuring both traditional and digital asset markets as investors repriced risk in a more hawkish macro landscape.

As we covered in last week's *Bitfinex Alpha*, Bitcoin perpetuals open interest spiked as BTC hit its All-Time High, and is now proving to be one of the catalysts that has led to the pullback in prices, as long positions are closed and some long liquidations occur. In the last week, Bitcoin options open interest has also surged to a record high of \$49.4 billion, marking a sharp \$25.8 billion increase in just a few weeks and at one point was \$6 billion higher than when the previous ATH was set in January. Options OI has now fallen sharply to \$39 billion, though most of this is due to the May 29th options expiry.

The point here is that the notable uptick in derivatives activity signals expanding institutional participation, and, as it comes in the wake of Bitcoin's recent rally to new all-time highs, indicates that market participants are increasingly positioned for elevated volatility. The current open interest levels suggest that traders are actively hedging or speculating on larger directional moves ahead—either a continuation of the bullish momentum or a correction following the rapid ascent.



Figure 3. Bitcoin Aggregated Options Open Interest Across All Centralised Exchanges Between June 2020 and June 2025. (Source: Coinglass)

Another important reason behind the pullback is profit-taking which has been aggressive for the past week, with current unrealised profit in the Bitcoin market higher than average. Historically, rising profitability across the network tends to invite increased sell-side activity, as market participants begin to lock in gains. For the market to maintain its upward trajectory under such conditions, a continuous influx of buy-side demand is needed to absorb the growing volume of distributed coins.

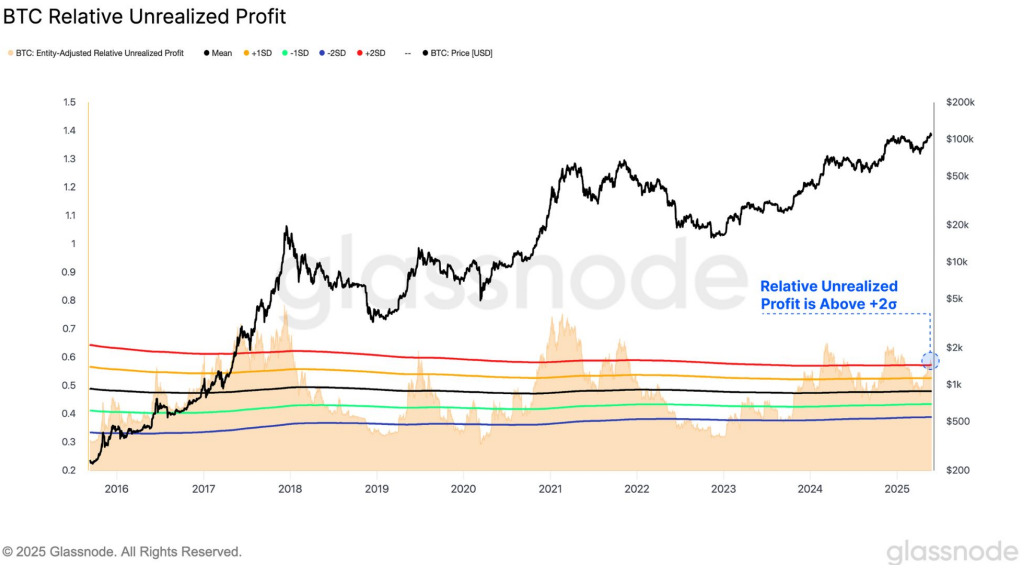
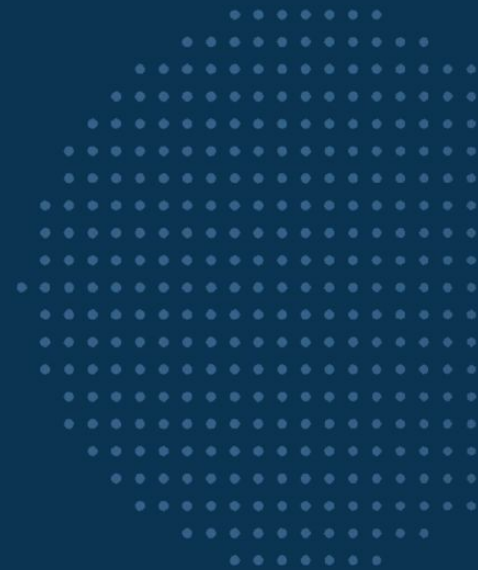


Figure 4. Bitcoin Relative Unrealised Profit. (Source: Glassnode)

A useful gauge of this dynamic is the Relative Unrealised Profit metric (see Figure above), which measures the scale of paper profits across the network relative to market capitalisation. At present, this indicator is breaking above its +2 standard deviation band—a region that has typically marked the onset of euphoric phases in prior cycles. These euphoric zones are often accompanied by elevated volatility and, crucially, tend to be short-lived. Statistically, only around 16 percent of all trading days in Bitcoin's history have seen Relative Unrealised Profit reach such extremes.

In this context, while the current market momentum remains strong, this metric underscores the increasing probability of short-term turbulence, as some participants may begin to offload holdings in response to substantial gains. This behaviour can lead to sharp intraday swings and potential local tops unless sustained demand continues to offset realised profit-taking.



GENERAL MACRO UPDATE



US Spending Slows, Trade Deficit Shrinks: A Calm Before Tariff-Driven Turbulence?

