Bitcoin Crashes - What's Next?

Full Bitcoin Update

Rekt Capital
🔒 37 min ago ♡ 15 💬1 ⬆️

Welcome to the Rekt Capital newsletter, a place for people who want to better navigate the crypto markets with the help of cutting-edge crypto research and unbiased market analysis.

Bitcoin - What's Next?

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BITSTAMP:BTCUSD, 1D 45592.80 ▼ −1116.09 (−2.39%) O:46753.40 H:49800.00 L:45500.59 C:45601.09

Bitcoin is threatening to breakdown from the almost 100-day technical uptrend line.

Recent rebounds from this macro Higher Low have resulted in +33% and +43% rallies, respectively.

Bitcoin is at this Higher Low once again but this HL looks like it may be in trouble:

Bitcoin / U.S. Dollar, 1D, BITSTAMP

BTC/USD
@rektcapital

−22764.03 (−35.08%) −227

34 bars, 34d

TradingView

In fact, it looks like BTC may be losing it, though a clean breakdown hasn't occurred yet. That said, this uptrendline is confluent with this current support area:

Which just showcases that it may be premature to suggest that Bitcoin has broken down.

There has been no clean breakdown from this support area just yet.

Bitcoin is still hanging on here. A Daily Close below the orange of course would change that. But until that happens, BTC is still holding here.

In fact, the reaction from BTC here is really important. Because there is no evidence of a weakening trendline right now.

The first rebound was +33%, the second +43% and now BTC is on the cusp of a third rebound (or a breakdown, should the rebound be extremely weak).

Let's see how this rebound fairs. If it is weak, then we'll probably lose this support area and can start preparing for a revisit of the lower orange area which resides in the low $40,000s and higher $30,000s.

But here's what we need to bear in mind as well:

Bitcoin / U.S. Dollar, 1D, BITSTAMP

−22764.03 (−35.08%) −227

BTC/USD
@rektcapital

34 bars, 34d

TradingView

Bitcoin is down -35% since its ~$65,000 highs.

This corrective period has been 34-days long.

Historically, this is not out of the ordinary for **three reasons**:

Reason #1:

Bitcoin tends to retrace -30% to -40% in Bull Markets

In 2017, BTC saw 5 major retracements being that deep.

In fact, BTC in 2016 also saw a deep retracement take place:

Bitcoin Bull Market

Corrections (2016)

by Rekt Capital

−312.89 (−40.17%) −31289

BTC/USD
@rektcapital

5 (−24.34%) −11316

01 Jan '16   Feb   2   Apr   Jun   Jul   Aug   Sep   Oct   Nov   Dec   31 Dec '17

TradingView

This retracement was -40% deep. Which ties in with the general -30% to -40% retracement depth tendency across Bull Markets.

Reason #2:

The longest correction tends to be over a month long

In 2017, the average correction was 16 days.

Some lasted one week, others three weeks, others two weeks - but the longest was over a month long.

In 2016, this was no different:

While 2016 saw only one deep correction take place, it lasted for well over a month, clocking in at 47 days.

So in 2017, the longest correction was 34 days whereas in 2016 the longest correction was 47 days.

Reason #3:

Long, deep corrections occur in late Quarter 2

Both 2016 and 2017 show us that deep, long corrections can take place.

But what's interesting about these deep, long corrections are that they tend to occur at the same, approximate time - around Quarter 2:

Take a look at the deepest, longest correction in 2016:

Bitcoin Bull Market

Corrections (2016)

by Rekt Capital

Quarter 1

Quarter 2

47 bars, 47d

Quarter 3

Quarter 4

7 bars, 7d

−312.89 (−40.17%) −31289

BTC/USD
@rektcapital

(−24.34%) −11316

01 Jan '16   Feb   2   Apr   Jun   Jul   Aug   Sep   Oct   Nov   Dec   31 Dec '17

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It took place in late Quarter 2, spilling over into Quarter 3.

Take a look at the deepest, longest correction in 2017:

The deepest, longest correction took place at the end of Quarter 2, spilling over into Quarter 3.

How do these three reasons relate to this current 2021 correction?

This current 2021 correction

- Bitcoin is now -35% deep (i.e. the deepest correction in this Bull Run)

- Bitcoin has been correcting for 30+ days (i.e. longest correction)

- Bitcoin began its longest, deepest correction in Quarter 2.

The only difference here, by standards of history, is this:

Bitcoin began its correction in early Quarter 2 as opposed to late Quarter 2, as we saw in 2016 and 2017.

Still very similar - but why this difference?

In a previous newsletter, I spoke about how this BTC cycle looks to be occurring a little faster than the previous cycles.

Here's an excerpt:

Bitcoin has broken to new All Time Highs 2 weeks into Q2 (vs the typical 3.5 weeks or 4.5 weeks in 2016 and 2017)...

Altcoin Dominance dipped/consolidated in mid-Q1, 2021 (vs the early Q2 dip in 2017)...

It seems as the Bitcoin and ALTDOM cycles are both taking place slightly faster than before; they are outpacing historical moves by a period of a few weeks.

This could be an insight that could prove crucial therefore when timing the end of Q2 correction. Could this correction actually take place sooner than historically suggested?

To answer that question, first posed in mid-April in that previous newsletter...

It may very well be the case that this correction has come a little sooner than expected.

Closing Thoughts...

This entire newsletter has been about proving how this current BTC correction differs very little with previous Bull Market Corrections.

Not only is this current correction is as deep and as long as the 2016 and 2017 corrections...

But it's also contextually similar, even if slightly accelerated, with the deep and long correction taking place in Quarter 2.

Now that we've established that - what's next?

Here's the Weekly timeframe:

Bitcoin is currently down -35%.

If it breaks from this current orange support area, BTC will tumble towards the higher $30,000s which would amount to a -40% retrace. This still would be fine, by standards of history.

But what if BTC doesn't retrace deeper?

It would be really interesting if this support holds because that could mean BTC is actually forming a range at highs, with this local area being the Range Low (green) and the main gatekeeper-resistance-to-new-ATHs being the Range High (red).

Over the coming days, it'll be worth watching for how the Daily Candles Close above this local support area. And if they do, then not only could this be the BTC bottom already…

But BTC could be forming a consolidation range which will precede new All Time Highs.

Either way, this newsletter isn't an exercise in timing the exact Bitcoin bottom on the correction.

But it is an exercise in suggesting that a) this retrace is not out of the ordinary by standards of history and that b) the majority of this correction has already likely happened.

Thank you for reading.

P.S.

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By ![Rekt Capital icon] **Rekt Capital**

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OVERVIEW

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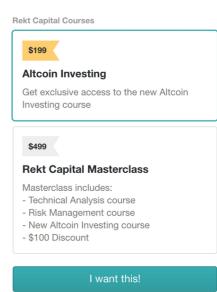
👤 **Nicolas** 2 min ago

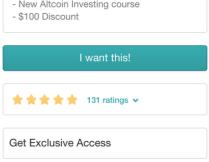first of all thank you for your valuable insights, really appreciate it.

if we are breaking below the green RL, would this also pull down ALTBTC?

if it doesn't should we still expect ALTBTC to proceed as presumed?

still try to wrap my head around ALTBTC cycles.. thank you!

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