



By Manuel Blay, Editor of TheDowTheory.com

The End of Bitcoin Dominance: Bullish or Bearish for Bitcoin?

During the past few weeks, Ethereum and many altcoins have demonstrated notable strength, resulting in a decline in Bitcoin's dominance as a percentage of the total cryptocurrency market capitalization. This shift raises an important question: Is a decline in Bitcoin dominance bullish or bearish for Bitcoin itself?

Average Bitcoin Performance (Next 3 Months) by Ethereum Performance Deciles, when Bitcoin's past six-month performance exceeds 0% (created on 7/21/2025)

Ethereum Performance Decile (previous 6 mos.)	Average Bitcoin Performance (Next 3 Months)
Decile 1 (Worst 10%)	0.00%
Decile 2	2.00%
Decile 3	4.00%
Decile 4	6.00%
Decile 5	8.00%
Decile 6	10.00%
Decile 7	12.00%
Decile 8	15.00%
Decile 9	18.00%
Decile 10 (Best 10%)	20.00%

I argue that **it is bullish**. While Ethereum may outperform Bitcoin in percentage terms during such phases, Ethereum's strength is a positive factor for Bitcoin itself.

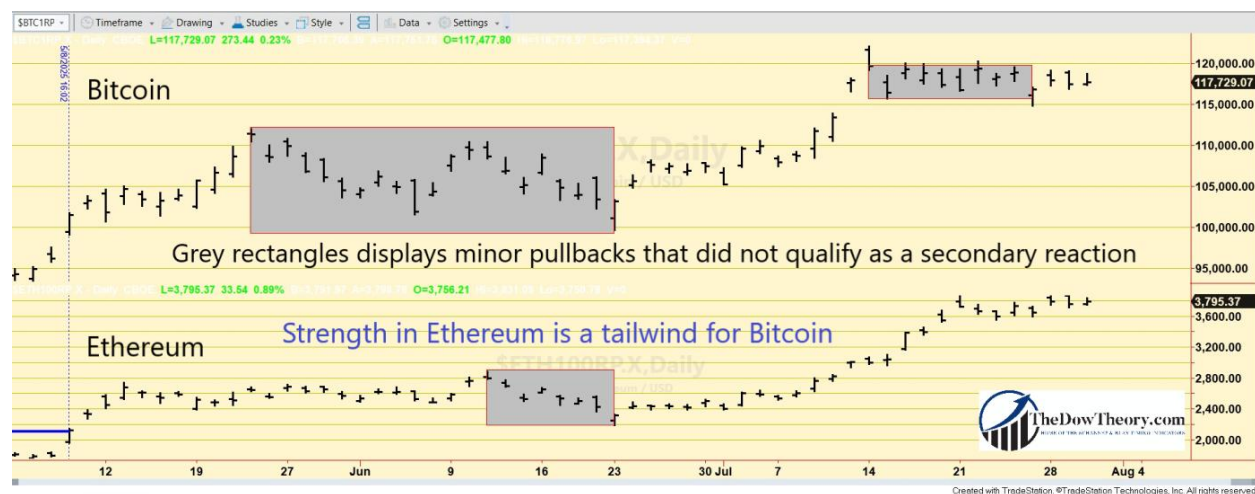
To support this view, I conducted, with the help of AI (Grok), a study analyzing Ethereum's six-month performance and Bitcoin's subsequent three-month returns. The findings are eye-opening: when Ethereum has been weak, Bitcoin's performance over the following three months has been relatively muted. Conversely, when Ethereum has been strong, Bitcoin's forward returns have also tended to be much more robust.

The left table illustrates this relationship by dividing historical six-month Ethereum returns into deciles and analyzing Bitcoin's average three-month forward return in each case, conditional on Bitcoin already being in an uptrend (i.e., having posted a positive six-month return, as it is now).