American consumer and business spending slowed significantly in April, as continued uncertainty over trade and the economic outlook began to influence investment and buying decisions. While inflation appeared subdued and the trade deficit narrowed sharply, underlying signals suggest the US economy may be about to enter a more turbulent phase.

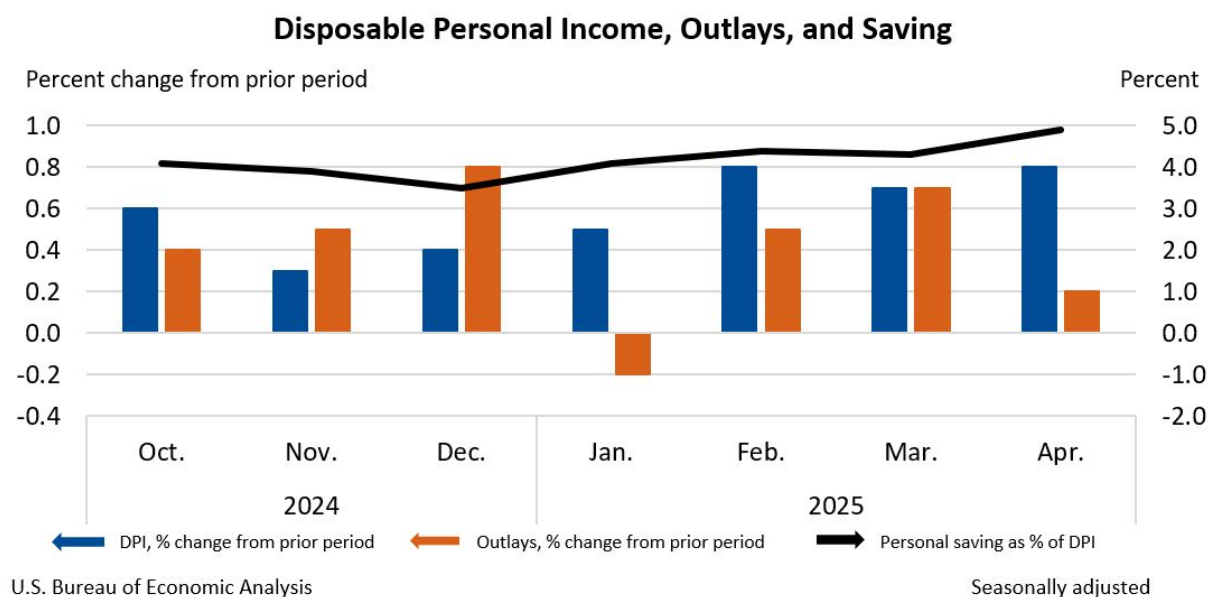


Figure 5. Disposable Personal Income, Outlays and Savings (Source: US Bureau of Economic Analysis)

Consumer spending, which makes up over two-thirds of the US economy, rose by just 0.2 percent in April—down significantly from the 0.7 percent increase in March, according to the latest [Bureau of Economic Analysis' Personal Income and Outlays report](#). The slowdown reflects a more cautious consumer, with households choosing to save more amid uncertainty around trade and tariffs, and the effect this could have on prices.

Spending growth was largely driven by services—like housing, utilities, healthcare, and travel—but purchases of goods such as vehicles, clothing, and recreational items declined. This hesitancy hints at a broader shift in consumer confidence.

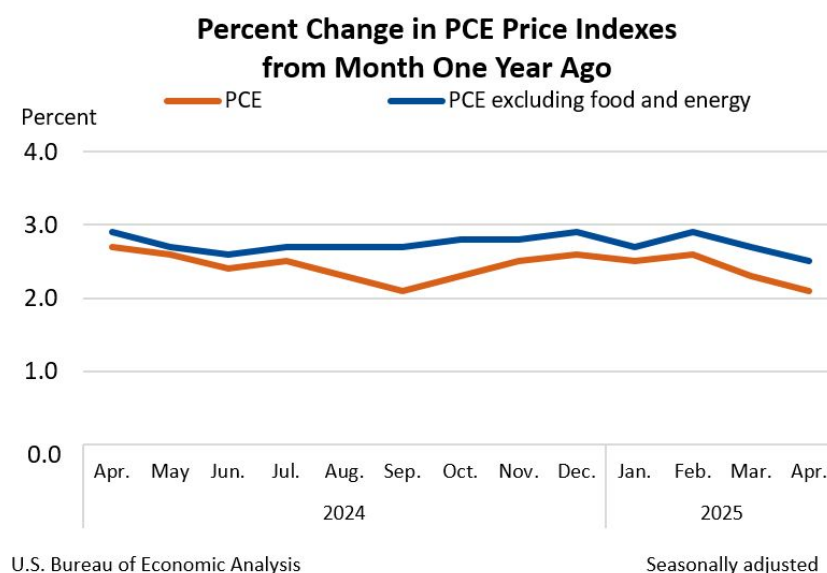


Figure 6. Percent Change in PCE Price Index from Month One Year Ago (Source: Bureau of Economic Analysis)

Personal income in April rose 0.8 percent, buoyed by gains in government transfers and proprietors' (self-employed) income, though underlying wage and salary growth was more moderate at 0.5 percent.

