# Bitcoin volatility spikes as geopolitical tensions drive traders to liquidate



# Bitcoin Volatility Surges Amid Geopolitical Tensions

As geopolitical tensions mount, particularly between India and Pakistan, the cryptocurrency market has witnessed a sharp surge in Bitcoin's volatility, with significant implications for traders and investors alike. On 7 May 2025, Bitcoin (BTC) recorded a swift downturn, dropping below $94,000 and marking its lowest point for the month. This came despite a prior surge to a local high of $97,700, as market dynamics fluctuated dramatically in response to ongoing global events.

Recent escalations, including heightened conflict in the Middle East, exemplify how vulnerable cryptocurrencies are to external shocks. This volatility mirrored earlier patterns seen in May, when spikes in geopolitical tensions prompted dispossessions among traders. As reported, over 90,000 traders faced liquidations in a matter of days, amounting to approximately $267.95 million in total losses across the crypto market.

As traders brace for forthcoming decisions from the Federal Reserve regarding interest rates, market participation remains on high alert. The general consensus had predicted a stable tone from the Federal Open Market Committee (FOMC), yet anticipations have fluctuated. Noted trader Daan Crypto Trades mentioned, "The market will be eager to observe any tone changes," highlighting the mixed signals from recent Fed statements.

Keith Alan, co-founder of Material Indicators, remarked on a concerning liquidity scenario leading up to the Fed's announcement, noting, "I’m pleasantly surprised that BTC has held above the $YOU," suggesting that trader psychology has resulted in cautious optimism despite the deluge of external pressures.

Contributing to the market's complexion, industry insights indicated that long-term holders of Bitcoin are accumulating once again. Glassnode reports that since March, long-term holders have amassed over 250,000 BTC, bringing their total holdings to over 14 million BTC. Short-term holders, previously in a distribution phase, added 25,000 BTC in a week, signalling a return of investor confidence amid turbulent market conditions.

This confidence is further buttressed by the accelerated inflow into Bitcoin exchange-traded funds (ETFs) in the past fortnight, with both long-term and short-term holders increasing their positions—a trend analysts attribute to an overall recovery in market sentiment. Glassnode defines long-term holders as those who have held BTC for more than 155 days, illustrating a marked shift from a sell-off phase to a more robust accumulation.

However, caution prevails as Bitcoin approaches a critical resistance level at $99,900. Long-term holders may opt to realise profits once they secure a substantial unrealised profit margin. Analysts warn that should this resistance be tested, it could lead to increased selling pressure unless there is overwhelming buying demand to mitigate potential downturns.

In a broader analysis, James Van Straten, a senior analyst at CoinDesk, articulated the relationship between Bitcoin's dynamics and macroeconomic contexts. His insights draw from a depth of experience in on-chain analysis, focusing on Bitcoin's integration into the larger financial ecosystem. As the market navigates unease from geopolitical tensions and impending regulatory decisions, Van Straten's perspective underscores the necessity of strategic foresight for investors.

In conclusion, as political uncertainty continues to ripple through the economic landscape, Bitcoin's path remains clouded yet promising. The juxtaposition of accumulating investors and the looming spectre of potential profit-taking creates a multifaceted environment that traders will need to navigate with vigilance. The results of the Federal Reserve's decisions may very well pivot the course of Bitcoin in the weeks ahead, making it an essential period for both seasoned and novice traders alike.

## Reference Map:

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2. <https://www.cryptonite.ae/global/bitcoin-volatility-geopolitical-tensions> - This article discusses the recent surge in Bitcoin's volatility amid escalating geopolitical tensions, particularly the conflict between Israel and Hezbollah. It highlights that Bitcoin's volatility has reached multi-month highs, reminiscent of levels observed in early May. The article also notes that over 90,000 traders have faced liquidations due to recent volatility spikes, resulting in total crypto market liquidations amounting to $267.95 million. The piece emphasizes the sensitivity of financial markets, including cryptocurrencies, to geopolitical developments, prompting investors to adopt risk-averse strategies.
3. <https://www.binance.com/en/square/post/4996022336409> - This article reports on the increased distribution pressure from long-term Bitcoin holders, who have been spending 257,000 BTC per month. These holders now possess a record-breaking 75% of the actively circulating supply of Bitcoin. The article also notes that the Grayscale Bitcoin Trust (GBTC) is dominating the market at 57%, indicating a significant shift in Bitcoin market dynamics and reflecting the growing maturity of the market and the increasing recognition of Bitcoin as a viable investment asset.
4. <https://cointelegraph.com/news/bitcoin-volatility-hits-3-6-heightened-market-uncertainty> - This article reports that Bitcoin's volatility climbed to 3.6% on March 19, the highest point since August 2024, according to data from CoinGlass. The article attributes this heightened volatility to structural unknowns in the US economy, including the emergence of Elon Musk’s Department of Government Efficiency, which claims to have generated an estimated savings of $115 billion for the US government as of March 19. The piece discusses how fiscal tightening alongside stable or easing interest rates could create a mismatch in policy direction, limiting the intended stimulative effect of future rate cuts.
5. <https://www.ainvest.com/news/bitcoin-volatility-surges-geopolitical-storm-2503/> - This article discusses the impact of geopolitical tensions on Bitcoin's volatility, particularly focusing on the conflict between Israel and Hezbollah. It notes that the abrupt market reaction resulted in Bitcoin's value plummeting to around $82,000, with significant liquidations in the cryptocurrency derivatives market, over $1 billion wiped away as traders faced sudden price drops. The piece emphasizes the challenges inherent in trading digital assets during such volatile periods and suggests that traders are likely to remain cautious as they navigate potential future tariffs and their anticipated impacts on market sentiment.
6. <https://cryptodataspace.com/dormant-bitcoin-comes-alive/> - This article reports on the increased activity of long-term Bitcoin holders in Q1 2025, with 62,800 BTC moved, up 121% from the 28,000 BTC recorded in Q1 2024. The article notes that January 2025 alone accounted for 24.59K BTC, followed by 21.82K BTC in February and 16.46K BTC in March. This surge in activity is seen as a potential reflection of macro-driven behavior changes, such as shifts in regulation, institutional liquidity strategies, or price expectations.
7. <https://cointelegraph.com/news/bitcoin-investment-inflows-hit-1b-as-long-term-holders-accumulate> - This article reports that institutional and long-term investors are capitalizing on Bitcoin’s low volatility to increase their holdings. Glassnode's 'The Week On-chain' report, published on May 28, indicated that long-term investors are re-accumulating coins for the first time since December 2023. The article also notes that the aggregate supply from long-term holders (LTHs) has dropped by 12,000 BTC to 85,800 BTC/month, signaling a 'cooling-off period' and a return to accumulation patterns.