

May 2022

Issue #4

This week:

In this week's newsletter we discuss Bitcoin/Dollar's increasingly narrow window to show strength.

We also discuss Ethereum/Dollar's pending monthly breakdown.

For Commentary corner, we expound on Cred's tweet regarding altcoin market cycles.

Name	Symbol	Market Cap	Price	Circulating Supply	Volume(24h)	% 1h	% 24h	% 7d
Bitcoin	BTC	\$556,776,057,069	\$29,229.82	19,048,218 BTC	\$30,707,881,923	-0.45%	-4.10%	-3.80%
Ethereum	ETH	\$237,422,515,569	\$1,963.72	120,904,612 ETH	\$14,933,151,751	-0.65%	-5.35%	-5.76%
Tether	USDT	\$73,194,653,615	\$0.9989	73,275,094,968 USDT *	\$56,940,178,010	-0.01%	-0.02%	-0.01%
USD Coin	USDC	\$53,247,350,731	\$1.00	53,247,158,342 USDC *	\$5,328,263,454	-0.02%	-0.02%	-0.01%
BNB	BNB	\$52,634,509,239	\$322.36	163,276,975 BNB *	\$2,257,871,993	-0.47%	-3.53%	4.88%
XRP	XRP	\$19,589,838,265	\$0.4052	48,343,101,197 XRP *	\$1,467,833,295	-0.51%	-5.07%	-6.15%
Binance USD	BUSD	\$18,307,550,553	\$0.9991	18,323,709,016 BUSD *	\$6,545,500,627	-0.19%	-0.26%	-0.22%
Cardano	ADA	\$17,343,579,651	\$0.5141	33,739,028,516 ADA	\$743,105,464	-0.61%	-6.94%	-11.97%
Solana	SOL	\$16,746,210,487	\$49.36	339,268,498 SOL *	\$1,604,853,087	-0.62%	-8.89%	-11.65%
Dogecoin	DOGE	\$11,054,053,925	\$0.08332	132,670,764,300 DOGE	\$500,460,058	-0.36%	-5.06%	-7.05%

<https://coinmarketcap.com/coins/views/all/>

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Dear reader,

Thank you for subscribing to TechnicalRoundup. We are grateful for your readership and hope that you stay with us for many future issues.

The premise behind this newsletter is simple: you get all your high time frame charts for the most important digital assets in one place. Same place, same time, every week.

Whether you are a short-term trader looking for a bias heading into the week, or a cautious investor trying to get a sense for this new asset class, we are confident that there is something you will find valuable in the coming pages.

We are not a signals service. That much is obvious. What we can offer you, however, is something better: a logical framework, a consistent method, and robust analysis. Every week.

We are not perfect. We will get things wrong. When we do, you will know because we will discuss them thoroughly. If the markets are unclear or uninteresting, we will not force out analysis that we do not believe to be compelling. Whilst we can not promise perfection, we will do our utmost to be honest and transparent.

Enough text, you must want to see some charts at this point!

We hope you enjoy TechnicalRoundup.

If for any reason you do not, or have feedback for us of any kind, it will be graciously received via email at letters@technicalroundup.com.

1. Bitcoin Still Below Key Levels



<https://www.tradingview.com/x/CNzveLVK/>



<https://www.tradingview.com/x/c6BB6POT/>

Bitcoin/Dollar is still below high time frame support.

The monthly time frame is below its \$35000-\$37000 range low.

With only one week left until the monthly close, absent an imminent and strong rally, May will close as a macro range breakdown.

Even if the market rallies following the monthly close, that rally must be treated as a bearish retest of support turned resistance at \$35000-\$37000.

The weekly time frame closed below support at \$32000-\$34000 for another week.

As per our last newsletter, the technicals are not showing any high time frame strength. Certainly not until the low-mid \$30000 area is reclaimed.

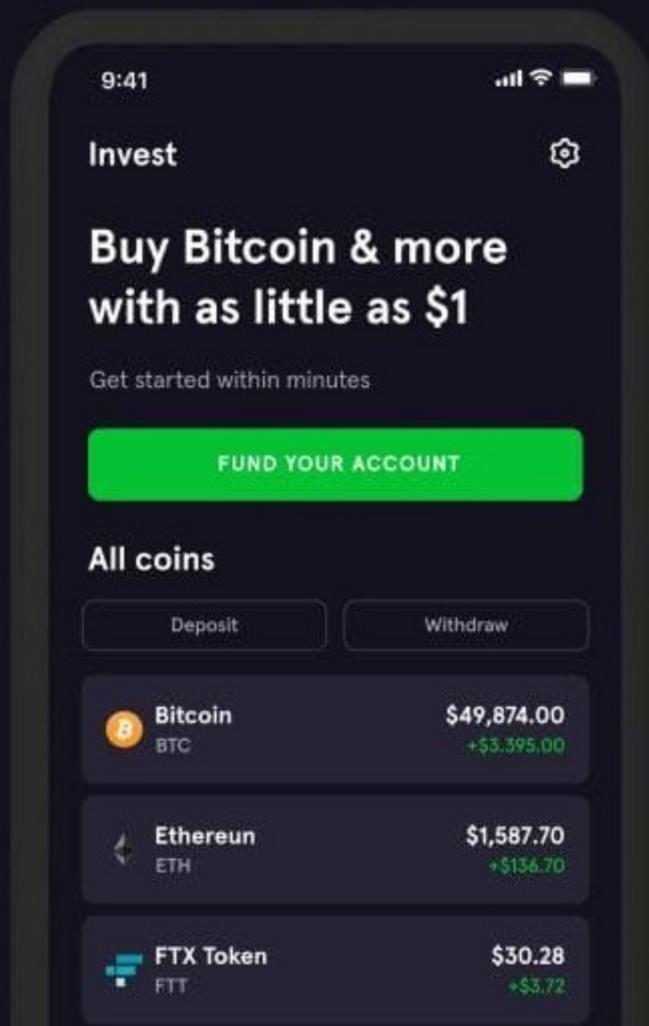
No monthly wick, with only a week left to go. No weekly close back into the range, either.

