canary capital

WEEKLY MARKET REVIEW - FEBRUARY 9TH, 2026

KEY TAKEAWAYS

- Bitcoin's sharp drawdown appears driven by leverage and funding stress
- A carry trade unwind potentially triggered forced, correlated liquidations
- IBIT options volatility may have also amplified the downside move for BTC

DIGITAL ASSET COMMENTARY

Over the past four weeks, Bitcoin has fallen more than 38% peak-to-trough, briefly exceeding a 52% drawdown from all-time highs. The speed of the move suggests indiscriminate selling, with two leading explanations emerging: leverage-driven de-risking and a volatility shock tied to options activity in BlackRock's Bitcoin ETF, IBIT.

The tight correlation between BTC and the US software ETF IGV points to leverage and funding stress rather than weakening fundamentals. A likely driver is a carry unwind, potentially linked to the yen carry trade, that had pushed capital into risk assets such as software, crypto, and private credit. As funding tightened and volatility rose, similarly financed assets were sold together, pushing correlations toward one and triggering forced liquidations. The lack of a single catalyst and heavy Binance selling tied to Asia-based leveraged players point to systemic positioning stress and a near-total wipeout of crypto long exposure.

A complementary hypothesis is that much of the apparent early-holder BTC movement over the summer reflected options positioning rather than outright selling. After the SEC approved in-kind ETF creations/redemptions on July 29, 2025, BTC could move tax-free into IBIT, whose highly liquid options market made it an attractive vehicle for covered call writing. This helps explain large on-chain movements alongside collapsing volatility and volume. If large holders were structurally short volatility, the October 10th spike may have forced rapid deleveraging, amplifying funding stress and accelerating the selloff.

Despite even larger downside moves in altcoins, ETH, XRP, and SOL US spot ETFs saw relatively modest outflows over the week, suggesting that non-ETF sellers were the primary source of price pressure. ETH, XRP, and SOL are now down approximately 58%, 61%, and 70% from their respective all-time highs.

CHART 1: MONTHLY US SPOT BITCOIN ETF NET FLOWS

ETF monthly net flows have held negative since November

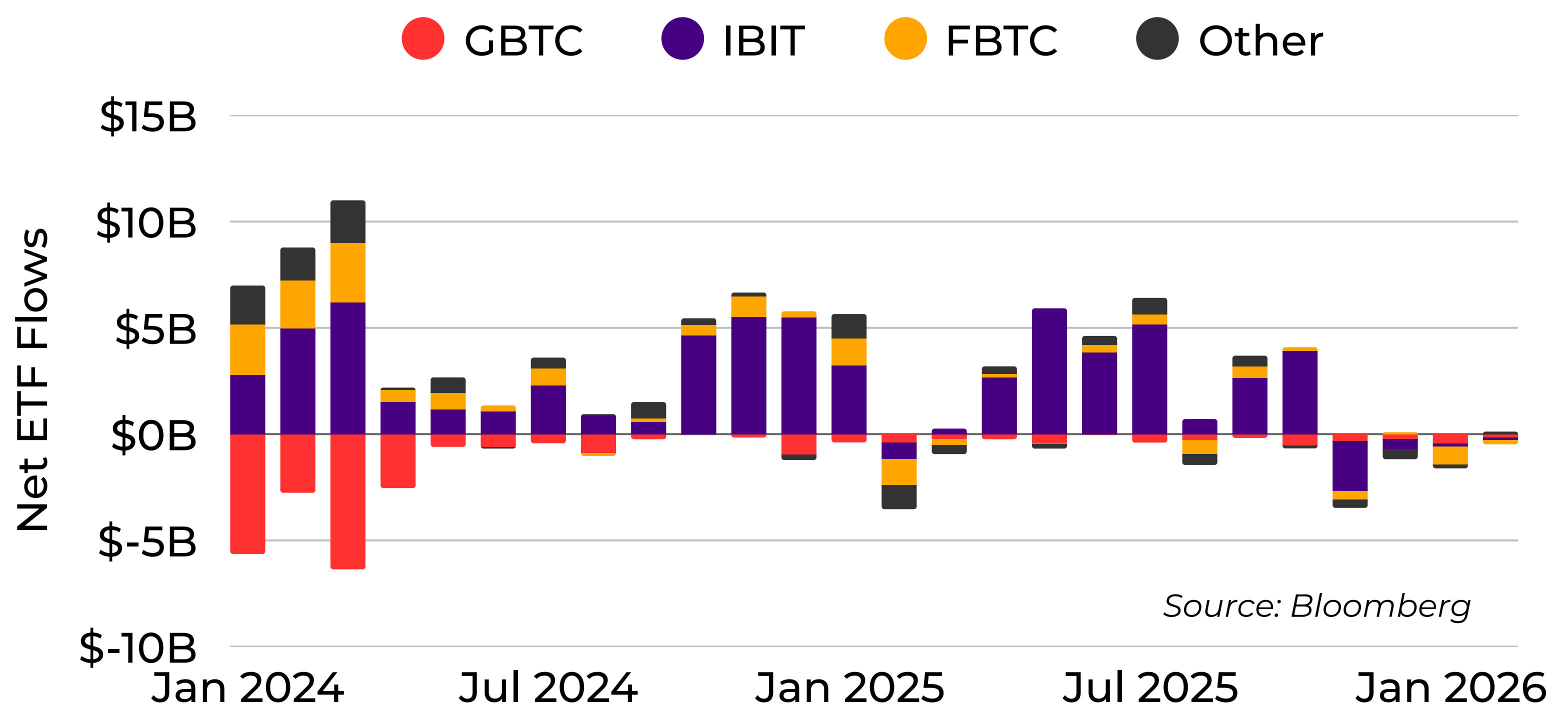

CHART 2: DAILY NET ETF FLOWS OF NON-BTC US SPOT ETFS

Despite significant downward price action, outflows were minimal last week