

TheDowTheory.com  
Crypto Report

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**Higher highs in Bitcoin, confirmed by Ethereum, are bullish. The next price target for BTC is 66,775.**

Wow, this is moving quickly!

Bitcoin		
Low 1/23/2024	39,131.70	
High 2/21/2024	50,979.10	
Difference	11,847.40	
Multiply 7	82931.8	
		<b>Additional points</b>
Divide 4	20,732.95	first objective
Divide 3	27,643.93	second objective
Divide 2	41,465.90	third objective
	<b>59,864.65</b>	<b>First price objective</b> ✓
	<b>66,775.63</b>	<b>Second price objective</b>
	80,597.60	Third price objective

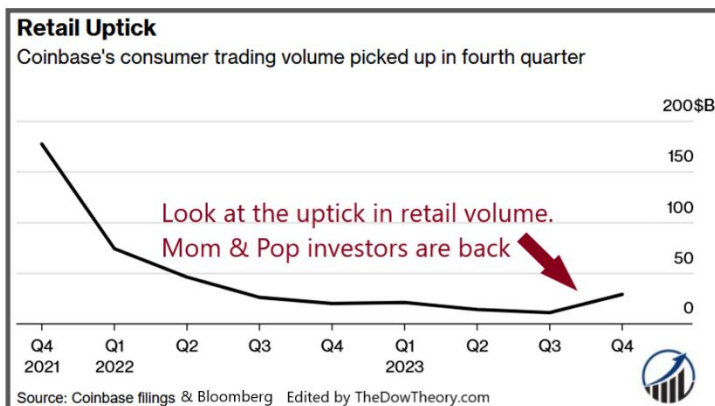
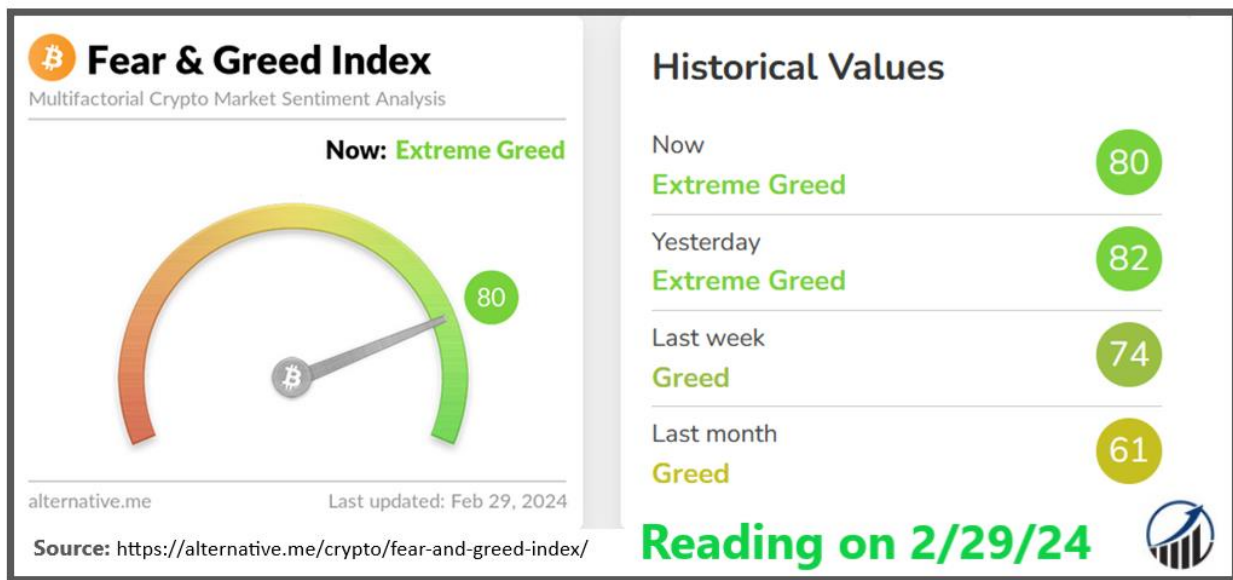
In just a matter of days, Bitcoin has surpassed its first price target, as determined by the [Rule of Seven](#), and is now heading towards the second one. Let's begin by examining the calculations. The table on the left illustrates how I computed the price target. I used the last low recorded on 1/23/24 at \$39,131.70 and the most recent high before a brief pause on 2/21/24 at \$50,979.10. The difference between the high and low amounts to \$11,847.40. We then multiply this figure by seven and divide it by 4, 3, and 2 to derive the first, second, and third price targets. The first price target at \$59,864.65 was reached on 2/28/24. Typically, achieving a price target is followed by a temporary correction or some sideways movement, as was observed on 2/28 and 2/29 when BTC attempted to move higher but faced resistance.

