

BITCOIN (XBTUSD) DAILY (SEPTEMBER 2019-TODAY)



Retest of the long term overbought line. Bullish scenario (green) and Pattern failure (break below danger zone, Eom to the downside)

BITCOIN RETESTING THE OVERBOUGHT LINE OF THE LONG TERM DOWNTREND.

In the past week we have analyzed the bullish scenario for Bitcoin and several altcoins. Every time a long term trendline is broken, we interpret that event as a Change of Behavior of the market. This means that we quietly start to look for bullish configurations.

If a break of the long term downtrend is a very important signal, our **trigger** for an entry to the long side is always a successful retest of the downtrend line followed by continuation to the upside. What's happened since our last update? Let's study price and volume bar by bar.

Bar [1] commits above the previous short term resistance and brakes the long term overbought line. We do not see any sign of deterioration of demand on [1], but volume is the highest since the beginning of the year.

The rally fails to penetrate the red area. The downbar at [2] warn us that a short term correction is in play, but the supply signature is decreasing and the structure of the uptrend is still not damaged. The next downbar committing in the direction of the correction [3] slightly closes below the low of [2] on lower spread and volume.

STRATEGY

Price is reacting on decreasing supply signature. The low of the last significant upbar is an important area of confluence with the overbought line of the downtrend. We want to see demand in control again around this area for the continuation of the current uptrend.

PATTERN FAILURE

A break below the low of the last significant bar (danger zone) would suggest Ease of Movement to the downside.

BITCOIN (CME FUTURES) 4HR (DECEMBER 2019- TODAY)



A CLOSER LOOK

On the Bitcoin CME Futures, the uptrend is clearly defined by the reverse trendlines. The correction started on the overbought line at point [1]. Look at the high volume not followed by continuation to the upside. A range starts, and the price action at point [2] indicates further deterioration of the demand. Volume comes aggressively near the reverse oversold line [3], the downspreads contract (Change of Behavior) and a big demand bar comes right below the previous support. A comeback into the \$8650 level followed by the break of the short term downtrend would provide a classic Point of Entry. If price fails to commit, we stay on the sidelines waiting for the exhaustion of the supply.

ALTCOIN INDEX (ALTPERP) DAILY (JULY 2019-TODAY)



FTX ALTCOIN PERPETUAL INDEX

The Altcoin Perpetual Index is a new instrument introduced by the derivative exchange FTX. It represents the major cap cryptocurrencies, including **ETH, XRP, BNB, TRX, EOS, LEO, BCH, BSV, and LTC**. Each element is weighted equally.

After the quick run of the last week, the Altcoin Index is cooling off. ALTPERP has finally made a HH [1], breaking the long term structure, but stopped right below a very significant supply level. We are currently in the reactionary mode, and the level of supply is still high, suggesting that the reaction can continue. Highly speculative assets like altcoins often experience deep retracements, unless vertical absorption is in play. We have highlighted two important support levels: the mid-point and the low of the last significant upbar.

BINANCE COIN (BNB) DAILY (JUNE 2019-TODAY)



OVERVIEW

Binance Coin has a very important role in the crypto ecosystem. In 2019 it has led the market on the way up and on the way down [1]. In the last months, BNB has broken the long term downtrend, and is currently ranging between the \$14-21 levels. We have analyzed this asset in mid-November on our TradingView channel and called the downswing [2]. Now it's time to re-analyze the current formation as a whole.

BINANCE COIN (BNB) DAILY (AUGUST 2019-TODAY)



A CLOSER LOOK

At point [1] we see the best rally since the beginning of the downtrend, a Change of Behavior. The reaction at [2] is not very aggressive: the downspreads have relatively low volume and do not show signs of institutional selling. The result to the downside is limited as well [3].

After the aggressive buying on the way up, speculators are capitulating to the downside. Price resides in the lower part of the range on low volume, and during the overall crypto market correction BNB perform better than its peers springing the low at point [4]. Demand comes in aggressively [5] and price overcomes the short term resistance. We are currently consolidating above the previous local high. As the majority of the Altcoins, BNB is cooling off after the quick gains of the last month. We will closely monitor the levels of supply in the next days [6].

