

TheDowTheory.com

## Crypto Report

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By Manuel Blay, Editor of TheDowTheory.Com

### **The trend of Bitcoin (and that of Ethereum) is now bearish.**

Over the past weeks, a lively debate has been unfolding between Bitcoin bulls and bears.

So, what's the bullish case? Bitcoin is even harder than gold. What I see as a drawback, namely, the small block size, which clogs the network when transactions spike, making it unusable for small daily payments, is seen by many as an advantage: As with gold, Bitcoin is to be held and rarely sold (HODLers). Furthermore, some kind of "band-aids," like the Lightning Network and custodial wallets, help improve the usability of Bitcoin (or at least, a representation thereof, as actual trading of BTC is limited by the tiny block size). Furthermore, in the bullish case, Bitcoin benefits from the networking effect with a proven protocol, so it is difficult for a new cryptocurrency to dethrone it.

The bearish argument contends that the current state of Bitcoin diverges from Satoshi's original vision, notably when it comes to small block size, which limits the massive use of Bitcoin. They assert that the value of any store of wealth, whether it's gold, silver, or cryptocurrency, stems from its utility. Money's utility, whether crypto, fiat, or metal, is derived from its ease of use, implying minimal transaction costs and the ability to facilitate a high volume of transactions. Consequently, value is built from the ground up. By having exchange value, a given money can later become a store of value. The bears posit that Bitcoin Cash (BCH) or Bitcoin Satoshi Vision (BSV) hold greater promise for the future. Finally, the bears dismiss the Lightning Network as a solution to Bitcoin's thin volume and high transaction fees ([HERE](#) and [HERE](#)).

I tend to be agnostic about fundamental explanations for one asset's price movement. When it comes to Bitcoin, I see that both the bullish and bearish cases make sense, so I let myself be guided by price action, the final arbiter of truth in the markets.

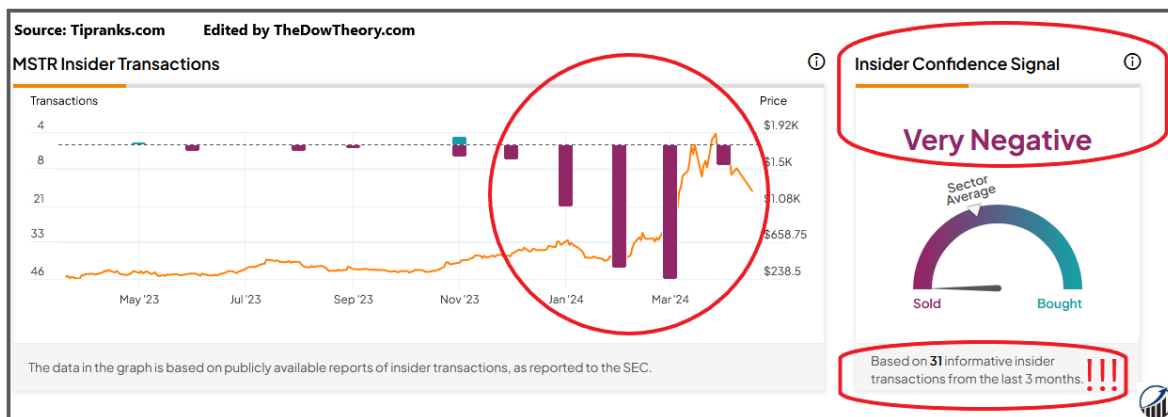
So, let's look at the charts.

In my previous report, I noted that a confirmed breakdown of the 3/20/24 lows by BTC and ETHE would be bearish. We got such a breakdown. **So, I am bearish.** Do you know what would make me even more bearish? A joint violation of the April lows would be decisively bearish. While BTC and ETHE are a 24-hour market, it seems that **on 4/30/24, both BTC and ETHE violated their 4/17/24 lows.** You can find a more in-depth explanation with charts in my latest post [HERE](#). Chartist and Elliot Wave expert Alessio Rastani also provides an excellent explanation of the current situation and key levels to observe in his 4/29/24 [video](#).

I presented a chart in the [April 1st Crypto Report](#), which I've updated here. This chart holds paramount importance. On 4/30/24, BTC breached its 4/17/20 lows, representing the final level of support. The abyss is below, as you can observe in the chart, with the first "soft" support estimated at around \$52,000. The primary level of substantial support is expected at \$40,000:



In my stock trading, I pay attention to what insiders are doing, as it has been proven that insiders' actions influence subsequent price action. Michael Sailor of MicroStrategy (a colossal holder of Bitcoin) and other insiders are selling their own shares as if there is no tomorrow. Do they know something we don't know about Bitcoin's fate?



I observe that Bitcoin (and cryptocurrency in general) beats to the tune of liquidity similarly to stocks. For now, it is not so much an uncorrelated store of value, although it has given ample opportunity for speculative gains given its solid trends.

And what about the miners? The chart below tells us that the miners are on the edge. Two upward trendlines shown in red have been broken down. We also observe a pattern of lower highs. Since March, prices have been contained within a downward channel (black lines). The overall assessment is bearish. What would be the straw that breaks the camel's back? A violation of the 4/16/24 lows, highlighted by the purple line, would be most bearish. The miners should look stronger if the markets discount higher BTC prices ahead.



Will the most recent halving save the day?

I know halvings have been historically bullish (albeit its effect becoming more mitigated after each halving), or better expressed, following a halving, there have followed higher prices (so perhaps, no causal relationship, just coincidence). However, the modest restriction of supply coming from the halving could be met by an equal or larger decrease in demand. The Bitcoin and miners' charts show that supply is overwhelming demand.

See you next month.

With my best investment wishes,

Manuel Blay

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**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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