Although inflation appears under control for now, signs point to an eventual uptick as the full impact of tariffs begins to surface. The effective tariff rate has risen to nearly 18 percent, and as businesses pass on these costs to consumers, the Federal Reserve's goal of stable 2 percent inflation may become harder to achieve.

On the trade front, a dramatic shift has already occurred. Imports plummeted nearly 20 percent in April as demand dropped given that many businesses had previously rushed to buy in goods ahead of scheduled tariff hikes. Data from the [Census Bureau's Monthly Advance Economic Indicators report](#) revealed that the decline in imports shrank the goods trade deficit by 46 percent, from \$162.3 billion in March to \$87.6 billion in April. While this helps the overall GDP—potentially reversing the first-quarter contraction of 0.2 percent—it also reflects a cautious stance by businesses now hesitant to replenish inventories amid ongoing tariff uncertainty.




	 ADVANCE INTERNATIONAL TRADE: GOODS DEFICIT	 ADVANCE WHOLESALE INVENTORIES	 ADVANCE RETAIL INVENTORIES
APRIL 2025	\$87.6 Billion -46.0%*	\$906.9 Billion 0.0%*	\$803.5 Billion -0.1%*
MARCH 2025	\$162.3 Billion	\$906.9 Billion (R)	\$804.3 Billion (R)
Next release: June 26, 2025. <small>* The 90 percent confidence interval includes zero. There is insufficient evidence to conclude that the actual change is different from zero. * Statistical significance is not applicable or not measurable. Data adjusted for seasonality but not price changes. Source: U.S. Census Bureau; Advance Economic Indicators Report, May 30, 2025.</small>			

Figure 7. Good Deficit, Wholesale Inventories, Retail Inventories (Source: US Census Bureau)

Specifically, imports of industrial, automotive, capital, and consumer goods all fell sharply, while exports grew slightly. The positive trade balance however, may offer only temporary economic support. With inventories at wholesalers remaining flat and retail stock levels declining slightly, it's clear that businesses are not preparing for a surge in demand.

This combination of softer consumer spending, falling imports, and volatile trade policy paints a mixed picture of the US economy. While a narrower trade deficit could help lift second-quarter GDP, the slowdown in final sales—a measure of true demand—suggests growth may become more erratic and harder to interpret. While the current data doesn't point to an immediate economic downturn, it reveals the delicate balance the economy is trying to maintain. As tariffs reshape the landscape, both businesses and consumers are adopting a wait-and-see approach. The coming months may reveal whether this is just a pause—or the beginning of a more prolonged period of economic adjustment.

Rising Jobless Claims Signal a Cooling US Labour Market

While last week's spike in new unemployment claims drew attention, it is the steady increase in continuing claims—now at their highest since 2021—that offers deeper insight into a labour market under pressure. With businesses hesitating to hire and economic clouds on the horizon, workers are beginning to feel the shift.

Continuing claims, which track the number of people still receiving unemployment benefits after their initial application, have crossed the 1.9 million mark twice since April, according to the Department of Labor's [Unemployment Insurance Weekly Claims for the week ending May 17th](#). This suggests that unemployed individuals are finding it harder to secure new jobs. Unlike initial claims, which can fluctuate due to temporary factors, continuing claims provide a more stable reflection of long-term labour market health.



Figure 8. Continuing Jobless Claims (Source: Macromicro, US Department of Labor)

The latest Labor Department report showed a surge in unemployment applications in Michigan, the heart of America's auto industry. This regional spike reflects the broader impact of slowing manufacturing activity, particularly in sectors tied to industrial production and global trade.

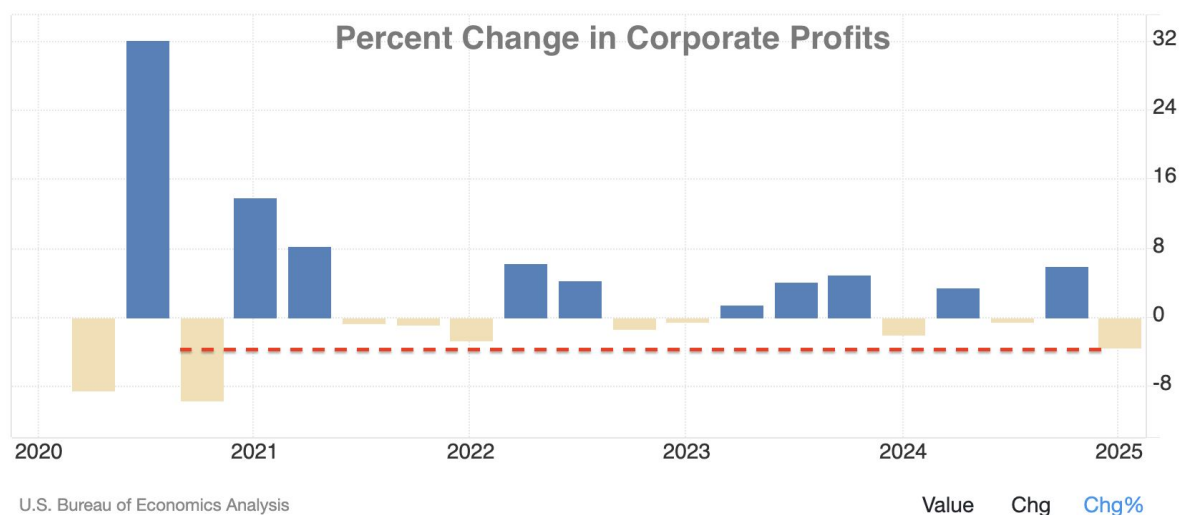


Figure 9. Percent Change in Corporate Profits (Source: Bureau of Economic Analysis)

Meanwhile, corporate profitability has taken a hit. Nonfinancial domestic firms reported [the sharpest decline in profits](#) in over four years during the first quarter, reinforcing signs that the business climate is weakening. This is not just a numbers story—it reflects mounting cost pressures and slowing consumer demand that ripple across hiring decisions.

