

What Is Open Interest in Crypto?

The count of live bets nobody has closed — how it differs from volume, what it says when read alongside price, and why a rising number is not the bullish signal it appears to be.

Alain AI Lab Research · Published July 25, 2026 · 10 min read

Open interest is the total number of derivative contracts currently open — positions that have been entered and not yet closed. It is a census of live bets, taken at a moment in time, and it is one of the few genuinely informative numbers in crypto that most people misread. The usual misreading is to treat a rising figure as bullish, when it says nothing whatever about direction on its own. Read properly — alongside price, and with an awareness of how it is denominated — it tells you something no price chart can: whether money is entering the market or leaving it, and how much leverage is stacked up waiting to be unwound.

AT A GLANCE

WHAT IT COUNTS

Contracts open right now

FALLS WHEN

Positions close or liquidate

NOT

Volume — a different thing

READ WITH

Price — never alone

RISES WHEN

New money opens positions

WATCH FOR

Dollar vs coin denomination

01

A count of unfinished business

Every derivative contract has two sides: someone long, someone short. When a buyer and a seller open a new position against each other, a contract comes into existence and open interest rises by one. When both sides close, that contract is extinguished and open interest falls by one. The figure is therefore a running count of agreements still outstanding — bets placed and not yet settled.

Two features follow immediately. First, open interest measures *positions*, not people or money changing hands; it is a stock, not a flow. Second, because every contract has a long and a short, the market is always perfectly balanced in contract terms — there is no such thing as “more longs than shorts” in the aggregate, however often you read it. What varies is which side is more aggressive, more leveraged, or more likely to be forced out, which is a different claim entirely. Anyone telling you open interest shows the market is net long has misunderstood the arithmetic.

02

Open interest is not volume

The single most common confusion is between open interest and volume, and the distinction is exactly the one between a stock and a flow. Volume counts how many contracts changed hands over a period — every transaction, added up. Open interest counts how many contracts are open at a point in time, regardless of how much trading produced them.

The consequence is that the two can move in completely different directions. A frantic session in which traders open and close positions repeatedly generates enormous volume while leaving open interest unchanged, because nothing new remains outstanding at the end. Conversely, a quiet session in which a few large participants take positions and hold them produces modest volume and a meaningful rise in open interest. Volume tells you how much activity occurred; open interest tells you how much of that activity is still *live* — how much unfinished business is sitting in the market, waiting to be closed. It is the same stock-versus-flow distinction that separates depth from volume in spot markets, examined in [market liquidity](#).

03

Reading it alongside price

Open interest alone is directionless. Paired with price movement it becomes genuinely informative, and the four combinations are the practical core of this entire subject.

When *price rises and open interest rises*, new positions are being opened into strength — fresh money entering on the long side, generally read as the healthiest form of an advance because the move is being funded rather than merely covered. When *price rises and open interest falls*, positions are being closed into strength: this is characteristic of short covering,

where traders who were short are buying to exit, and it is a weaker foundation because the buying is forced housekeeping rather than conviction, and it stops once the shorts are gone.

When *price falls and open interest rises*, new positions are being opened into weakness — fresh shorts entering, generally read as genuine bearish conviction. And when *price falls and open interest falls*, positions are being closed into weakness: longs exiting or being liquidated, the pattern of a market unwinding rather than one being newly sold. The general principle underneath all four is that *rising* open interest means new money is arriving to fund the move, and *falling* open interest means existing positions are being closed out. That distinction — new money versus old money leaving — is what the number actually contributes.

Open interest tells you nothing about direction and everything about commitment. It answers one question: is the crowd building a position, or dismantling one? Price tells you which way. You need both.

04

The denomination trap

Here is a subtlety that misleads even experienced readers. Open interest can be reported in two units: the number of contracts or coins, or the value of those positions in dollars. They behave differently, and confusing them produces false conclusions.

Dollar-denominated open interest is the coin figure multiplied by the current price — which means it rises when the price rises, *even if not a single new position has been opened*. A headline reporting record dollar open interest during a rally may be describing nothing more than the same positions revalued upward. To know whether the market is genuinely taking on more exposure, you want the figure denominated in coins or contracts, which is immune to price effects. The practical instruction is to check which unit a chart is using before drawing any conclusion from it, and to prefer coin-denominated series when the question is whether positioning is actually growing. This is the same category of error as reading a dollar flow figure without asking what it could buy — a trap examined in our note on [ETF flows](#).

