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By Manuel Blay, Editor of TheDowTheory.com

## Two crosscurrents for Bitcoin: Ethereum bullish & (Micro)Strategy bearish. Which one will prevail?

In the [August 1<sup>st</sup> Crypto Report](#), I showed that a bullish Ethereum was also bullish for Bitcoin. In August, **ETHE has remained stronger than Bitcoin, which is a positive development.**

However, **Strategy** (formerly MicroStrategy) with the ticker **MSTR**, **has been weaker than Bitcoin** since 5/5/25. This weakness manifested itself again when Bitcoin made a higher high in August that was not confirmed by MSTR.


Look at the chart below. It contains two very important pieces of information. The top chart displays Strategy (MSTR) and the bottom one Bitcoin.



We observe that on 8/13/25, BTC made a higher high (blue arrow) that was not confirmed by MSTR.

And **lack of confirmation is always a yellow flag**, as I have explained in [this vital post](#) (and links contained therein).

I researched what happens when, in any given month, Bitcoin makes a three-month high unconfirmed by MSTR. I measured the performance of Bitcoin and MSTR from the end of each month over the next 1, 3, and 6 months. The study starts in January 2020. The results are eye-opening, as the Table below shows:

<b>Confirmation matters</b> 								
Higher highs by BTC, unconfirmed by MSTR, result in much poorer performance for both over the next 3 & 6 months								
BTC 3M High	# Occ	Asset	1-Month /Pct Win		3-Month/Pct Win		6-Month/Pct win	
Confirmed	15	BTC	4.07%	40%	15.84%	64.28%	20.31%	69.23%
		MSTR	9.36%	46.66%	30.07%	57.14%	53.07%	69.23%
Unconfirmed	7	BTC	5.78%	71.42%	-6.38%	57.14%	2.65%	57.14%
		MSTR	6.74%	85.71%	-7.87%	42.85%	22.10%	57.14%

When Bitcoin hit a three-month high **and MicroStrategy (MSTR) confirmed**, there were 15 such cases, and the next 1-, 3-, and 6-month returns were consistently strong.

When MSTR failed to confirm, as it did in August, there were seven such instances. The picture looked very different:

- **1 month later:** The results were mixed.
- **3 months later:** Bitcoin averaged **-6.38%**, and MSTR **-7.97%**. So, a dismal performance. The only good news is that we deal with averages, and still, Bitcoin was up in about **57% of cases**, though gains were modest.
- **6 months later:** Returns turned positive but remained far below the confirmed-signal scenario: Bitcoin gained only **2.65%**, compared with **20.31%** when MSTR confirmed.

In short, confirmation from MSTR has historically been accompanied by much stronger follow-through, while **non-confirmation has often preceded weakness**.

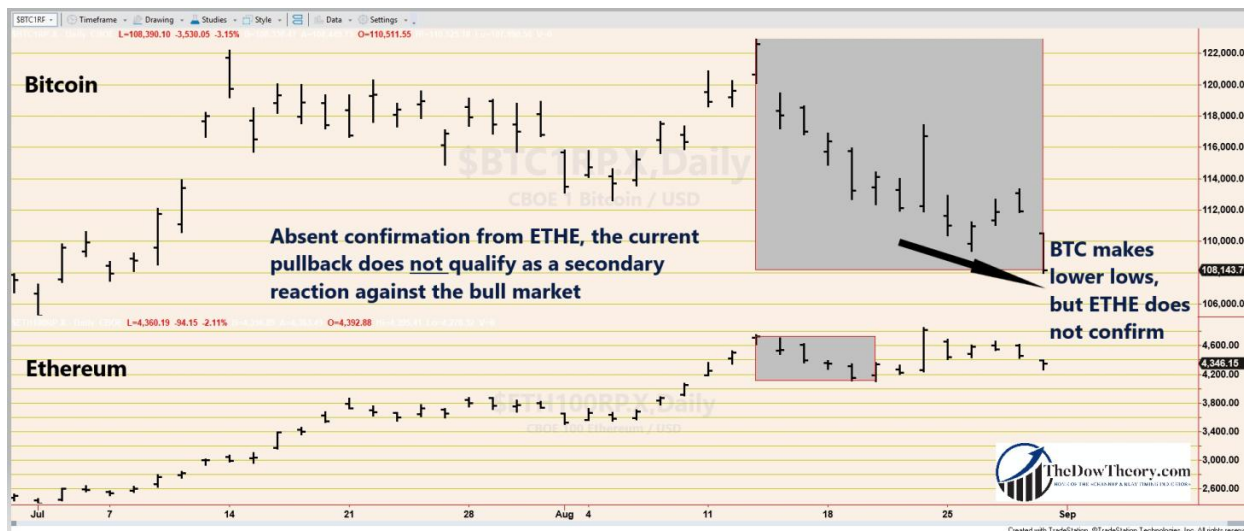
Furthermore, if you look again at the above chart, you'll notice a red and a blue line. The red line is the MSTR/BTC ratio, and the blue line is the 200-day moving average of the ratio. When MSTR is stronger than BTC, the ratio trends up, and when it becomes weaker, it trends down.