Should the market continue to trade lower, our downside objectives are around \$20000 (200-week moving average, prior cycle's all-time high) in the medium-term and plausibly as low as \$14000 on the monthly time frame.

To summarise, the market must form some miracle rally this week to fix what appear to be monthly and weekly range breakdowns. If that doesn't happen, any subsequent rallies into the low-mid \$30000s are bearish retests, and continuation lower becomes much more likely.



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2. Ethereum Needs Rescuing Too



<https://www.tradingview.com/x/hp07cK9J/>



<https://www.tradingview.com/x/t2LVcsxP/>

Ethereum/Dollar could also use a final week miracle rally.

As per our last newsletter, it is looking increasingly likely that May closes as a range breakdown below \$2300.

The weekly time frame is in marginally better shape as it is holding the range low at \$1940, but on its own that's not extremely compelling if the monthly time frame doesn't align.

The majors (Bitcoin and Ethereum) have very similar USD charts on the monthly time frame.

There is a macro range, the range appears to be broken (pending the close next week), the range breakdown is bearish until there is a strong move back above support.

For Ethereum/Dollar, that would require a monthly close above \$2300.

As far as downside targets if the aforementioned move back into the range doesn't happen, there is a lot of confluence around \$1000 (200-week moving average, monthly support, round number).

To summarise, while the weekly time frame is closing above support, it is difficult to be optimistic on higher time frames if the end of May confirms a monthly range breakdown.

On the long side, clear strength (back within the range) would be compelling. Clear discount (nuking to monthly targets) would also be compelling. At the time of writing, the market is offering neither.

3. Altcoin Market Cycle Structure

Cred tweeted that accumulating altcoins in a bear market is mostly a fool's errand.

We're taking this opportunity to further discuss how altcoin cycles work (in general).

1. Bitcoin and Ethereum go up. Crypto is good.
2. Market participants want greater returns. Bitcoin and Ethereum are 'boring'. Lower market caps take less \$ to push around in %-terms, generally speaking. Larger players have a lot of \$ to deploy, especially on venture deals with favourable terms.
3. The market finds (or creates) an altcoin narrative. DeFi, GameFi, Layer1s, whatever.
4. Enter reflexivity: prices pump → fundamentals (informed by price) are good → more buyers → prices pump → repeat.
5. Pump is exacerbated by: momentum, perceived improvement in fundamentals/positive feedback loop, unbridled optimism, holders and traders in perpetual profit, and so on.
6. Traders and investors (with colossal amounts of profit) take profit/close their positions. Price goes down. Or maybe Bitcoin and Ethereum top out. Or maybe it's just later in the cycle and something else is shinier. It doesn't matter. Prices stop going up.
7. Enter reflexivity: prices dump → fundamentals (informed by price) are bad → more sellers → prices dump → repeat.
8. Dump is exacerbated by: momentum, worsening fundamentals/negative feedback loop, pessimism, traders and holders at a loss, narrative fatigue, and burden of opportunity cost (holding something that's not doing well while other stuff is).
9. Hardcore believers buy and hold (usually the entire way down) and become increasingly attached to the project; it becomes their identity.
10. Project dies. Or maybe it survives. In any case, it likely enters a long-term downtrend against Bitcoin and Ethereum. Almost certainly underperforms whatever next cycle's shiny object is.

Ta-da.

Cynical, but that's generally how it works.

Remember EOS, Zcoin, Dragonchain, Stellar Lumens, IOTA, and OmiseGo?

Yeah, neither do we.

I mean, we do, but not because they're bullish or particularly relevant.

With rare exceptions, next cycle's participants will laugh at you for holding 2020-2021's altcoins and underperforming the market in a general sense.

If you want to see a recent example, look at DeFi 1.0's (Aave, Synthetix, Compound, Uniswap, yearn.finance, and so on) performance in USD and relative to Ethereum for the past year.

In bear markets, buy stuff with a proven track record and a high likelihood of survival. To us, that's Bitcoin and Ethereum.

Then, when the new shiny stuff comes around (usually multiples after the majors have bottomed), trade that.

Then bin it.

And do it all over again.