Supporting this outlook, the [US CEO Confidence Survey](#) revealed that most business leaders expect to keep their workforce sizes unchanged in the year ahead. Worryingly, 83 percent of these executives anticipate a recession within the next 12 to 18 months, signalling limited appetite for expansion or new hires.

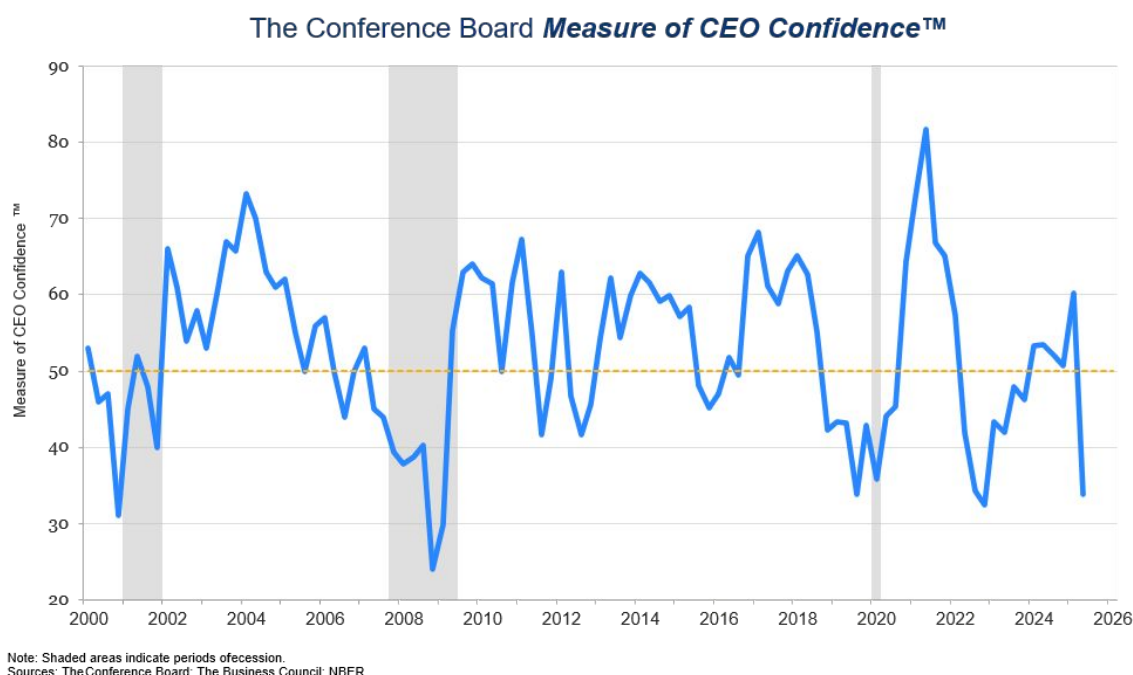
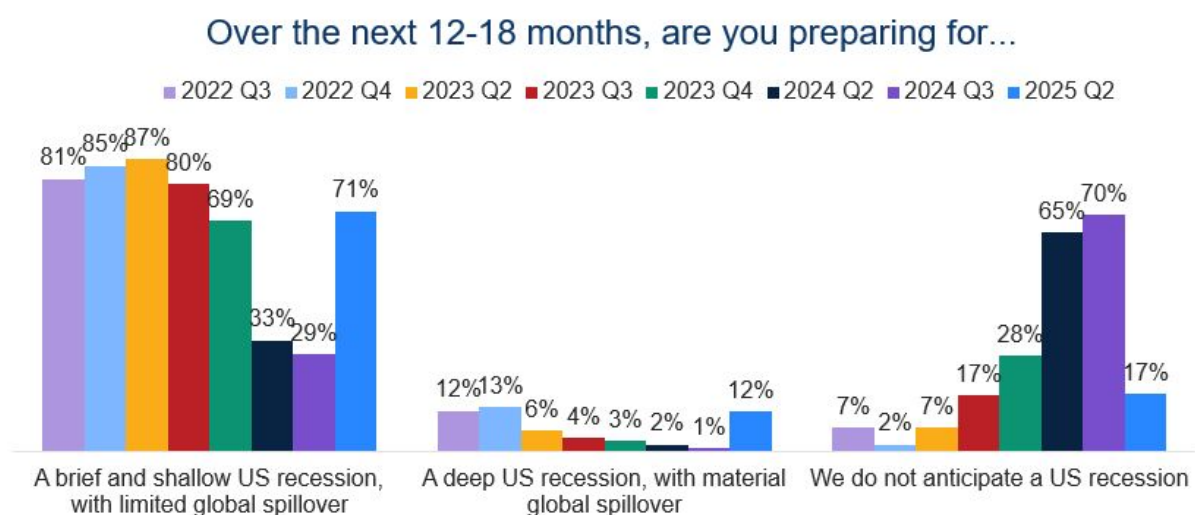


Figure 10. The Conference Board Measure of CEO Confidence (source: US Conference Board)



Source: The Conference Board Measure of CEO Confidence in collaboration with The Business Council

Figure 11. Responses to CEO Expectations Over the next 12-18 Months (Source: US Conference Board)

We see a labour market where job seekers remain unemployed for longer periods, and companies remain cautious. With trade tensions still unresolved and tariffs posing fresh cost burdens, many businesses are pressing pause on hiring and expansion plans. This environment makes job-hopping especially risky for workers, as new opportunities may not materialise as easily.

