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## Crypto Report

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By Manuel Blay, Editor of TheDowTheory.com

**The conditions for a new bull market are beginning to fall into place. But don't jump the gun: it's still a bear market.**

If you have been following this Crypto report, you will have been spared a lot of suffering (and losses). We became bearish in October, when many pundits said new all-time highs were a sure thing before year-end. Instead of all-time highs, we had a devastating bear market, and Bitcoin dropped 50% from top to bottom.

So, the million-dollar question is: Is the bear market over?

The answer is that two of the conditions that typically signal the end of a bear market are now in place. That is encouraging.

However, the third condition, the decisive one, has not yet been met. What is the third condition? You guessed it: price action.

Therefore, no new bull market. At least not yet.

The first condition for a bottom to be formed is **sentiment**. Sentiment has sunk to such depressed levels that we may now be approaching a true bottom. In the [November](#) and [December 1st Crypto Report](#), I did not bite the bait and warned that the low sentiment readings at that time **were not sufficient** to signal the end of Bitcoin's bearish phase. Historically, extreme pessimism has often been followed by an even deeper sentiment low, with that second washout marking the final bottom.

This is precisely what has now occurred.

As shown in the chart below, sentiment has made a lower low. This is often indicative of capitulation, when investors finally throw in the towel and abandon hope. Unlike the situation in early November, when I correctly argued that sentiment alone was not enough to mark a bottom,

current readings are now consistent with the type of exhaustion that has historically accompanied major turning points.



In short, from a sentiment perspective, the backdrop has become constructive. But not enough by itself to call the end of the bear market.

**Technical Conditions Are Also Improving**

Famed investor and trader Alessio Rastani shared with me two charts that reinforce the possibility that Bitcoin is nearing a meaningful bottom.



His most recent Bitcoin video is a must-see. You can watch it [HERE](#).

First, as shown in the left chart, the RSI has reached levels that in the past have coincided with major lows in Bitcoin.

Second, the quarterly chart below shows that the 21 and 34 exponential moving averages have acted as strong structural support for roughly a decade. Bitcoin is now once again testing that zone.



Taken together, these technical conditions align with the sentiment backdrop in suggesting that a bottoming process may be underway.

So, given that both sentiment and technicals suggest that a bottom may be in place, should we declare the end of the bear market?

**No.**

From a Dow Theory perspective, which has been invaluable since I began this Crypto Report, a bull market would only be signaled if both Bitcoin and Ethereum move above the highs of the last completed secondary reaction. The key levels to watch, the two blue lines in the sand, are the 12/9/25 high at 94,645.53 for Bitcoin and the 12/10/25 high at 3,447.74 for Ethereum.

You may object that waiting for such breakouts implies entering at much higher levels.

That concern is valid.

The good news is that we will likely get another opportunity to enter at a much lower price. Now, follow me.

Since 2/2/26 for Ethereum and 2/5/26 for Bitcoin, **price action formed a Dow Theory line**, meaning a confirmed trading range.

When such a line is pierced on a confirmed basis, it signals a shift in the secondary trend. In other words, the breakout of a line is not sufficient to declare that a new bull market has begun, but it is sufficient to indicate that the secondary trend has turned bullish.

From that moment onward, if a pullback develops and Bitcoin and Ethereum subsequently jointly surpass the line highs, I will consider that the overall trend has transitioned from bearish to bullish.

For readers who wish to deepen their understanding of lines and how to use them profitably, I recommend [this post](#).

The chart below shows the blue lines marking the highs of the last completed secondary reaction, our “last resort” way signal for a new bull market. The orange ellipses highlight the current line. A confirmed breakout above the line highs, indicated by the green lines, followed by a pullback and renewed strength, would mark a bullish shift at significantly lower levels.



To sum up:

1. The **bearish trend** that was signaled in October 2025 **remains intact**.
2. That said, **sentiment has formed a double bottom**, and **technical indicators point to an extremely oversold condition near support levels** that in the past have coincided with major lows.
3. Still, **price action remains the final arbiter of truth**, and it must turn decisively positive through a sustained rally.
4. A confirmed move above **\$94,645.53 for Bitcoin and \$3,447.74 for Ethereum** would signal a shift to a bullish trend.
5. However, as price action continues to evolve, it is **likely that the levels which ultimately confirm a bullish shift will emerge at meaningfully lower prices**. I will keep you posted.

That is 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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