By Manuel Blay, Editor of TheDowTheory.com

A Bull Market on Probation: The Breakout That Would Change Everything

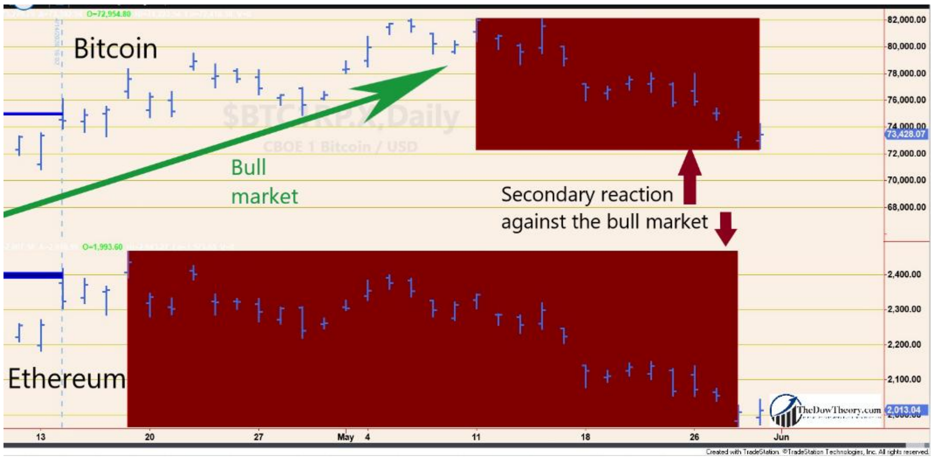
On 4/14/26, the trend for Bitcoin shifted to bullish. However, subsequent price action has been unimpressive, and both Bitcoin and Ethereum are currently undergoing a secondary bearish reaction within the primary bull market.

The recent bear market inflicted significant technical damage, and repairing that damage takes time. Investors who purchased at prices above current levels represent a source of potential selling pressure, creating a headwind that may slow the market's advance.

The table below shows the details of the most recent price action, starting from the last recorded bull market highs down to the current lows of the ongoing secondary reaction.

Step		**BTC**		**ETH**	
# **1**	Market Highs	5/11/2026	**82,128.94**	4/17/2026	**2,466.34**
# **2**	Volatility-adjusted pullback*	5/29/2026	**72,410.38**	5/28/2026	**1,964.49**
		12 trading days	**-11.83%**	25 trading days	**-20.34%**
# **3**	Volatlity-adjusted Bounce by ONE ETF		**N/A**		**N/A**
# **4**	Break-down or break up by both BTC &Ethereum		N/A		N/A
	*Sec. Reac. Signaled on 5/27/26				
	Volatility-adjusted min movement		**9.24%**		**12.55%**

The charts below display the most recent reaction against the primary bullish trend, highlighted by the brownish-red rectangles.



Right now, **our stop-loss levels are at the bear market lows of 62,300.04 for Bitcoin and 1,803.82 for Ethereum** (not shown on the charts)**.** If these levels were jointly pierced, a new bear market would be signaled. As we get more price action, we will likely be able to raise our stop loss to a significantly higher level, as happens in approximately 95% of cases. For the time being, however, these are our stop loss levels.

The obvious question is whether the recent bull market signal will prove to be a failed signal. In other words, will secondary reaction turn into something worse and eventually give way to a renewed phase of downward price action?

I think the answer to what is likely to happen next for Bitcoin can be found in this chart, which I also discussed in the May 1st Crypto Report. As you can see, the blue trend line connecting the all-time highs and a subsequent high was successfully broken to the upside, which was already a

relatively bullish accomplishment. However**, what matters even more is what happens after the breakout.**

We can now observe that Bitcoin has pulled back. This appears to be a typical secondary reaction back toward the support level, indicated by the green horizontal line. Therefore, as long as Bitcoin does not break decisively below those support levels, the technical picture remains very constructive. However, under the Dow Theory, even if the support line were pierced, that would not be enough to shift the primary trend from bullish to bearish. It would just be a warning.

A breakout above the 5/11/26 highs would constitute a very bullish accomplishment. More importantly, such a breakout would carry much greater significance if it were also confirmed by Ethereum.

As you know, I prioritize price action above everything else, which is why I remain skeptical of most market narratives. Nevertheless, while price action comes first, I believe **sentiment is also extremely important when assessing what is most likely to happen over the next two to three months.**

For an entire month, Bitcoin sentiment has fluctuated between fear and extreme fear. Most notably, the latest readings have fallen into the extreme fear category, with the most recent reading dropping to a very depressed level of 22, which I view as a positive development. It suggests that the overall atmosphere surrounding crypto remains broadly bearish. Historically, sentiment tends to function as a contrarian indicator.

Therefore, if Bitcoin were to break out and register higher highs, many traders would likely be caught off guard. Such positioning could provide significant fuel for further advance, as skeptical participants would be forced to chase the move higher.

As you know from previous crypto reports, depressed sentiment can persist for a long time. This is why I did not fall into the trap of turning bullish too early, around early March, simply because sentiment had become pessimistic. In that Crypto Report, I noted that sentiment could still form a double bottom before a durable low was established. That scenario ultimately proved correct.

Therefore, the fact that sentiment is currently negative does not automatically mean that Bitcoin is about to bottom immediately. Bitcoin could remain under pressure for some time or continue to move sideways around current levels. Nevertheless, provided that price does not break below the primary bear market lows shown on page 2, we still give the benefit of the doubt to the bullish interpretation.

Furthermore, please keep in mind the statistics discussed in the previous report. I noted that the extreme surge in the Strategy-to-Bitcoin ratio earlier this month, while bullish long-term, historically implied a win rate of only 44% for Bitcoin's performance over the following 1 to 3 months. In other words, the statistical backdrop is not yet overwhelmingly favorable, and Bitcoin could still experience additional weakness before a more sustained advance develops.

Forward BTC Return Implications

Signal	1M Avg / WR	3M Avg / WR	6M Avg / WR	12M Avg / WR
109-day high	3.4% / 44%	9.4% / 44%	15.6% / 58%	**51.9% / 93%**

To sum up:

1. The primary trend for Bitcoin and Ethereum is bullish; the secondary trend is bearish (secondary reaction).
2. A breakout above the 5/11/26 highs for Bitcoin, notably if confirmed by Ethereum, would be technically very bullish, and negative sentiment further reinforces the bullish implications of such a higher high.
3. At this stage**, if the bear market lows at 62,300.04 and 1,803.82 for Bitcoin and Ethereum were jointly pierced, a new bear market would be signaled.**

That is all for this month.

With my best investment wishes,

Manuel Blay

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