If these economic headwinds persist, the ripple effects could spread: weaker business profits and restrained consumer spending may push firms to begin deeper rounds of layoffs. In short, while the labour market is not collapsing, it is clearly losing steam. The data is a reminder that in today's uncertain economy, the path forward for both businesses and workers is becoming more cautious—and potentially more challenging.

Sharp Drop in US Capital Goods Orders Reveals Growing Business Caution

A steep decline in orders for key US capital goods in April signals that businesses are pulling back on investment amid ongoing uncertainty surrounding tariffs and trade policy. While recent progress in US-China trade talks helped revive consumer confidence, the data suggests that corporate spending remains subdued as firms brace for future cost pressures.

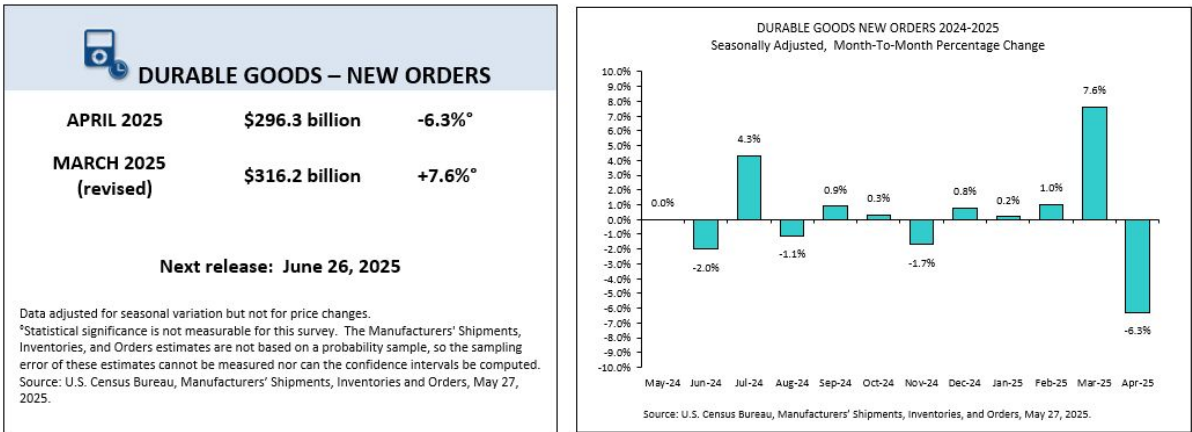


Figure 12. Durable Goods Orders (Source: US Census Bureau)

According to the latest report from the US Census Bureau on [Durable Goods Manufacturers' Shipment and Inventory Orders](#), core capital goods orders—those excluding defense and aircraft, and considered a reliable indicator of business investment—fell by 1.3 percent in April. This marks the sharpest monthly drop since October 2024, and was driven largely by a 2.9 percent decline in vehicle and parts orders. Shipments of these goods also edged lower, slipping 0.1 percent, after showing some strength in March.

This decline comes after a brief burst of front-loaded business activity in the first quarter, when companies rushed to purchase equipment, especially information processing tools—before tariffs drove up prices. That early surge in spending helped cushion the economy from a wave of imports, which had threatened to weigh heavily on first-quarter GDP. However, that temporary boost appears to be fading as businesses shift into a more defensive stance.

Although the White House recently reached a temporary agreement with China—reducing tariffs on Chinese goods from 145 percent to 30 percent for 90 days, with delayed increases on most imports until July - companies still remain wary. This is evident from the pullback seen in new equipment spending, particularly in sectors sensitive to trade costs.

Consumer confidence, on the other hand, saw a notable rebound. The Conference Board's [Consumer Confidence Index](#) surged by 12.3 points to 98 points in May.. The improvement follows five months of decline and reflects cautious optimism spurred by signs of easing tensions between Washington and Beijing. Still, the survey shows that households remain concerned that tariffs will eventually lead to higher prices, especially once businesses deplete their current inventory and pass on increased costs.

