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## Crypto Report

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By Manuel Blay, Editor of TheDowTheory.com

### Bitcoin's Breakout: Bullish Fuel or Just Smoke?

Sometimes, the markets telegraph contradictory information. Some are bullish for Bitcoin, some bearish. In a nutshell: Tether Signals Go, But Ethereum Says No.

Let's start with the **bullish factors that could take Bitcoin higher**, at least to \$108K, the area of its last all-time highs.

The first **bullish factor** brought to my attention by Colin Talks Crypto (@ColinTCrypto) on X.com is Tether's dominance. By "dominance," we understand the percentage obtained by dividing Tether's market cap by the top 125 cryptocurrencies' total market cap and multiplying by 100. When Bitcoin gets too strong (high market cap) vs. Tether (the total number of tokens x its price), a likely top is in.

Colin inverted the Tether dominance chart to create the lower panel of the chart below (page 2). The top panel shows Bitcoin's price, while the bottom panel displays the **inverted, logarithmic chart of Tether dominance**.

Historically, **peaks** in the inverted Tether dominance chart (highlighted with blue arrows) have coincided with **Bitcoin's tops**, while **bottoms** have often marked **bullish turning points** for Bitcoin.

Currently, Tether's ratio has broken above a bearish trendline (the white line in the lower right corner), a **bullish signal**. I've marked this breakout with a green arrow for easier reference.

Additionally, Tether's ratio remains **well below the upper boundary** of its channel (blue line), suggesting that **Bitcoin is likely still far from a major top**.



The **second bullish factor**—closely tracked in past Reports and one that also helped us turn bearish at the right time—is Global M2 liquidity (GM2), which you can find [here](#). GM2 bottomed on January 6, 2025, and has been rising steadily since. While the exact lag between a GM2 upswing and Bitcoin’s next rally is debated (10 to 12 weeks, or around 107 days), history shows that increasing GM2 tends to lift Bitcoin sooner or later.

Bitcoin’s most recent low was on 4/7/25. The **difference between GM2’s bottom (1/6/25) and Bitcoin’s** amounts to 91 calendar days, or **13 weeks**. So, if we look at the correlation between GM2 and BTC, **Bitcoin’s 4/7/25 bottom has good odds of being followed by a sustained rally.**

So, now let’s look closely at Bitcoin’s chart:

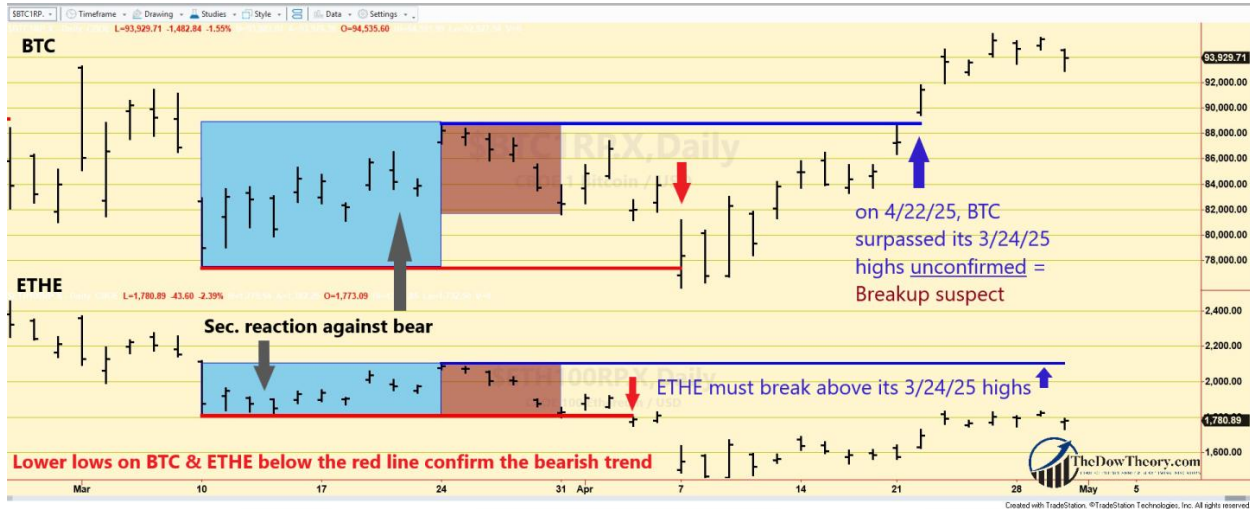
The **trend was signaled as bearish on 2/25/25**, as explained in-depth in the [March 1<sup>st</sup> Crypto Report](#).

The bearish trend was reaffirmed when ETHE pierced its 3/10/25 lows on 3/31/25, and BTC confirmed on 4/7/25 by making a lower low.

The drop stopped on 4/7/25 for BTC at 75753.88 and 4/8/25 at 1,453.51 for ETHE.

Following such lows, BTC rallied strongly and surpassed on 4/22/25 its 3/24/25 highs at **88,782.70, but ETHE did not confirm**. We know that the Dow Theory requires confirmation to issue a new signal. Lack of confirmation by ETHE is a yellow flag. [This post](#) shows how two past Bitcoin breakups, not confirmed by ETHE, were “fakeouts” and resulted in lower prices.

The charts below illustrate the latest price action. Blue rectangles mark the most recent secondary (bullish) reaction within the ongoing bear market. The blue horizontal lines indicate the highs of these reactions—levels whose confirmed breakout would signal the start of a new bullish trend. The brown rectangles highlight a previous pullback that completed the setup for a *potential* bull market signal.



So, now the technical situation is as follows:

**If ETHE breaks up its 3/24/25 highs at 2,102.08, thereby confirming Bitcoin, a new bull market will be signaled.**

ETHE isn't confirming Bitcoin's breakout, and after scanning several charts, I still don't see price action that screams "new bull market." If ETHE is weak, maybe BLOK—the ETF of blockchain-



exposed companies—could shine. But no luck there either. BLOK's message is clear: **aside from Bitcoin, the crypto space is still stuck in a bear market.** The chart on the left—virtually identical to countless other crypto-related charts—speaks

volumes.

**What to do now?**

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Based solely on price action, Bitcoin's breakout looks shaky. Ethereum and the rest of crypto are still weak, a clear headwind.

That said, as noted earlier, rising liquidity and a bullish Tether dominance chart hint that Bitcoin could rally hard at least near its 12/17/24 highs.

If you press me, I'll say this: I always prioritize price action and confirmation. Weakness across crypto is a bad sign for Bitcoin.

Still, I wouldn't blame anyone for taking a smaller-than-usual position in Bitcoin—ideally on a pullback—with a stop at the 4/16/25 lows (at ca. \$83,200), betting that Bitcoin's breakout, liquidity surge, and Tether trend deliver.

With my best investment wishes,



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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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