

January 1st 2026



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Biding Our Time and Two Blue Lines in the Sand

In the [October 1st Report](#), I cautioned that breaching two key red lines would trigger a bearish trend. The market did just that, and the trend shifted to bearish.

Now, things could change. We have two blue lines in the sand, and **if Bitcoin and Ethereum jointly surpass them, it would signal a new bullish trend.**

After the 11/21/25 bear market lows (Step #1 in the table below), both Bitcoin and Ethereum rallied until 12/9/25 and 12/10/25, respectively (Step #2). Following the bounce highs, both cryptos dropped until 12/18/25. Such a pullback exceeded the Volatility-Adjusted Minimum Movement (VAMM) on Ethereum, completing the setup for a *potential* bullish signal (more about the VAMM [HERE](#)).

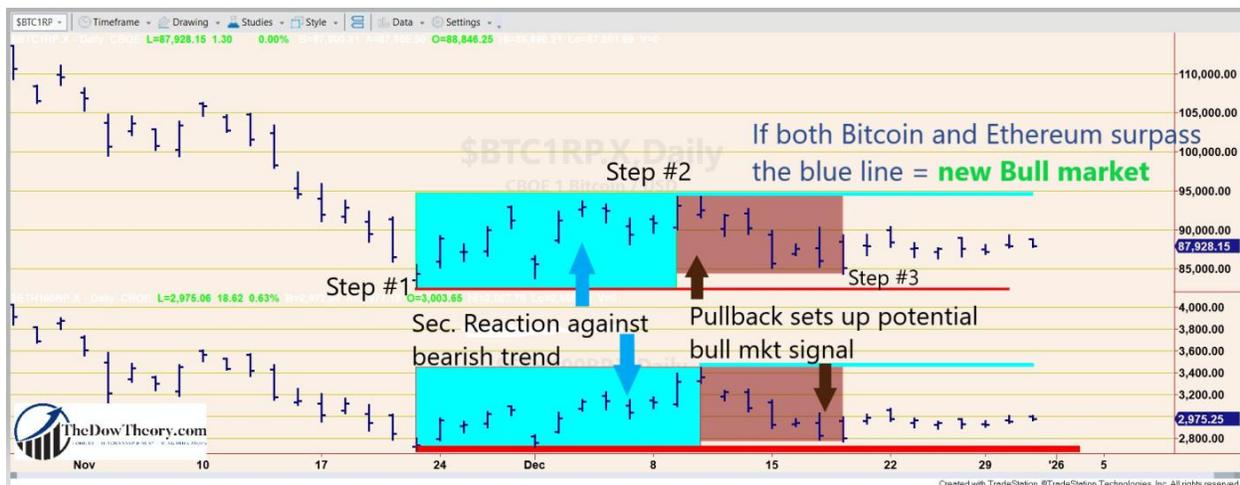
Step		BTC		ETHE	
# 1	Market Lows	11/21/2025	82,241.69	11/21/2025	2,672.60
# 2	Volatility-adjusted bounce(*)	12/9/2025	94,645.53	12/10/2025	3,447.74
		11 trading days	15.08%	12 trading days	29.00%
# 3	Volatility-adjusted Pullback	12/18/2025	84,377.86	12/18/2025	2,775.06
	by <u>ONE</u> ETF		-10.84%		-19.51%
# 4	Break-down or break up		N/A		N/A
	by two ETFs				
	*Sec. Reaction completed on 12/09/25				
	Volatility-adjusted min movement		11.87%		19.31%

Please remember that we don't require confirmation for the final pullback/rally that completes a bull (or bear) signal setup. More information is in [this post](#).

If Bitcoin and Ethereum jointly break above their secondary reaction highs (Step #2), the trend could shift from bearish to bullish. The key levels to watch, **the two blue lines in the sand, are \$94,645.53 for Bitcoin and \$3,447.74 for Ethereum.**

[This 1' video gives](#) you the details and an explanation of the charts.

The charts below show the most recent price action. The blue rectangles highlight the secondary (bullish) reaction against the still-existing primary bearish trend. The brown rectangles mark the pullback that completed the setup for a potential primary bull-market signal. The horizontal red lines mark the most recent bear market lows (Step #1), and the blue line highlights the bounce highs (Step #2), whose confirmed breakout would signal a change from bearish to bullish. A breakdown of the red lines would reaffirm the bearish trend and cancel the setup for the potential bull market.



Until the blue lines are broken out, the primary trend remains bearish while the secondary trend is bullish.

More on the Current Technical Picture

The Bitcoin-to-Gold ratio remains in favor of gold. Gold remains the stronger asset, and the decline in the ratio reflects ongoing relative weakness, hardly an encouraging backdrop for Bitcoin. For a meaningful resurgence to take hold, Bitcoin must regain strength versus gold. At a minimum, the ratio needs to clear the **0.1362 ratio level**, highlighted by the green line in the chart below, to suggest that Bitcoin is coming back to life.



The Ethereum-to-Bitcoin ratio suggests that Ethereum is modestly gaining strength against Bitcoin. If Ethereum surpasses the green horizontal line shown in the chart below, which highlights the **0.4837 ratio level**, it would clearly show Ethereum's strength and be bullish for Bitcoin, as I noted in the [August 1st Report](#).



Sentiment remains depressed, which is actually constructive. Prolonged pessimism tends to flush out weak hands and sets the stage for a more powerful advance once conditions turn. When Bitcoin eventually enters a new bull market, many traders are likely to be caught off guard. That said, we are not there yet. A bit more time may be needed for this process to play out fully.

I suspect Bitcoin will not be entirely out of the woods until 1/15/26, when MSCI, the world's second-largest index provider, rules on how firms whose core activity is holding crypto assets should be classified. The decision comes down to whether they are treated as operating companies or as funds. A fund classification would remove them from passive equity indices, potentially forcing institutional investors and pension funds to unwind positions. As long as this question

January 1st, 2026

remains unresolved, I remain cautious on both Bitcoin and Ethereum. However, let's respect price action, as price leads news.

To sum up:

1. The primary trend for Bitcoin and Ethereum remains bearish. The secondary trend is bullish (secondary reaction)
2. If Bitcoin surpasses \$94,645.53 and Ethereum \$3,447.74, the trend will shift to bullish.
3. When/if the trend turns bullish, the deeply bearish sentiment may result in a powerful rally.
4. A real rebirth for Bitcoin will not come until it regains strength relative to gold.
5. If Ethereum continues strengthening against Bitcoin, that would be bullish.

That is 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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