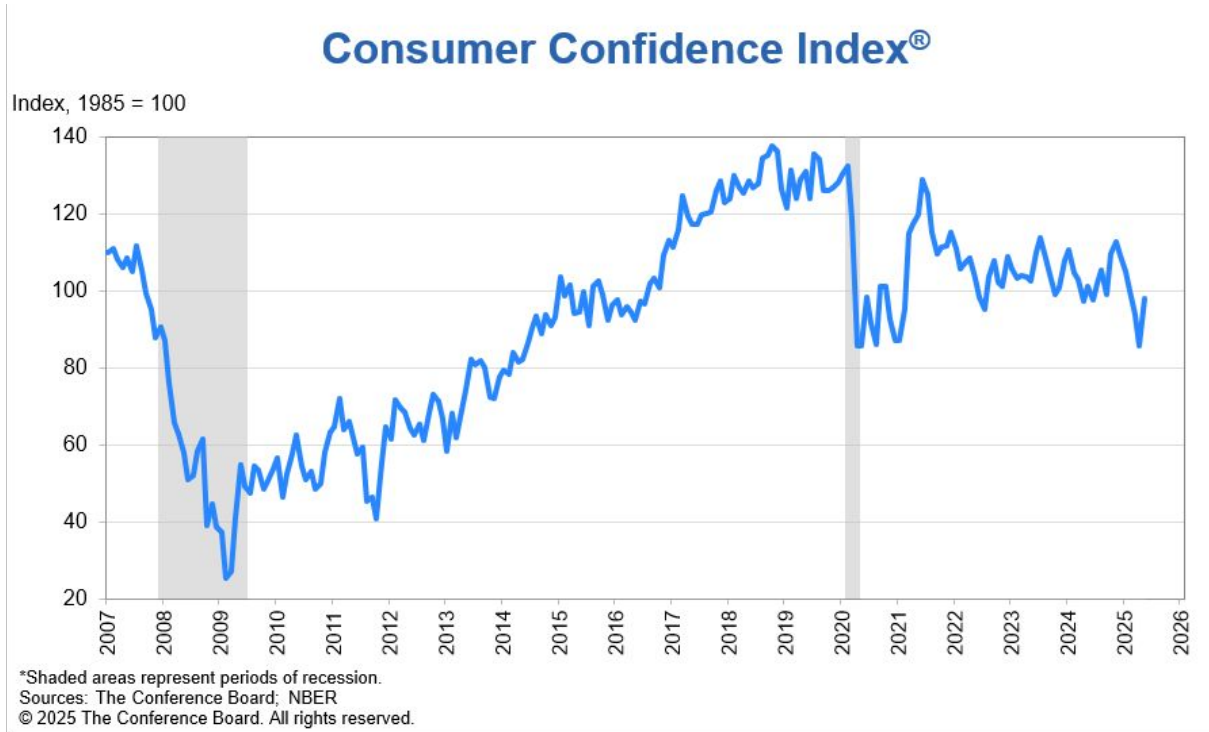
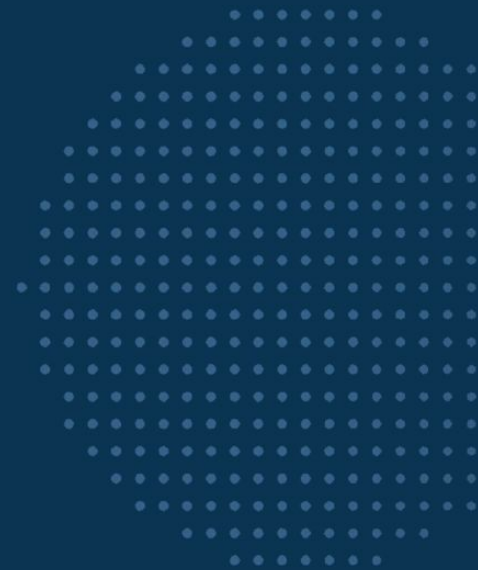


Figure 13. Consumer Confidence Index (Source: US Conference Bureau)

While some short-term relief has come through delayed tariffs and trade negotiations, the underlying data points to a fragile business environment. The sharp drop in capital goods orders underscores how trade-related uncertainty continues to stall corporate investment. Unless clearer policy direction emerges, business spending is likely to remain on hold, dimming hopes for a strong rebound in economic activity through the second quarter.



NEWS FROM THE CRYPTO-SPHERE



GameStop's Strategic Pivot: A \$513 Million Bitcoin Investment Signalling a New Corporate Trajectory



Figure 14. GameStop's Strategic Pivot: A \$513 Million Bitcoin Investment Signalling a New Corporate Trajectory

- **GameStop has invested \$513 million in Bitcoin as part of a strategic shift to diversify its financial holdings and revitalize investor interest amid declining sales**
- **The move aligns GameStop with other Bitcoin-holding corporations but sparked a 10 percent stock drop due to investor concerns over crypto volatility and the company's inexperience in digital asset management**

Last Wednesday, May 28th, GameStop Corp. (NYSE: GME) [announced](#) its inaugural foray into cryptocurrency by acquiring 4,710 bitcoins, valued at approximately \$513 million at the time of purchase. This move marks a significant shift in the company's financial strategy, aligning it with a growing trend among some companies to incorporate digital assets into their treasury reserves.



GameStop's decision to invest in Bitcoin follows a period of declining sales and increased competition in the retail video game sector. In March 2025, the company updated its investment policy to include alternative assets like Bitcoin, aiming to diversify its holdings and rejuvenate investor interest. This policy change was accompanied by a \$1.3 billion convertible bond offering intended to fund such investments.

Despite the strategic intent behind the Bitcoin acquisition, GameStop's stock experienced a 10 percent decline following the announcement. Analysts attribute this to investor concerns over the volatility of cryptocurrency markets and the company's limited experience in managing digital assets. However, the move positions GameStop alongside other firms like Strategy and Metaplanet, which have seen significant stock gains through similar Bitcoin investments.

