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Bitcoin Faces Largest Leverage Unwind in a Year Amid Iran-Israel Tensions

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In a weekend marked by heightened geopolitical unrest, Bitcoin experienced its most significant leverage unwind in nearly a year, underscoring how global events can rapidly reshape investor behavior in the crypto markets.

Following the United States' missile strikes on Iranian nuclear facilities and the announcement of a fragile ceasefire brokered by former President Donald Trump, Bitcoin briefly fell below the key $100,000 level. The drop triggered over $700 million in liquidations, as highly leveraged positions were swiftly unwound. Despite the turmoil, Bitcoin recovered and was trading around $105,500 by Tuesday, a 2.3% gain over the previous 24 hours, according to CoinGecko.

The derivatives market, however, painted a more cautious picture. According to Vetle Lunde, Head of Research at K33, notional open interest in Bitcoin perpetual futures contracts declined by 17,394 BTC in a single day marking the steepest drop since the yen-driven market crash in August 2024. This decline brought total open interest below 260,000 BTC for the first time since early May, indicating a broad-based retreat from risk.

“This sharp deleveraging signals that traders are prioritizing capital preservation amid increased geopolitical uncertainty,” Lunde wrote in a report. Although the Crypto Fear & Greed Index remains at 65 within the “greed” range, market participants appear more reluctant to engage in high-risk strategies, favoring stability over speculation.

This shift comes ahead of a key milestone: the monthly Bitcoin futures expiry scheduled for Friday, June 27. Expiry events often lead to increased volatility as traders adjust or close positions, and the current low-leverage environment may help contain large price swings in the short term.

Meanwhile, the Bitcoin Volatility Index, tracked by Deribit, has fallen to 39.15, its lowest level since October 2023. Despite this broader trend of reduced volatility, analysts at Wintermute’s OTC desk noted elevated short-dated implied volatility, reflecting persistent concerns over geopolitical risks.

“Market flows remain neutral,” Wintermute analysts stated, citing significant options activity concentrated around the $105,000 level and short put protection at $100,000. These strategies indicate expectations of limited price movement in the near term, though some uncertainty persists.

Interestingly, sentiment surrounding longer-dated options expiring in July and September is turning cautiously optimistic. According to Wintermute, this shift suggests that traders anticipate a reduction in headline risk and a potential return to market stability later this summer.

In summary, the largest leverage flush in nearly 12 months has served as a stark reminder of the crypto market’s sensitivity to external shocks. As traders reassess their strategies in light of ongoing geopolitical developments, the focus now shifts to upcoming macroeconomic events and the stability of the recently announced ceasefire.