Looking at the chart below, you'll notice that the second price target at \$66,775.63 is situated between two resistance zones. On 2/28/24, BTC reached \$64,105.7, slightly surpassing the first resistance around \$63.56K before being swiftly rejected. On 2/29/24, BTC made another attempt to break through this resistance to no avail.





Furthermore, sentiment has been too greedy for a long time, as shown below. So, this also advocates for at least a temporary respite. In the crypto world, things happen much quicker, so “temporary” may mean just a few days, as with the pullback we experienced after the launch of the Bitcoin ETFs that was short-lived.



Mom-and-pop investors also fuel the greed index. After being bruised in the last bear market, they are jumping again on the bandwagon of Bitcoin and crypto in general, as [Bloomberg](#) and [CoinDesk](#) report. Thus, greed seems to run rampant. The good news is that, as shown in the left chart, retail investors still have ample margin to reach the activity seen at the last BTC top in November 2021.

In summary:

1. BTC needs to surpass two resistance levels at \$63.56K and \$67.55K to be in the clear.
2. Price action on 2/28 and 2/29/24 indicates that breaking through these resistance levels will be challenging, as two attempts to do so were met with rejection.
3. Typically, achieving one profit objective under the Rule of Seven is followed by a period of consolidation.
4. There is excessive greed in the market.

So, now we must look at the price levels whose breakdown would indicate a change in the trend. Let's begin with this chart, which shows the first level of support. We observe that there was a nice upward trendline that acted as resistance. On 2/28/24, it was broken up. Now, the same trendline is the first line of support at ca. 58K. Its breach does not imply a bear market but serves as a stop-loss for those with little tolerance for pullbacks. The chart also shows a magenta horizontal line at the 2/15/24 high at 52,883.60. This prior minor resistance has now turned support and serves as a more conservative stop-loss. Finally, there is a horizontal red line highlighting the 1/23/24 lows at 38,531.10, whose violation would imply a new Bear market unambiguously.



And what about the Dow Theory? From a Dow Theory perspective, the higher highs on BTC have been confirmed by ETHE, which is bullish. According to the Dow Theory, our current stop loss is at the lows of the last secondary reaction that occurred on 1/23/24 (highlighted by brown rectangles). A confirmed breakdown of these lows would indicate a primary bear market. Since BTC and ETHE trade continuously, unlike U.S. stocks, I consider the lows for the day (rather than the closing price) to be the relevant price levels to watch. The **key prices to observe are \$38,531.10 for BTC and \$2,173.05 for ETHE** (red lines in the charts below). Yes, it's a wide stop, but this is typical when trading a highly volatile asset with the Dow Theory. The Dow Theory provides us with technically optimal stops, not necessarily the ones we prefer. The advantage is that one can utilize such wide stops by trading small, reducing the risk of being whipsawed.



**Several thoughts:** BTC and ETHE continue to outperform the miners. Similar to precious metals, it often appears more profitable to own the metal rather than involve oneself in the uncertainties of mining companies. I believe that the introduction of Bitcoin ETFs will impact transaction volume and the necessity for miners to validate transactions. Additionally, the upcoming halving for BTC may not be as bullish as commonly thought. Many miners are struggling to maintain profitability due to intense competition. If the mining reward is halved and ETFs decrease the need for transaction validation, it could lead to miners being compelled to sell their newly mined Bitcoins and even old holdings (bye-bye HODL), potentially exerting bearish pressure. Moreover, similar to leveraged investments, a decline in Bitcoin's price could prompt further selling by distressed miners. The only respite for most miners would be a higher BTC price, which is not guaranteed.

These factors are likely to contribute to the consolidation of the mining industry. Interestingly, I observe two trends that partly undermine the fundamental purpose of Bitcoin's creation: if a significant portion of Bitcoins eventually falls under the control of ETFs and mining becomes dominated by a few large corporations, it may deviate from the original intentions of Bitcoin's creators. However, only time will reveal the outcome. In the meantime, our long positions are yielding favorable results. So, let's enjoy the ride!

See you next month.

With my best investment wishes,

*Manuel Blay*

**DISCLAIMER**

These monthly updates on crypto are meant to provide a helpful overview of their status from a technical analysis point of view. When events unfold after the monthly Letter is published it is incumbent on the reader

**to follow his/her own positions. In the future, we plan to follow these markets on a timelier basis, just as we currently do with the American stock market.**

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