GameStop's investment reflects a broader corporate trend of adopting Bitcoin as a treasury reserve asset. Companies such as Tesla, Coinbase, and Block have already added substantial Bitcoin holdings onto their balance sheets. This shift is further supported by a more favourable regulatory environment under the current US administration, encouraging corporate participation in the cryptocurrency market.

GameStop's \$513 million Bitcoin purchase signifies a strategic pivot aimed at financial diversification and alignment with new market trends. While the move introduces new risks associated with cryptocurrency volatility, it also offers potential for long-term growth and positions the company within a growing cohort of corporations embracing digital assets.


Recalibrating Retirement: The US Department of Labor Rescinds 2022 Cryptocurrency Guidance for 401(k) Plans



Figure 15. Recalibrating Retirement: The US Department of Labor Rescinds 2022 Cryptocurrency Guidance for 401(k) Plans

- The US Department of Labor has rescinded its 2022 guidance that discouraged including cryptocurrency in 401(k) plans, signalling a more neutral stance on digital assets in retirement portfolios
- This shift gives fiduciaries greater discretion to evaluate crypto investments, provided they meet fiduciary duties under ERISA

The US Department of Labor's Employee Benefits Security Administration (EBSA) [announced last Wednesday](#) the rescission of its 2022 compliance assistance release that had previously cautioned fiduciaries against including cryptocurrency options in 401(k) retirement plans. This policy reversal signifies a pivotal shift in the federal government's stance on digital assets within retirement portfolios, potentially broadening investment opportunities for plan participants. In March 2022, the EBSA issued Compliance Assistance Release No. 2022-01, advised plan fiduciaries to exercise "extreme care" before incorporating cryptocurrency investments into 401(k) plans.



The guidance highlighted concerns about the speculative and volatile nature of cryptocurrencies, the complexities of custody and recordkeeping, and the evolving regulatory landscape. It effectively discouraged fiduciaries from offering cryptocurrency options, citing the high risk of loss and potential for fiduciary breaches under the Employee Retirement Income Security Act (ERISA).

The rescission of the 2022 guidance reflects the EBSA's updated perspective on the role of cryptocurrencies in retirement planning. By withdrawing the previous directive, the Department reaffirms its neutral position, neither endorsing nor prohibiting the inclusion of cryptocurrency options in 401(k) plans. This change acknowledges the maturation of the digital asset market, increased institutional adoption, and the development of regulatory frameworks that provide greater clarity and protection for investors.

With the rescission, plan fiduciaries now have greater discretion to evaluate and potentially include cryptocurrency investment options in 401(k) plans, provided they adhere to ERISA's fiduciary standards. This entails conducting thorough due diligence, assessing the suitability of such investments for plan participants, and ensuring that any offerings are in the best interest of beneficiaries.

For plan participants, this policy shift could lead to increased access to cryptocurrency investments within their retirement portfolios. However, it also underscores the importance of investor education, as individuals must understand the risks and potential rewards associated with digital assets.

The Department's decision aligns with a broader trend of integrating digital assets into mainstream financial systems. Major financial institutions have expanded their cryptocurrency services, and regulatory bodies have made strides in establishing clearer guidelines for digital asset markets. The EBSA's updated stance may encourage further innovation in retirement plan offerings and prompt plan sponsors to explore diversified investment options that include cryptocurrencies. The rescission of the 2022 guidance marks a significant development in the intersection of retirement planning and digital assets.

By adopting a more neutral position, the US Department of Labor empowers fiduciaries to consider a broader range of investment options, reflecting the evolving financial landscape. As the retirement industry adapts to these changes, stakeholders must balance innovation with prudent risk management to safeguard the interests of plan participants.

Russia's Central Bank Authorises Crypto-Linked Financial Instruments for Qualified Investors

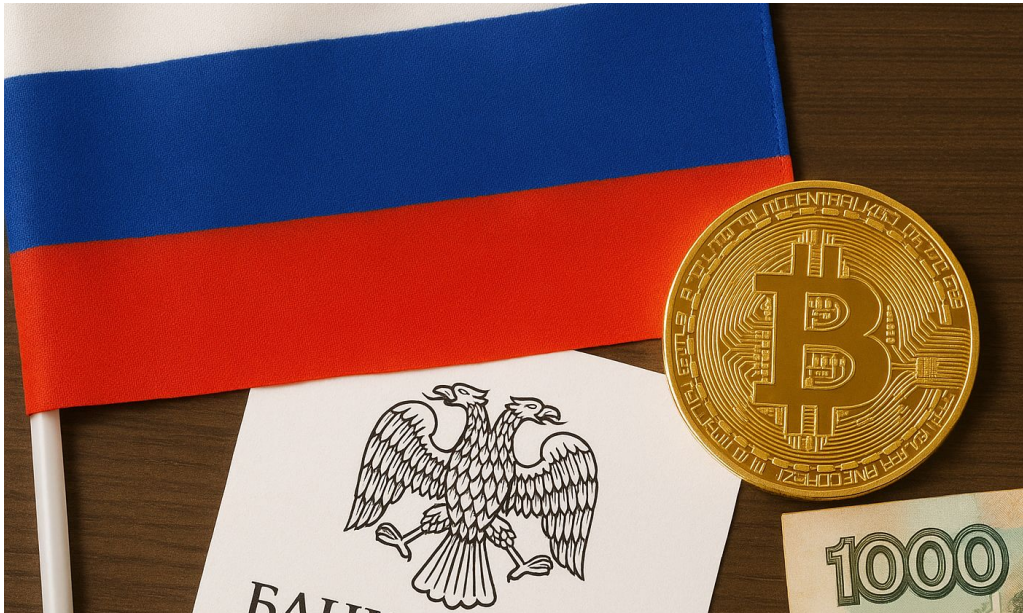



Figure 16. Russia's Central Bank Authorises Crypto-Linked Financial Instruments for Qualified Investors

