

TheDowTheory.com

Crypto Report

November 1st, 2025



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An Ominous Non-Confirmation and The Red Line was broken.

In the [October 1st Report](#), I warned that two red lines could not be violated or else... a bearish trend would be signaled. All the technical warnings I gave have been fulfilled.

We got a huge yellow flag on 10/3 and 10/6/25 when Bitcoin made a new all-time high by surpassing its 8/13/25 high (green horizontal line), while Ethereum refused to confirm. As you may already know, a lack of confirmation is not a red flag; it's a yellow flag. Ethereum non-confirmation told us the **Bitcoin breakup was suspect**, but it wasn't a bear-market signal—just a **warning**.

The **bear signal** was triggered when **Bitcoin and Ethereum both violated their respective red lines** (see chart below), representing \$107,990.5 for BTC (8/29/25) and \$3,825.36 for ETHE (9/25/25) lows.



We know what happened afterward: both Bitcoin and Ethereum turned south and breached their red lines. The bullish trend was “killed”.

You may read [this post](#), which shows the vital importance of the principle of confirmation.

So, what comes next?

After the 10/17/25 lows, there was a reflexive rally that did not qualify as a secondary reaction, as it lasted only 7 days on Bitcoin and 6 days on Ethereum until the 10/28/25 intraday highs (BTC) and 10/27/25 (Ethereum), followed by a sharp decline. Please note that, since cryptos trade 24 hours a day, I focus on the absolute highs and lows of each bar.

So, I consider both **the primary and secondary trends as bearish** now.

I also monitor the Bitcoin (represented by IBIT in the chart below) to gold (GLD) ratio. When gold is stronger than Bitcoin (ratio heading south), Bitcoin typically struggles. The chart shows that the ratio (red line) is well below its 200-day moving average (blue line), indicating that gold will likely continue to outperform Bitcoin.



When would I consider the trend for Bitcoin and Ethereum to have shifted to bullish?

According to strict Dow Theory, it occurs when Bitcoin surpasses its 10/6/25 highs and Ethereum confirms it by exceeding its last 8/22/25 bull market highs. However, future prices will likely offer an entry point at a significantly lower level. Which one? We cannot know yet. Also, I can be more accommodating if the Bitcoin-to-gold ratio strengthens. Price action will lend us a hand.

In earlier reports, I voiced concern about Michael Saylor’s MicroStrategy (“Strategy”), whose balance sheet is deeply tied to Bitcoin. **The company’s market net asset value (mNAV)—market cap divided by Bitcoin holdings—has dropped from 1.5 in August to 1.05 and may soon slip below 1.** When mNAV exceeds 2, issuing stock to buy more Bitcoin is beneficial; below 1, it becomes dilutive. **If that threshold is crossed, Saylor could come under pressure to sell**

Bitcoin to repurchase shares, reversing his long-standing accumulation strategy. With \$600 million in annual preferred dividends and an unprofitable software business, liquidity stress could make such a move necessary, weighing on Bitcoin prices.

By the way, the MSTR (Strategy) to Bitcoin ratio keeps declining, which, in itself, is a headwind for Bitcoin, as I explained in the [September 1st Report](#).

Sentiment, as shown in the chart below, is bearish but not extremely so, unlike the kind of fear seen at market bottoms. While I don't have a crystal ball, it suggests that Bitcoin could drop further to scare investors into a final bottom, then consolidate and eventually rise. One of the tenets of the Dow Theory is that we give the benefit of the doubt to the current trend, and it is bearish now.



Seasonality for November is beneficial for both Bitcoin and Ethereum (median returns >10%). However, while I keep an eye on seasonals, **trend trumps all other considerations**.

Finally, put options activity in Bitcoin suggests that investors are again paying more for protection, which, in this context, I interpret as bearish.

To sum up:

- 1) Technically, the trend shifted to bearish when Bitcoin and Ethereum jointly pierced **their respective** 107,990.5 (8/29/25) and 3,825.36 (9/25/25) lows.

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- 2) Gold's outperformance vs. Bitcoin is another headwind. For Bitcoin to shine and become digital gold, it must become stronger than the old relic.
- 3) I continue keeping an eye on Strategy. I don't see likely forced liquidations—at least yet—but it is worth monitoring.

So that's all for this month.

With my best investment wishes,



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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