05

Open interest as stored fuel

The most consequential use of the number has nothing to do with sentiment. Because derivative positions are typically leveraged, high open interest means a large stack of positions sitting on borrowed exposure, each with a liquidation price attached — and that makes it a measure of how much forced selling or buying is latent in the market.

The mechanism is a cascade. When price moves against a crowded side, the most leveraged positions hit their liquidation levels and are closed by the venue, which itself pushes the price further in that direction, which triggers the next tier of liquidations, and so on.

Elevated open interest is the fuel for that process: the more positions outstanding, the more violent the unwind can be. This is why a market with unusually high open interest is structurally fragile regardless of its direction, and why sharp moves in crypto so often overshoot — they are not purely opinion changing, but positions being forcibly closed. A large, sudden *drop* in open interest alongside a violent price move is the signature of exactly this: mass liquidation rather than considered selling. Why liquidation differs from a stop loss, and how to size to avoid it, is covered in [position sizing with leverage on a perps DEX](#).

06

What it does not tell you

Four limits keep this honest. It is not a directional signal — the same rise in open interest can precede a continuation or a collapse, depending entirely on which side is crowded and how leveraged it is, so anyone quoting open interest alone as bullish or bearish is over-reading it. It says nothing about *who* holds the positions: a hedged institution, a market maker offsetting spot exposure, and a retail gambler all print identically, and a meaningful share of open interest represents hedges with no directional view at all.

It is also fragmented. Open interest exists per venue and per instrument, so aggregate figures depend on which exchanges a data provider includes, and two sources can disagree materially about the same market. And it is a poor timing tool: high open interest can persist for long stretches without resolving, so it describes a condition rather than a trigger. Treat it as a gauge of fragility, not a countdown clock — and cross-check any reading against the sources discussed in [crypto research tools](#).

07

Why crypto makes it prominent

Open interest matters more here than in most markets, for structural reasons. Crypto derivatives volume frequently exceeds spot volume, so a large share of price discovery happens in the derivatives market rather than in the underlying — which means positioning data describes the dominant venue rather than a sideshow. The perpetual contract, which never expires, allows positions to remain open indefinitely, so open interest can accumulate over months rather than resetting at expiry as traditional futures do.

Leverage availability is also far higher than in regulated equity markets, which amplifies the fuel effect described above, and the market's continuous operation means cascades can occur at any hour with no closing bell to interrupt them. One further reading is worth knowing: open interest and the funding rate are usually examined together, because funding reveals which side is paying to hold its position while open interest reveals how large that position is. High open interest combined with persistently one-sided funding is the classic description of a crowded trade — the configuration that precedes the sharpest unwinds.

08

Using it sensibly

A short discipline makes the number useful. Never read it alone — always pair it with price direction, using the four combinations in section 03. Check the denomination before interpreting any change, preferring coin-denominated figures when asking whether positioning is genuinely growing. Watch the *rate* of change rather than the level, since a rapid build tells you more than a high plateau. And treat sudden collapses in open interest as evidence of liquidation, which often marks the end of a violent move rather than its beginning.

Most of all, hold the right mental model. Open interest is not a prediction and not a sentiment gauge; it is a measure of how much unfinished, leveraged business is sitting in the market. When that number is large, moves become sharper and more mechanical, because prices are being driven by positions closing rather than views changing. Knowing when the market is in that state will not tell you which way it breaks — but it will tell you to expect the break to be faster and further than the news alone would justify, which is worth knowing whether you are trading a [bull market](#) or a [bear one](#).

“Thou shalt not follow a multitude to do evil; neither shalt thou speak in a cause to decline after many.”

EXODUS 23:2

Methodology & Sources

This report explains a derivatives metric and how to read it; it contains no open-interest figures, leverage ratios, funding rates, venue names, or asset names, all of which change continuously — consult current data directly. The definitions used are standard: open interest as the number of derivative contracts outstanding at a point in time, rising when new positions are opened on both sides and falling when positions are closed or liquidated, and always balanced between longs and shorts in contract terms. The four price-and-open-interest combinations described in section 03 are a long-standing conventional framework for interpreting positioning; they are heuristics for reading market structure, not predictive rules, and each has exceptions. The distinction between coin- and dollar-denominated open interest is arithmetic: a dollar series incorporates price changes and can rise without any new positions being opened. The description of liquidation cascades — leveraged positions being force-closed, amplifying the move that triggered them — characterises a recognised mechanism in leveraged markets; no specific event is described. Aggregate open interest varies by which venues a provider includes. Nothing here is a recommendation regarding any asset, venue, or trade, and leveraged trading carries risk of total loss.