A clear pattern emerges: the stronger Ethereum has been in the prior six months, the better Bitcoin performs in the following three. Currently, Ethereum's six-month return places it in the fifth decile, which historically corresponds to an average three-month forward return of approximately 8% for Bitcoin.

The key takeaway is that we have nothing to fear from the strength of Ethereum and other altcoins. On the contrary, it provides support for Bitcoin. This aligns with the **Dow Theory principle that confirmation is essential**. As I have shown in [this vital post](#) (and links contained therein), the **principle of confirmation applies across all markets**. It is challenging to envision a significant and lasting advance in one cryptocurrency without some confirmation from others.

Furthermore, the charts of Bitcoin and Ethereum are unambiguously bullish, as shown below.



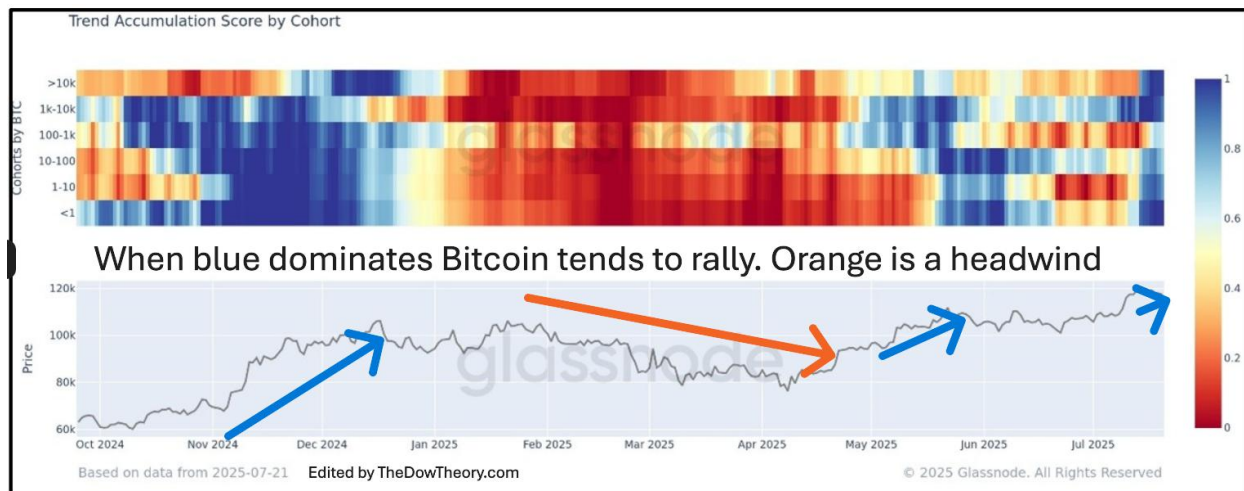
In the [July 1st Crypto Report](#), I stated that achieving the next price target of around \$138,500 was contingent upon the breakout of the neckline. As of this writing, Bitcoin and Ethereum have surpassed all previous highs, clearing the way for the attainment of the price objective. I suspect it will not go in a straight line, and some backing and filling will be necessary. The essential technical aspect is that resistance has been successfully broken.

Global M2 liquidity (GM2), which tracks the monetary base across the world's major economies, continues to expand significantly. This strong growth provides solid support for Bitcoin and, to a lesser extent, for stocks. For a more detailed explanation of why Global M2 matters, see this recent article from [TradingView](#). Read more about liquidity and Bitcoin in our August 1st Letter.

The chart below, courtesy of [@CloinTCrypto](#), clearly shows that Bitcoin still has substantial upside if it is to catch up with the expanding GM2.

