

TheDowTheory.com

Crypto Report

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By Manuel Blay, Editor of TheDowTheory.com

Navigating Bitcoin's Crosscurrents: The Red Line That Matters.

The charts convey a powerful message.

Let's begin with the first two charts: the top one shows Bitcoin (BTC), the bottom one Ethereum (ETHE). On 8/13/25, BTC recorded its last bull market high. ETHE managed to edge higher, and on 8/22/25 it made a new high—one that BTC did not confirm.

On 8/29/25, after a 12-day decline, BTC posted a low that ETHE failed to match. Later, on 9/25/25, ETHE dropped to a lower low, extending its decline to 23 days, yet BTC once again refused to confirm by making a lower low of its own. Another non-confirmation.

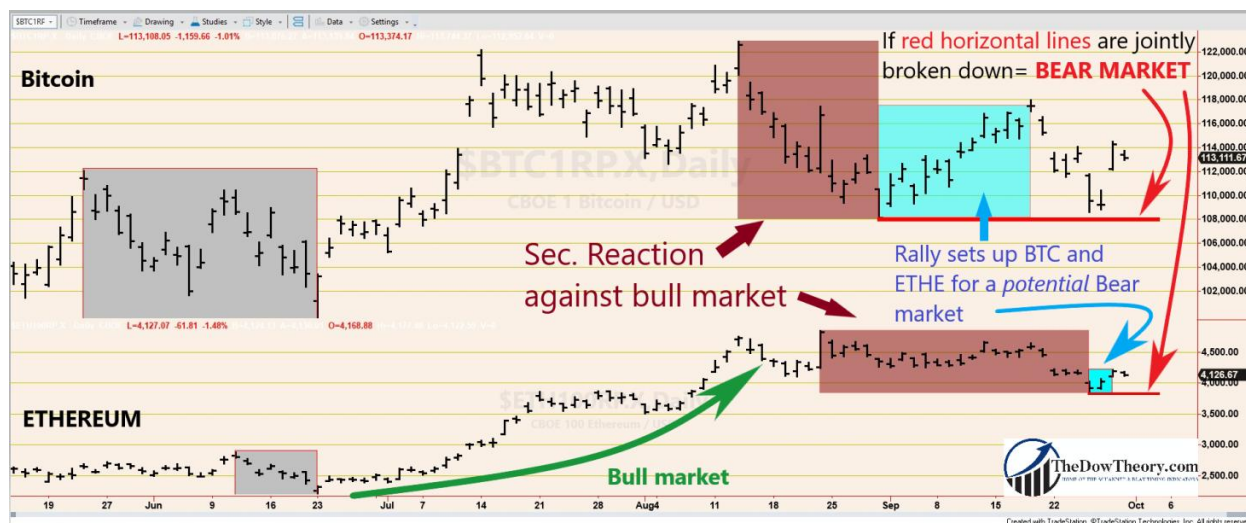
At present, the trend is tied: A higher high remains unconfirmed, as do lower lows. This tug of war between bullish and bearish forces leaves both cryptocurrencies without a clear direction. Under Dow Theory, however, the benefit of the doubt always goes to the existing primary trend—which, for now, remains bullish.

From a Dow Theory perspective, the **conditions for a secondary reaction are satisfied**. BTC's 12-day decline and ETHE's 23-day decline both meet the time requirement, and the extent requirement has also been fulfilled. Therefore, the primary trend is bullish and the secondary trend is bearish (secondary reaction).

Following its 8/29/25 low, BTC rallied for 13 days, peaking on 9/18/25. After ETHE's 9/25/25 low, it rebounded for 2 days, topping out on 9/29/25. These rallies complete the setup for a *potential* bear market signal.

The **key levels to watch are marked by the red lines on the chart**, based on my TradeStation® data feed: 107,990.5 for BTC (8/29/25) and 3,825.36 for ETHE (9/25/25). If both levels were broken to the downside simultaneously, the trend would shift decisively to bearish.

