By Manuel Blay, Editor of TheDowTheory.com

The bear persists, but the setup for a *potential* new bull market is in place.

In the previous Crypto Report, I floated a provocative idea: Could the public's growing enthusiasm for Bitcoin and crypto be serving as a distraction—while more sophisticated investors quietly accumulated gold?

At the time, gold prices were steadily climbing, yet flows into gold ETFs remained low. That suggested retail investors weren't paying attention. Meanwhile, the bullish noise around Bitcoin was growing louder, even reaching the point where one U.S. politician proposed that America should sell all its gold reserves to buy Bitcoin.

Fast forward one month: gold surged. Bitcoin, on the other hand, went nowhere.

Now, I say this with respect to my astute readers, but history shows that the crowd is often wrong—especially at critical turning points. That's why I make a conscious effort to stay emotionally detached from popular narratives and rely instead on what the data and charts are actually telling us.

Even though this is a Crypto Report and not a gold update, the connection between Bitcoin and gold is too important to ignore. Both are seen as alternatives to fiat currency—a kind of financial lifeboat for savers looking to protect their wealth from inflation and monetary instability.

And yet, Bitcoin has vulnerabilities that gold simply doesn't. One of the most concerning was recently highlighted by Eric Budish, a Professor of Economics at the University of Chicago, in a new working paper titled "The Economic Limits of Bitcoin and the Blockchain."

Interestingly, I raised this very issue in the December 31st, 2024 Report—before I was even aware of Budish's research. His work not only reinforces the concern but adds a deeper and more urgent dimension to the conversation.

Budish warns of a structural weakness in Bitcoin: the risk of a so-called *"majority attack"*—also known as a 51% attack. This is far more serious than even high-profile crypto hacks like those carried out by North Korean operatives.

In a majority attack, a bad actor gains control of over half the network's computational power. With that kind of dominance, they could reverse transactions, block new ones, and undermine trust in the entire system. The result? Bitcoin's value could plummet—or even be destroyed altogether.

Crypto believers often dismiss this scenario, arguing that the cost of gaining majority control is so high that no one would attempt it. But Budish identifies a critical flaw in that logic.

For Bitcoin to be safe, he argues, the cost of taking over the network must rise in proportion to the cryptocurrency's market value. In his words: *"Securing against a $1 billion attack is 1,000 times more expensive than securing against a $1 million attack."*

That leads to a catch-22. If it's cheap to secure the network, Bitcoin is vulnerable. But if it's expensive enough to be secure, Bitcoin may become economically impractical due to soaring security costs.

In short, the stronger Bitcoin becomes in market terms, the more expensive—and arguably unsustainable—it becomes to keep it safe.

But theories are just theories. **What matters now is what the charts are telling us.**

The **trend was signaled as bearish on 2/25/25**, as explained in-depth in the March 1st Crypto Report.

The drop stopped on 3/10/25, which I expected based on liquidity patterns. A rally by both BTC and ETHE ensued until 3/24/25. Such a rally qualifies as a secondary (bullish) reaction against the still-existing primary bear market. Following the secondary reaction highs on 3/24/25, a new pullback occurred, completing the setup for a *potential* primary bull market. ETHE plunged so much that it violated its 3/10/25 lows unconfirmed by BTC.

Step		BTC		ETHE	
# 1	Market Lows	3/10/2025	**77,410.00**	3/10/2025	**1,810.10**
# 2	Volatility-adjusted bounce	3/24/2025	**88,782.70**	3/24/2025	**2,102.08**
		10 trading days	**14.69%**	10 trading days	**16.13%**
# 3	Volatlity-adjusted Pullback	3/31/2025	**81,649.22**	3/31/2025	**1,797.23**
	by ONE ETF*	5 days	-8.03%	5 days	-14.50%
# 4	Break-down or break up		N/A	3/31/2025	**1,797.23**
	by two ETFs			Breakdown	
	*Setup for a *potential* bull signal completed on 3/31/25				

The table on the left gives you all the relevant dates and prices.

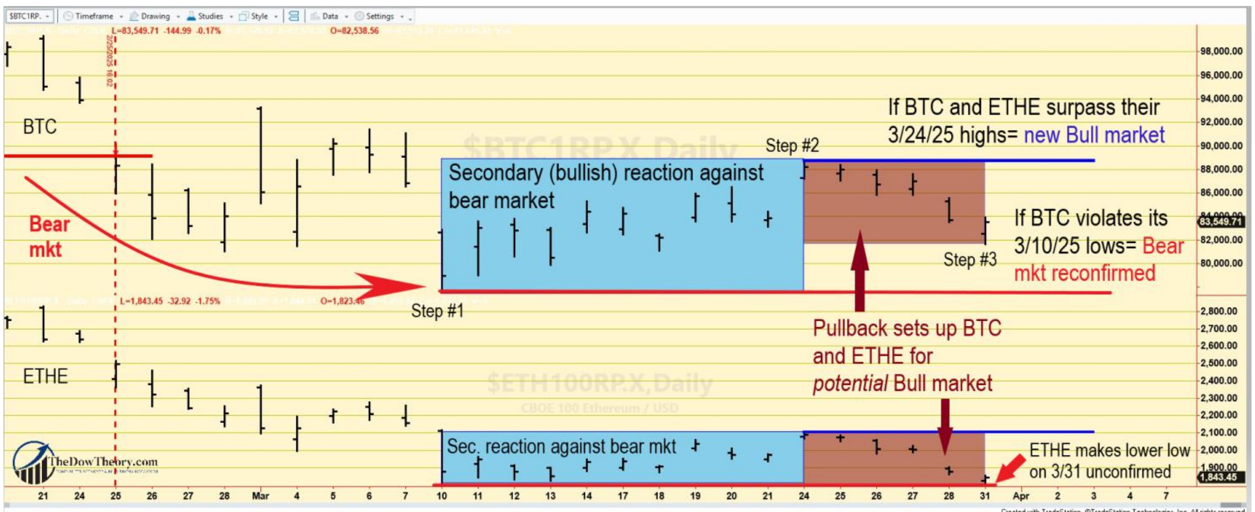
So, now the technical situation is as follows:

1. If BTC breaks below its 3/10/25 low (Step #1), it will confirm BTC's lower low and reconfirm the bear market. This will terminate the current secondary reaction and cancel the setup for a *potential* bull market.

2. **If BTC and ETHE jointly break up their 3/24/25 highs (Step #2) at 88,782.7 (BTC) and 2,102.08 (ETHE), a new bull market will be signaled.**

The charts below show you the most recent price action.

The blue rectangles highlight the secondary (bullish) reaction against the bear market. The brown rectangles display the pullback that set up BTC and ETHE for a *potential* bull market signal (Step #3). The blue horizontal lines indicate the secondary reaction highs (Step #2), whose confirmed breakups would signal a new bull market. The red horizontal lines mark the 3/10/25 bear market lows (Step #1). ETHE already violated its 3/10/25 lows, and if BTC confirms and pierces its red horizontal line, then the bear market would be reconfirmed.



The rest of the crypto world does not look bullish at all. The charts below show RIOT (Riot Platforms) and MARA (Mara Holdings). The message is unambiguous: This looks like a crypto winter.

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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