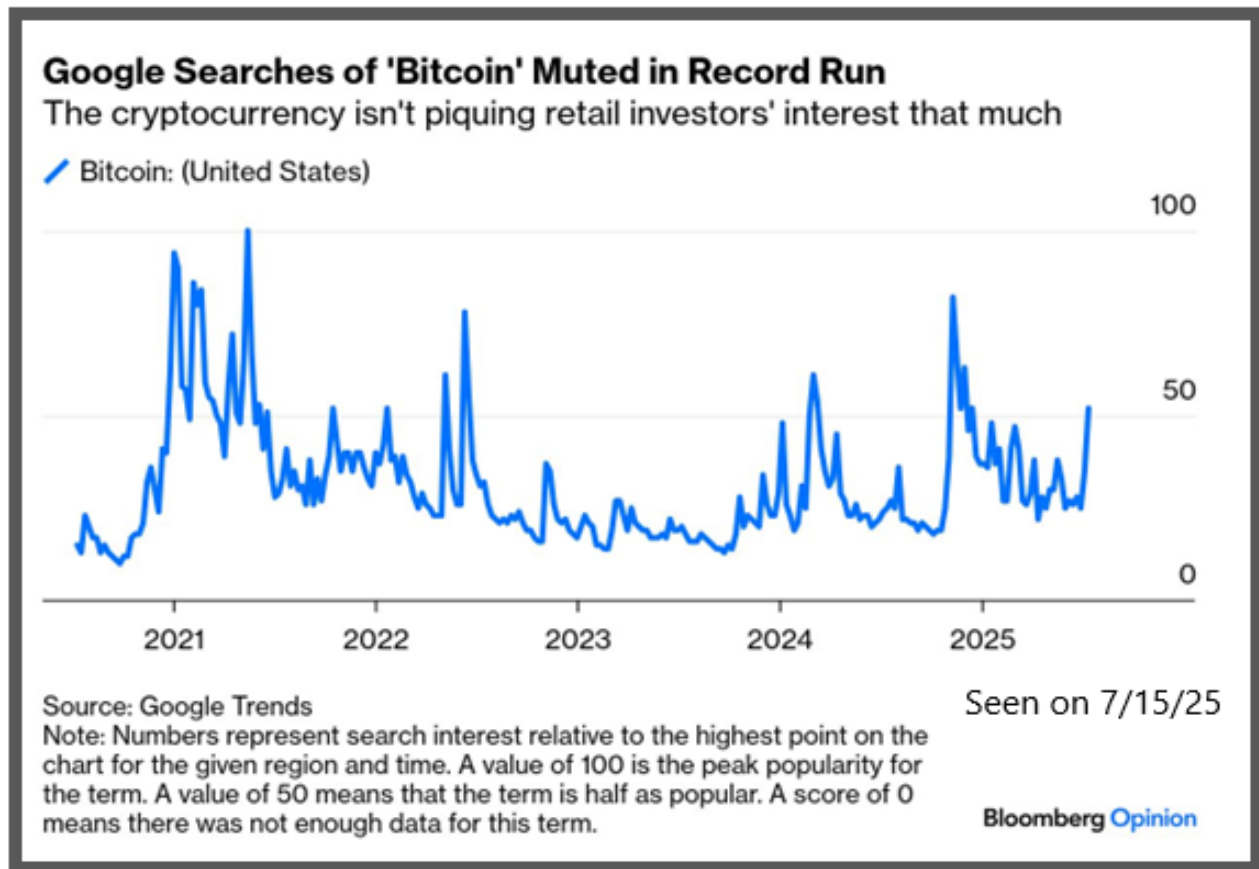


And the icing on the cake is this chart from [Glassnode](#) tracking wallet behavior, which shows clear signs of accumulation, represented by the blue areas. Historically, when blue dominates the upper half of the chart, Bitcoin (shown in the lower half) has moved sharply higher.



The good news is that **sentiment** toward Bitcoin remains far from euphoric, suggesting we are likely not at a top and that further upside is still on the table. The chart below, shared by John Authers and Richard Abbey (Bloomberg, 7/15/25), shows that the current rally has yet to capture broad public attention.

August 1st, 2025



So that's all for this 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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