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Crypto Report

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By Manuel Blay, Editor of TheDowTheory.com

Pervasive weakness in the crypto landscape. Only BTC offers a glimpse of hope.

In the last report, I explained that the setup for a *potential* bull market was completed on 8/28/24 and that a confirmed breakup of the 8/26/24 BTC highs at 63,906.93 and ETHE 8/23/24 highs at 2,751.77 would signal a new primary bull market.

On 9/24/24, Bitcoin broke up its 8/26/24 highs, but **ETHE did not confirm**. On 9/27/24, ETHE was close to surpassing its 8/23/24 highs, but it could not. This lack of confirmation from ETHE suggests that the overall bearish trend for both BTC and ETHE has not yet been reversed. We need ETHE, a crypto brother of BTC, to display a modicum of strength.

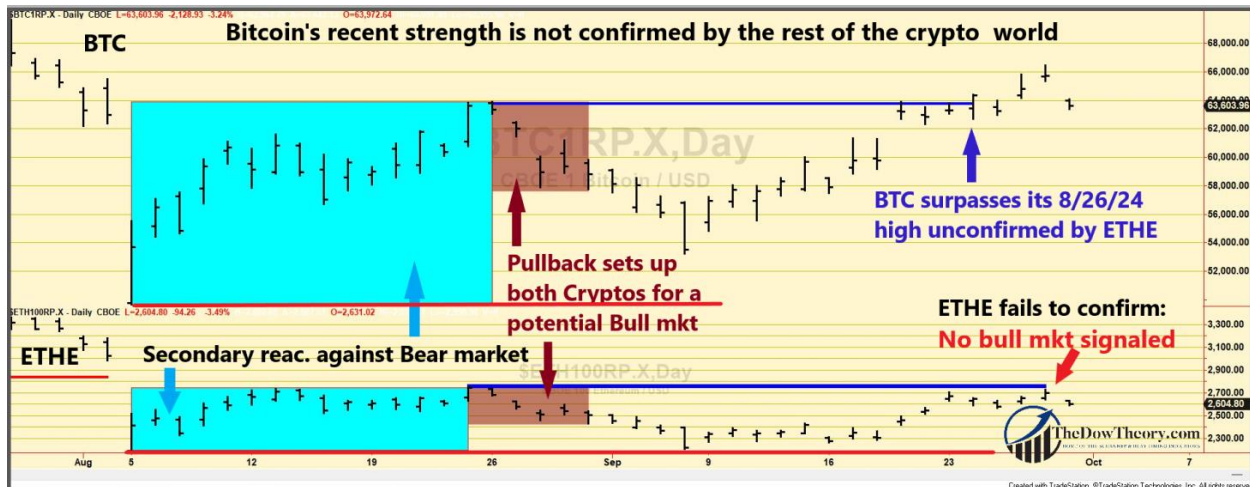
Please remember that BTC made higher highs in June and looked bullish, while ETHE refused to confirm, and I kept my bearish assessment. After the non-confirmation, BTC and ETHE took a deep plunge. As a reminder, according to the Dow Theory, the principle of confirmation states that for a market trend to be considered valid and reliable, higher highs (or lower lows) achieved by one index or asset must be confirmed by another.

These posts ([here](#) and [here](#)) demonstrate the importance of the principle of confirmation in our trading decisions. They show how this principle prevented us from taking a losing trade in other markets. This is a clear example of why becoming bullish or bearish based on the price action of one asset alone is much more prone to false breakouts. **Confirmation works.**

So, while BTC's most recent price action is encouraging, I feel it is too early to declare the death of the bear market. ETHE must come to life.

The charts below provide a visual representation of the current technical landscape. You may also notice two grey rectangles, which, while not a secondary reaction under the Dow Theory, illustrate the one rally. The blue rectangles depict the current (bullish) secondary reaction against the still-in-force bear market. The brown rectangles showcase the pullback that positioned both cryptos for a potential bull market. Blue lines highlight the 8/26/24 (BTC) and 8/23/24 (ETHE) highs, the

critical levels that must be jointly surpassed to signal a new bull market. Red horizontal lines indicate the 8/5/24 lows; breaking below these would reaffirm the primary bear market.