- The Bank of Russia now allows financial institutions to offer crypto-linked financial instruments to qualified investors, marking a cautious step toward integrating digital assets into the regulated financial system
- These instruments must be non-deliverable, fully collateralised, and subject to exposure limits, reflecting the central bank's focus on risk management while aligning with global trends in digital asset regulation

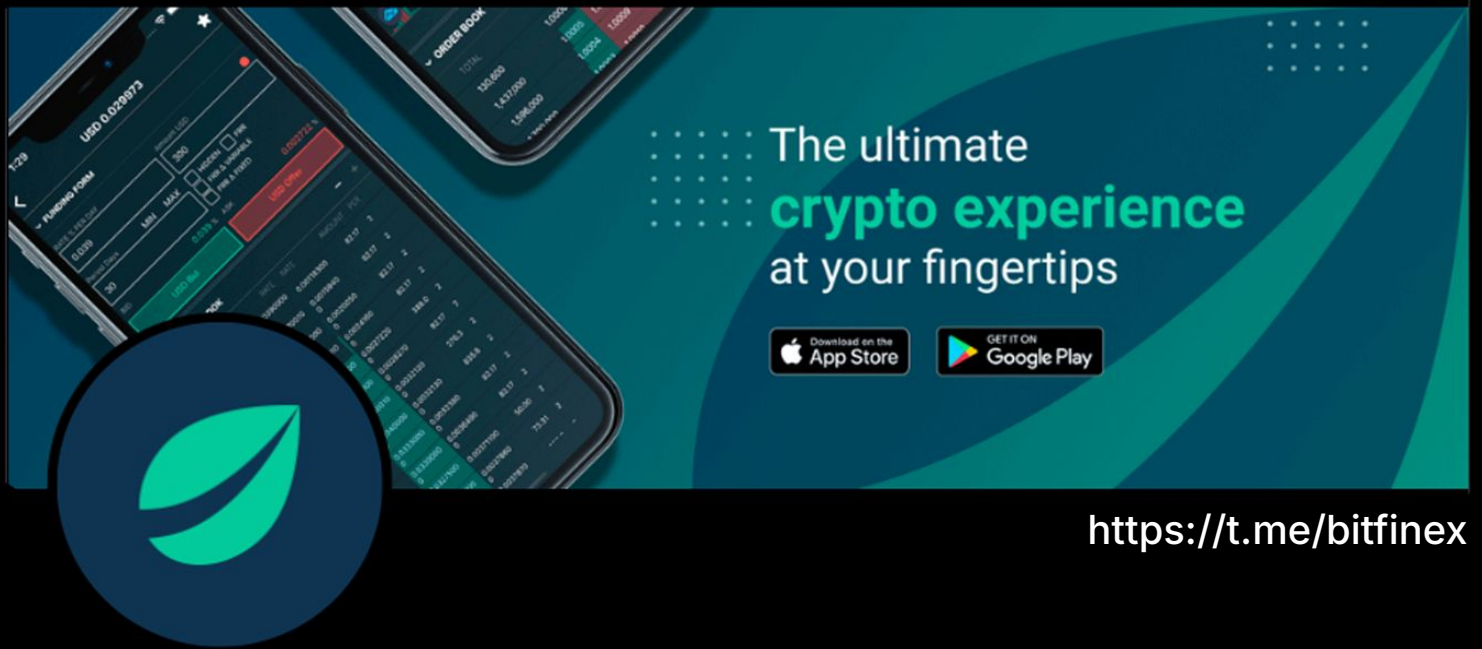
In a significant policy shift, the Bank of Russia, the country's central bank, has announced that financial institutions may now offer crypto-linked financial instruments to qualified investors. This development marks a cautious yet notable step toward integrating digital assets into Russia's regulated financial framework

- **Scope of Offerings:** Financial institutions are permitted to provide qualified investors with financial derivatives, securities, and digital financial assets whose yields are linked to cryptocurrency prices.
- **Non-Deliverable Instruments:** These products must be non-deliverable, meaning they cannot result in the actual ownership of cryptocurrencies like Bitcoin or Ethereum. Instead, investors can gain exposure to price movements without holding the underlying assets.

- 
- **Risk Management Measures:** The central bank mandates that such instruments be fully collateralised and subject to individual exposure limits. This conservative approach aims to mitigate risks associated with cryptocurrency price volatility.

This policy change reflects Russia's evolving stance on cryptocurrencies. While the central bank maintains a cautious approach, the allowance of crypto-linked instruments as part of an investment portfolio, indicates a recognition of the growing interest in digital assets. By restricting access to qualified investors—typically individuals or institutions meeting specific financial criteria—the Bank of Russia seeks to balance innovation with risk management.

The move also aligns with broader global trends where regulatory bodies are exploring frameworks to integrate digital assets into traditional financial systems. As Russia continues to develop its domestic crypto infrastructure, this development may pave the way for further regulatory advancements and increased institutional participation in the digital asset space.



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