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By Manuel Blay, Editor of TheDowTheory.com

## **The principle of confirmation saved our skin again. The Trend remains bearish.**

In my [April 1<sup>st</sup> Report](#), I started sounding the alarms on BTC. I noted that a confirmed breakdown of the 3/20/24 lows by BTC and ETHE would be bearish. We experienced such breakdowns on 4/17/24 and again on 5/1/24, indicating a bearish trend.

In the [June 1<sup>st</sup> Report](#), I gave you the relevant highs that needed to be broken topside for the trend to change from bearish to bullish. I quote:

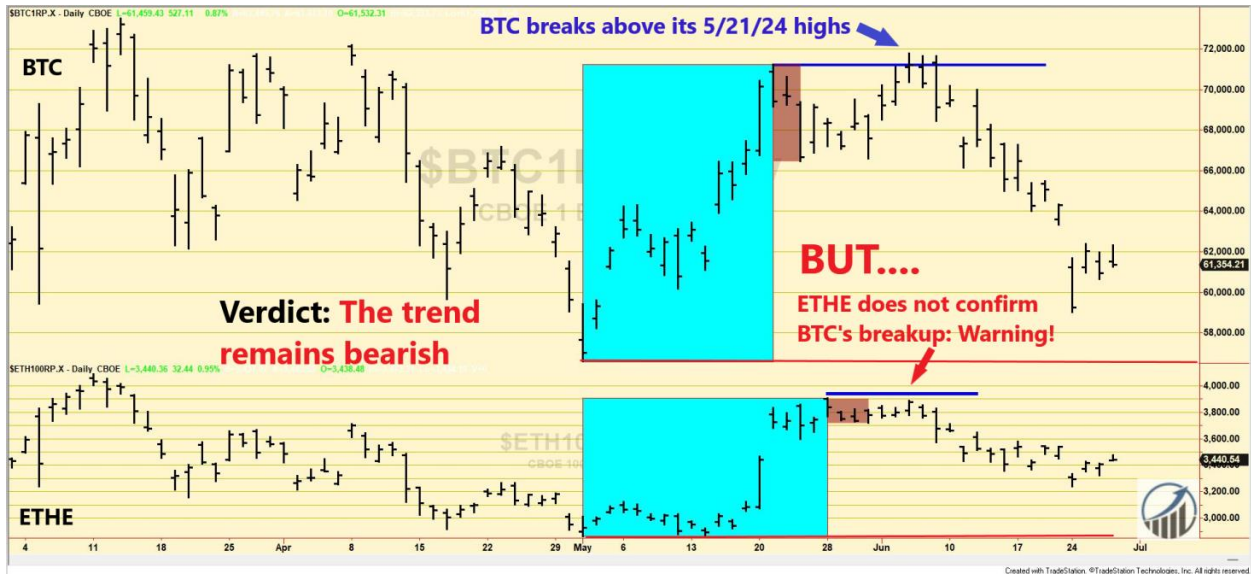
“If the 5/21/24 (BTC) and 5/28/24 highs (ETHE) were jointly broken up, the trend would shift to bullish. But remember, we need confirmation. One unconfirmed breakup is deceptive more often than not.”

On 6/5/24, BTC surpassed its 5/21/24 highs, but ETHE did not confirm, and immediately thereafter, both cryptocurrencies started to head south. As of this writing, BTC and ETHE are staging a modest “relief” rally within the bearish trend.

**Main takeaway:** The principle of confirmation was crucial. Without it, BTC’s break above its 5/21/24 highs might have been seen as a shift from a bearish to a bullish trend. However, as Dow Theorist Robert Rhea wisely noted, “*new highs unconfirmed are often deceptive*”.

These posts [HERE](#) and [HERE](#) give you additional information about the importance of the principle of confirmation and how it can “save your skin” by avoiding false signals.

The charts below display the most recent price action. The blue horizontal lines emphasize the 5/21/24 (BTC) and 5/28/24 (ETHE) highs. We observe that BTC broke above its 5/21/24 highs, whereas ETHE did not join the parade, and afterward, both cryptocurrencies started to plunge. A confirmed breakdown below the 5/1/24 (BTC) and 5/14/24 (ETHE) lows, highlighted by the red horizontal lines, would reaffirm the bearish trend.