Therefore, there are **two alternative outcomes**:

1. A new bull market will be signaled if ETHE breaks above its 8/23/24 highs and confirms BTC.
2. The bearish trend will be confirmed if BTC and ETHE break below their 8/5/24 lows.

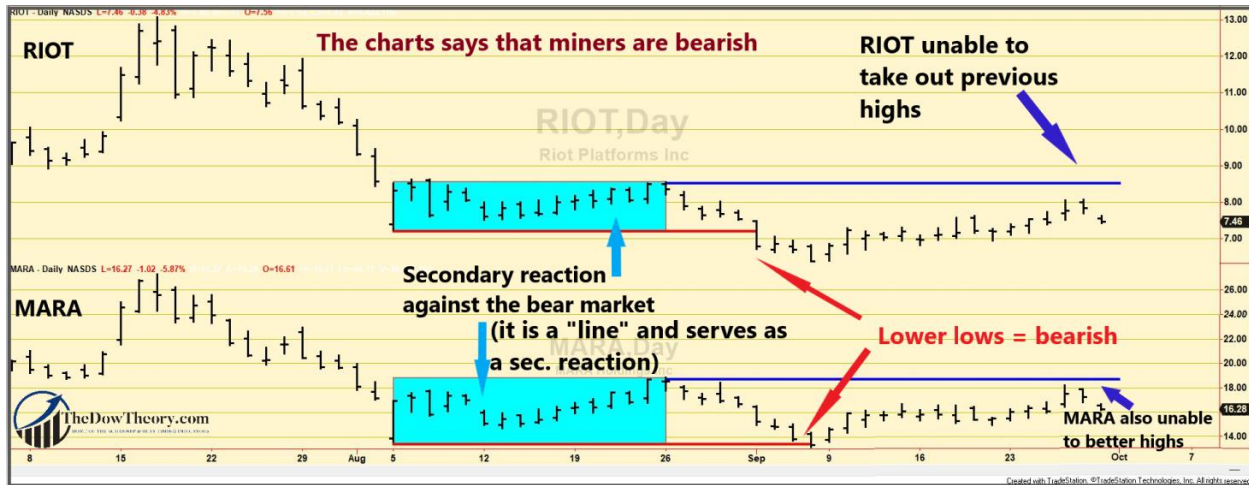
There is one bright spot, though: October historically offers a glimmer of hope for ETHE. Since 2015, the asset has shown an average performance of 8.54% this month. This trend suggests that the anticipated ETHE breakout might occur in October, a month that has also been favorable for BTC.

Fundamentally, **ETHE faces three significant headwinds**:

1. Network Revenue: ETHE's layer-1 network has experienced a staggering 99% revenue decline since March 2024, with layer-2 failing to compensate for this shortfall.
2. Valuation Skepticism: The current ETHE valuation of nearly \$300 billion is widely considered inflated, especially considering shrinking revenues.
3. ETF Reception: The lukewarm market response to the new ETHE ETF proves we must remain patient.

Finally, given that if I had considered only BTC without looking for ETHE's confirmation, I might have turned bullish on BTC. I examined other key players in the cryptocurrency ecosystem, looking for clues to determine whether ETHE's underperformance was an isolated case or indicative of a broader trend.

I looked at two leading miners, MARA and RIOT, to see whether they had surpassed their most recent highs on 8/26/24. Both have been unable to break up (charts below). And crypto exchange COIN has failed to take out its 8/23/24 highs.



These observations indicate that **ETHE's weakness is not an anomaly** but part of a more significant bearish trend currently dominating the cryptocurrency market. While BTC alone might present a more optimistic outlook, **the broader crypto landscape suggests caution is warranted.**

Conclusions:

- ETHE must break topside its 8/23/24 highs for the trend to shift from bearish to bullish.
- The fundamentals of ETHE are not stellar, hence its weakness, as observed in the chart.
- The crypto miners and crypto exchange COIN remain bearish.

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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