On May 5, 2025, the ratio (red line) peaked and has been falling steadily ever since. It has dropped below its 200-day moving average, and even the moving average itself has turned down. I will not bother you with more number crunching, but **this persistent decline in the ratio has clearly muted Bitcoin's performance in the past**; not necessarily negative, but subpar performance.

**A falling ratio can give us advance warning of a brewing storm.** If the ratio continues to decline, it could jeopardize MicroStrategy's ability to issue or service its debt, potentially forcing the company to liquidate some of its Bitcoin holdings. **We are far from such a situation yet**, but we must stay alert. When MicroStrategy underperforms Bitcoin, it's rarely just a stock-specific issue; rather, it often signals strain in the company's capacity to fund further Bitcoin accumulation. Given that MSTR has been one of the largest corporate buyers of Bitcoin, this kind of structural weakness could remove a significant source of demand and introduce greater instability to Bitcoin's price.

So, this was the bad news. **Let's look at the good news.**

The charts below display Bitcoin (top) and Ethereum (bottom). Despite all the gloom and doom on social media, when I observe the two charts from a Dow Theory perspective, I don't see the end of the world. Bitcoin has dropped for 12 days, and Ethereum for **only 5 days**, as highlighted by the grey rectangles. Such a muted drop in terms of confirmed days **does not meet the time requirement** for a secondary reaction.



Furthermore, on 8/29/25, Bitcoin made another lower low, while Ethereum failed to confirm again. This repeated lack of confirmation casts doubt on Bitcoin's ability to continue falling.

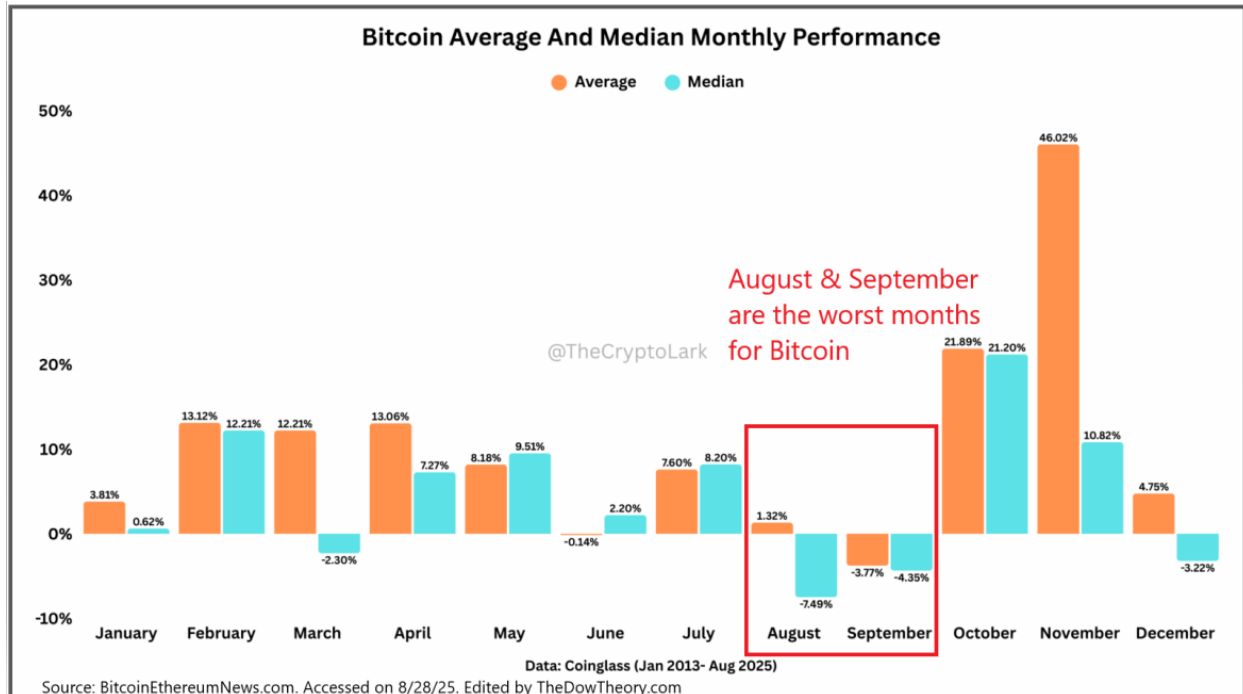
For a secondary reaction to exist, Ethereum would need to make a lower low. However, such a reaction would not signal a bear market; it would merely represent a correction within the ongoing bull market.

To sum up:

- 1) Technically, **it is still a bull market; we are not even in a secondary reaction.**
- 2) **Strength in Ethereum is a clear positive for Bitcoin** over the following months (more details in [this Report](#)).
- 3) **However, MSTR's weakness is a headwind against Bitcoin**, at least for the next three months.
- 4) **A headwind is not necessarily a bear market.** Just a hiatus within the bull market.

I don't have a crystal ball and cannot predict which force will prevail: the bullish one of Ethereum or the bearish one of MSTR. Therefore, with conflicting signals, it's quite possible that Bitcoin will not make much progress in the next few months, even if the overall bullish trend remains intact.

Seasonality is presently against Bitcoin. Historically, as shown in the table below, August and September are the two worst months of the year for Bitcoin.



So that's all for this month.

With my best investment wishes,

*Manuel Blay*

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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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