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The following chart also screams danger from a different technical perspective. A beautiful upward-sloping trendline, starting at the 4/7/25 lows and connecting the 6/23/25 and 8/5/25 lows, has been decisively broken on 8/15/25. Such a breakdown and the subsequent pullback are not particularly worrisome. **What happens after the end of the pullback is what matters.** Once the lows of the pullback are made, **the next rally should never fizzle out and revisit the pullback lows.** In our case, the drop following the trendline's breakdown stopped on 8/29/25 at 107,990.5 (highlighted by the red line). So, once again, from a different technical perspective, **107,990.5 is the line in the sand for Bitcoin.** If it's violated and Ethereum confirms, I will turn bearish.



October brings favorable seasonality to Bitcoin. With a win rate of 90% and an average return of 22%, this historical pattern may help Bitcoin avoid crossing the red line. Time will tell.

However, what I don't like is the MSTR (Strategy) / Bitcoin ratio that continues to implode, indicating that MSTR is seriously underperforming Bitcoin, which, at the same time, is bearish for

Bitcoin. As I explained in the [September 1st Report](#), historically, a dropping ratio has been a headwind for Bitcoin.

At the risk of repetition, I would like to revisit the research I shared last month, as it remains essential for **understanding Bitcoin's likely path through October and November**. The historical pattern is clear: when Bitcoin records a three-month high that is not confirmed by MicroStrategy (MSTR), as happened on 8/13/25, its average three-month return is a negative 6.38 percent.

The first piece of good news is that much of this expected weakness may already be behind us. From the 8/13/25 high to the 8/29/25 low, Bitcoin has already fallen 11.9 percent. This means that even if Bitcoin rallies modestly in October, it could still enter November, the third month after the unconfirmed high, with a net negative performance. For example, even a rebound to 115,074 would leave prices 6.38 percent below the 8/13/25 peak of 122,581.76.

The second piece of good news is that history is not uniformly bearish. Despite the negative average outcome, Bitcoin has still finished higher after three months in 57.14 percent of past cases. In other words, while the averages lean toward weakness, there is a meaningful chance that Bitcoin could defy them and end this three-month window in positive territory.

Confirmation matters



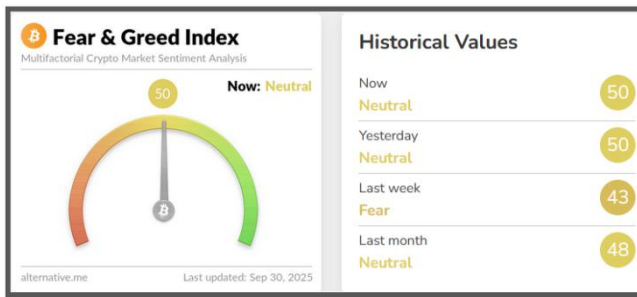
Higher highs by BTC, unconfirmed by MSTR, result in much poorer performance for both over the next 3 & 6 months

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%

Strategy's rejection from S&P 500 inclusion is a setback for corporate crypto treasuries and a headwind against Bitcoin, which I believe has already been absorbed by price action. Earlier this month, the index committee declined to add Strategy (MSTR), despite it meeting the standard requirements of market cap, liquidity, and profitability.

The decision suggests the committee is wary of admitting companies that function mainly as Bitcoin holding vehicles. This is a blow not only to Michael Saylor and Strategy, but also to other firms that have recently adopted similar treasury strategies, like miner MARA.

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The most recent reading of the Bitcoin Fear & Greed Index is 50, indicating a neutral sentiment. A week ago, it denoted mild fear. So, from the side of sentiment, we don't derive either a bullish or bearish implication. **Another sign of Bitcoin being caught in crosscurrents, unable to decide which way to go.**

To sum up:

- 1) Technically, **it is still a bull market amid crosscurrents of indecision.**
- 2) **However, if Bitcoin and Ethereum jointly pierce their respective 107,990.5 (8/29/25) and 3,825.36 (9/25/25) lows, the trend will shift to bearish. I will not argue against the verdict of price action.**
- 3) MSTR's increasing weakness is a headwind against Bitcoin.
- 4) **Good seasonality for October** may help save the party and avoid the bear market signal.

So that's all for this month.

With my best investment wishes,

Manuel Blay

DISCLAIMER

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