

## BITCOIN (XBTUSD) DAILY (JULY 2019-TODAY)



### THE WYCKOFF STORY

Bitcoin is slowly climbing a wall of worry. The rounding bottom formation that we have successfully identified on January 17<sup>th</sup> is still in play.

In a rounding bottom formation momentum traders tend to be inactive in the first half of the range, discouraged by the apparent weakness of the structure [i]. The lack of supply on the bottom is followed by ease of movement to the upside, a bullish sign for tape readers looking for a probe entry to the long side. [ii] As the trend emerges, momentum traders comes back and buy at any price, absorbing the supply on the way up [iii].

As price rises, more and more weak hands jump on the bandwagon, and the quality of the demand progressively deteriorates, until a correction occurs.

The uptrend started in January is still in play, but we are approaching the key resistance level around \$10K. Short term, we want to pay attention to any early sign of deterioration of the demand. The linear regression channel on the chart indicates several resistance levels where supply has produced a short term **consolidation**.

The upbar at point [B'] breaks out the previous short term resistance on less volume than its analog bar [B]. Result to the upside is decreased too compared to its analog, indicating some deterioration of the demand. The demand tail on the next upbar (yesterday Jan 30<sup>th</sup>) confirms our suspect. Today's downbar has increased downspread on decreasing volume, a further indication that demand is temporarily tired. Consolidation will likely continue, but the current upmove has still momentum.

## BITCOIN (XBTUSD) 4HR



### A CLOSER LOOK

Last week we have called the short term continuation to the upside from the oversold zone [1]. We have now reached the overbought trendline of the short term channel, suggesting some consolidation.

The long demand tail at point [2] is not encouraging: the intraday break is instantly absorbed, but the effort is the highest of the chart, which is not a bullish sign. Price fails to commit above the previous upbar and a reaction start at point [3]. On the intraday, the consolidation will likely continue.

#### Scenario A (red)

Short term recovery followed by a definitive break to the downside

#### Scenario B (blue)

Short term continuation into extreme overbought condition, 10K area.

### GBTC (Grayscale Bitcoin Trust) DAILY (SEPTEMBER 2018-TODAY)



#### AN ALTERNATIVE LOOK TO BITCOIN

As usual, GBTC offers an interesting alternative look. After a prolonged period of inactivity [1], momentum traders are now jumping on the crypto bandwagon, buying at any cost. The bar at point [2] presents increased effort to the upside, but decreased result, a bearish warning.

Our long term outlook is bullish, but short term we do not recommend to take an unnecessary risk at this spot. Momentum could persist, there will be better opportunity to re-entry.

### ETHE (ETHEREUM GRAYSCALE TRUST) DAILY (MID JULY 2019 - TODAY)



#### AN ALTERNATIVE LOOK TO ETHEREUM

Price action on ETHEREUM GRAYSCALE TRUST is even more aggressive. Demand comes in at point [1], and the next rally fails to commit above the supply area [2]. The reaction is immediately bought by speculators -look at the extreme volume at point [3]- but the rally at point [4] has decreased spreads and volume, not a constructive action!

The high activity in this instrument is a good sign for this speculative instrument, but we definitely need to shake out speculators and let volatility cool off.

### LITECOIN DAILY (JUNE 2019-TODAY)



#### LITECOIN LEADING THE RALLY

Litecoin was one of the leadership cryptocurrencies during the bull run in the first half of 2019. As we have mentioned in our previous reports, several altcoins are starting to outperform Bitcoin again. Litecoin is one of them.

After a violent hypodermic top on high volume [1], the supply signature progressively decreases as price falls [2]. At points [3] , [4], [5] demand comes in roughly on the same level, but each time we see no lift. At this stage, it was not possible to initiate a campaign. We need more data. The next downmove creates a marginally lower low at [6], a first bullish sign that still needs confirmation. Litecoin starts to show initial signs of **synchronicity** between effort and result to the upside at point [7], and momentum traders comes back. The downsloping resistance is broke and retested with success. Litecoin now confirms its bullish outlook. Speculative assets are subjects to highly volatile uptrends. The regression lines (dashed lines) suggests anchor points for our strategy to the long side in the next months.

*“There are so many different exchanges in the crypto world.. Sometimes I see the same price action on two different exchanges but different volume signature....How can I choose the right volume data? Thanks, Y.”*

Dear Y.,  
Choosing the right volume signature should always be your first step when you analyze crypto assets, great observation!  
Here is an extreme example of how wrong volume data can affect your analysis

**VECHAIN (VET)**



Example of inaccurate volume data: the worst nightmare for a tape reader

The crypto ecosystem is and has still limited liquidity. It's common to see the same crypto asset listed on different exchanges, each one with its own volume signature. A very popular exchange has generally higher volumes. It's common to see the same crypto asset listed on different exchanges, each one with its own volume signature.

As our Wyckoffian students know, crypto funds and big speculators always need huge liquidity to operate. They generally use professional software platforms that can spread their orders on several exchanges at the same time. For this reason The worst nightmare for a tape reader!

At WyckoffAnalytics, we have backtested volume data from several exchanges, and we can assure that fortunately the data available on the most popular exchanges like Binance is accurate 90% of the time. The diffusion of liquid crypto derivative platforms like Bitmex, Deribit and FTX is also a great help for tape readers.

But..when volume data is confused as in the chart above, what can we do?

Never give up! **In this example we have used a volume aggregator** (similar to the ones used by crypto institutional funds) Here is the result.

**VECHAIN (VET)**  
**DAILY (SEPT 2018-TODAY)**



**OUTLOOK. GLOBAL VOLUME DATA**

- [1] Local Accumulation
- [2] Price stops at a significant supply level
- [3] Price spends time above the local accumulation formation we have seen at point [1]. Local Distribution
- [4] Supply spike. Supply is high but localized
- [5] Downmove on low volume, bullish
- [6] Demand comes in aggressively, we finally see synchronicity. Price stops below the supply zone in red, volatility and volume decreases.

Apex formation, bullish outlook.

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