

## BITCOIN (BTCUSD) WEEKLY



Bitcoin back to the long term Institutional value zone. Climactic bar, consolidation in play. Look for the test.

### THE CONTEXT: S&P. GOLD. BITCOIN

The selling wave that has hit the stock market over the last weeks has not deeply affected Bitcoin until yesterday's violent price action. COVID-19 pandemic and falling oil prices have triggered in the one of most significant reactions in the recent history of the stock market.

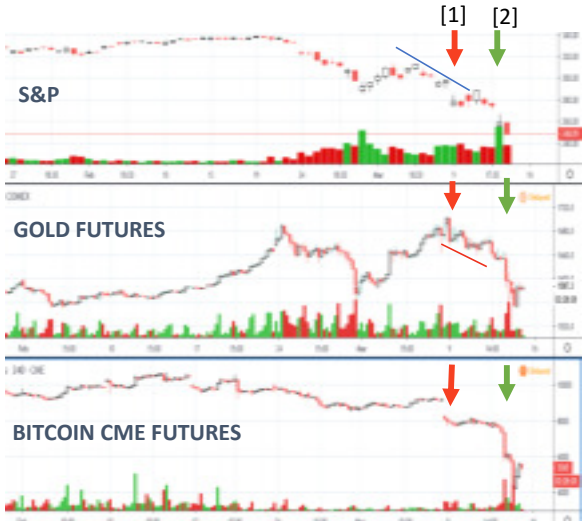
An extreme point of fear was reached on **Thursday**, when the shortage of liquidity in the market induced institutions to sell every kind of asset, including Gold, the *safe heaven* for excellence. The selloff of Gold was a sign of capitulation. In the chart below we have compared the price action of S&P, Gold and Bitcoin Futures. Look at the timing of the capitulation: at point [1] the selloff in Gold starts,

almost in synchronicity with Bitcoin. At Point [2], the Fed finally stepped in and announced a big plan to provide liquidity to the markets. The sudden increase of volume indicated that value buyers were stepping in, at least temporarily. After the initial momentum recovery on today's Trump announcement, we expect a consolidation. Especially in this context, crypto traders should monitor the price action of the stock market on a daily basis. Bitcoin is far from being considered a *safe heaven asset*. It is a highly speculative instrument, with **low liquidity** and fragile banking infrastructure. Selling on the way down easily affect prices.

### WHAT A DAY IN BITCOIN!

Yesterday's bar has one of highest volume signature since late 2018. Price has fallen in the long term institutional value zone, where value buyers stepped in. We have closely followed the price action in real time. Market liquidity yesterday was exceptionally low. The perfect conditions for a shakeout. Near the \$3600 low, the main derivative bitcoin exchange was halted. Liquidations and massive demand by value buyers on the spot exchanges caused a quick rally from \$3600 to \$5000.

Is the current price action a shakeout of the long term formation? Supply needs testing, and the bottoming process could take more time. In the meanwhile, let's analyze much shorter timeframes!



4hr timeframe. Panic selloff [1], Fed's announcement [2]

# LONG TERM BULL OR BEAR? BE FLUID! WHEN IN DOUBT, FOCUS ON SWING TRADING AND INTRADAY!

## WEEKLY REPORT (MARCH 6<sup>TH</sup> (LAST WEEK))

Last week our short term strategy was:

1. Look for a failure in the supply zone
2. Open a short term **SHORT** position
3. Judge the quality of the reaction and close the short on the swing reversal.
4. Look for upswing and break of the trend.

## WHAT HAPPENED

What happened

The price failed to commit above the supply zone. The short entry was triggered. The trade to the downside exceeded the target (good profit) but invalidated the bull scenario. At this point, you must reconsider your high probability scenario. Be fluid!



## BITCOIN 2 HR - TRADE #1



The bar at point [1] has failed to commit above the supply zone. We are close to the overbought line of the downtrend, a good spot for a short entry. Volume comes

in near the oversold line, and the first Change Of Character bar at point [2] is a good spot to close the short term trade to the downside.

## BITCOIN 15 MINUTES - TRADE #2,#3



This trade is more difficult. Price is near the oversold line of the intermediate downtrend, so we look for Point of Entries to the long side. We need to read the 15 minute tape to catch this move.

The supply at point [1] suggests to wait for a test. Volume drifts, and the test comes as a Lower low [2]. The upbar at point [3] has good up effort and result, and it is a good spot for our attempt to entry to the long side. The swing fails at point [4], and our stop loss is hit. The trade is closed on the break even point.

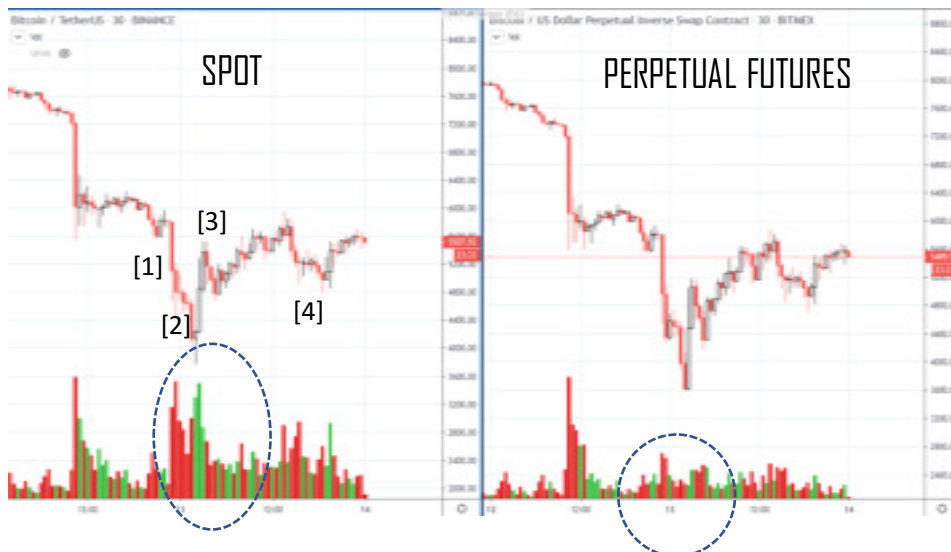
This failure warn us about the nature of the range. When a potential spring [2] fails to produce a new high, we have a red flag for the bulls. Look at the volume signature on [2]: after such a big effort to the upside -we are not able to commit

above the resistance and we fail right below the high of the last big supply bar (red dotted line)?

At this point, we should understand that our long strategy is probably wrong. At point [5], price easily breaks the level where demand has come in on the previous rally. That demand was of poor quality. The market stops around the previous low, and the break of the bearish feather [6] confirms that supply is taking over: a valid Point of Entry to the downside.



## BITCOIN 30 MINUTES - THIRD ACT - SPIKING THE LOW



Look at the divergence between the volume signatures on Binance (the main spot exchange) and Bitmex (the most liquid derivative exchange).

The two Exchanges shows very different volume signatures.

At point [1] the demand on the spot exchange increases, while the signature on the second chart is much lower. Price falls on decreased volume and spreads [2]. A Change of behavior rally on good demand signature and spreads [3]. A Consolidation starts. The top of the downbar [1] is an important level for the bulls.