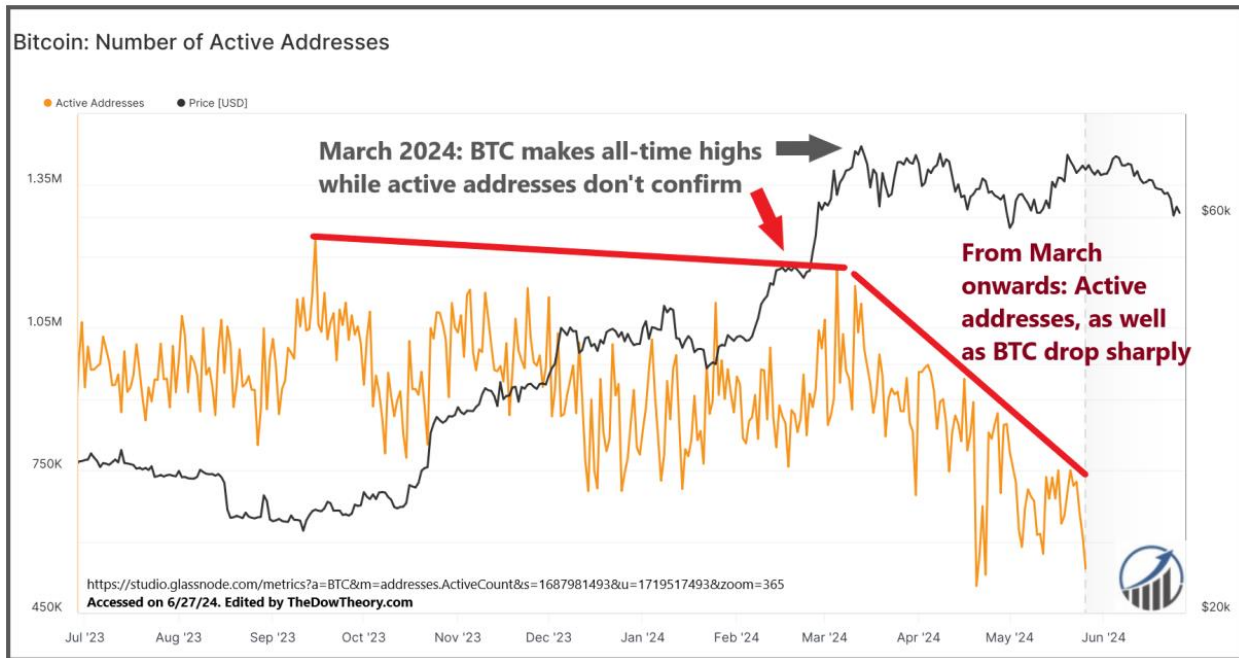


I have updated another vital chart that I have shown in past Reports. As you can observe, a major trendline currently acts as resistance, and all attempts to break through it have been repelled. If BTC surpassed that trendline, that would be preliminarily bullish. Price action after such a breakup would need to make a higher high to be decisively bullish. So, right now, the trend is also bearish when looking at this chart.



In the [April 1st Report](#), I noted that the downward trend of BTC's active addresses was bearish for BTC, and until now, my observation has been proven right. I know that BTC bulls say that active addresses don't matter, as BTC is the new digital gold and, thus, needs to stand still. However, this is not how BTC was conceived. Gold-like features are created bottom up: From daily use and massive adoption as a medium of exchange. Progressively, as its price and utility increases, it also becomes a store of value. Since mid-March, the number of active addresses is shrinking sharply.

In my opinion, it's not a good omen in the long term. As with margin debt, when I analyze stocks, I want the trend of active addresses to be supportive.



[Jim Bianco](#) on X.com made an interesting observation that, in my opinion, relates to the shrinking number of active addresses. He explains that money inflows into BTC ETFs are simply money moving from on-chain to spot BTC ETFs and that, in reality, very little new money is coming in. He says, “*it's just a bunch of swapping around.*” Trends need volume to support them. Dwindling new money into Bitcoin and diminishing active addresses is a headwind against higher BTC prices. Hence, I am not surprised at the weakness shown by the charts.

### Conclusions:

- ETHE must break topside its 5/28/24 high to consider the trend for BTC and ETHE shifting from bearish to bullish. Until then, I consider the trend bearish.
- Another chart of BTC alone is also bearish.
- The number of active addresses continues to give a bearish reading, and it seems that no significant new money is flowing into BTC ETFs.

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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