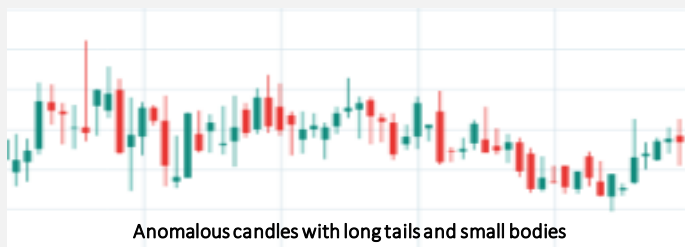
S&P- BITCOIN 1H (JANUARY 2020)



SHORT TERM CORRELATIONS

Bitcoin is showing short term **inverse** correlation patterns with S&P lately, especially when volatility is present in the market. We always recommend crypto traders to look at the S&P chart and take into account these short term patterns, especially in the current period of volatility.

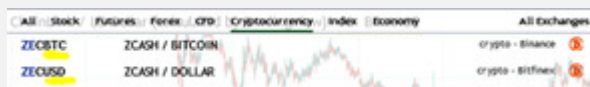
“Sometimes I find it difficult to apply VSA concepts on charts like this...can you explain why I see these anomalous candles? Thanks, L.”



Dear L,
When we see this kind of price action we immediately think of illiquid assets. In the specific case of the crypto market, however, there is **another layer** to consider.

The full story...

Crypto assets can be traded for dollars and for Bitcoins. There are at least two pairs for each altcoin: ALT-USD and ALT-BTC. Here is a screenshot from Tradingview.



ALTBTC and ALTUSD. Two parallel *circuits*. Generally, **mature crypto assets are heavily traded in the USD circuit**, while the global volumes of the -BTC circuit is not really significant. BTC pairs play a key role when we analyze **new** crypto assets. Especially in the past, when new assets were introduced into the crypto market, the majority of liquidity initially came from the **-BTC circuit**. The same logic is still valid today for low cap cryptos.

Contrary to what is usually thought, crypto funds or “whales” are not *Bitcoin-centric*. They identify value zones and targets in **dollars**, as in any market.

Platforms used by crypto funds and professionals calculate the current value of the altcoin instant by instant in this simple way:

$$ALTUSD = ALTBTC * BTCUSD$$

Sounds difficult?
Look at these two pictures: on the ALTBTC chart, you see this...



...but what really happens is the same old story. Institutional funds, CO types, buying or selling at specific levels identified in dollars.



ALTBTC charts, however, can be really useful to track the Relative strength of a cryptocurrency. John Bollinger, the father of the Bollinger Bands, often mentions the importance of the *intercoin* analysis. Using such a **volatile** asset like Bitcoin as *money of account* creates those strange wicks.



“I get it now! But... I am a retail trader, can I read price and volume on these charts as I usually do?”

Definitely yes, we are here for this!
You have to adopt specific tape reading strategies and focus on larger moves.

Here is a shortcut for you. Retail traders can emulate the same process on Tradingview –just look for charts with the label “calculated by Tradingview”.

A clue? Look at our last **bias game** on Twitter.



Do you recognize the long tails?
The results and the explanations of the quiz have just been published on our Twitter channel @WyckoffAnalysis. WTC II students will listen to Roman’s step by step explanation on Tuesday as usual.

A big thank you to Donato from the “institutional side” for his precious insights on crypto trading platforms in early 2017. Rest in peace in the paradise of cryptography geniuses.

Important Disclaimer - PLEASE READ:

The materials presented in the WYCKOFFANALYTICS CRYPTO REPORT are for educational purposes only: nothing contained in any of these materials should be construed as investment advice of any kind. REGARDLESS OF ANY LANGUAGE IN ANY WYCKOFFANALYTICS CRYPTO REPORT POST, NEITHER THE WYCKOFF AUTHOR(S) NOR WYCKOFF ASSOCIATES, LLC, NOR ANYONE AFFILIATED WITH THE LATTER ORGANIZATION IN ANY WAY IS RECOMMENDING THAT YOU BUY OR SELL ANY SECURITY, OPTION, FUTURE, ETF, OR ANY OTHER MARKETS MENTIONED. There is a very high degree of risk of financial loss involved in trading securities. You understand and acknowledge that you alone are responsible for your trading and investment decisions and results. Alessio Rutigliano, Wyckoff Associates, LLC, www.wyckoffanalytics.com, Roman Bogomazov, and all officers, staff, employees, and other individuals affiliated with Wyckoff Associates, LLC, and www.wyckoffanalytics.com assume no responsibility or liability of any kind for your trading and investment results. It should not be assumed that investments in or trading of securities, options, futures, ETFs, companies, sectors or any other markets identified and described in these WYCKOFFANALYTICS CRYPTO REPORTS were, are or will be profitable.