The Bridge

"Currency Wars & Cryptos II"

The Trend

03-18-19 - As the markets move through this historically-significant cyclic period - the latest phase of the *40-Year Cycle of Currency Wars*, from 2013 - 2021 - they continue to provide new clues as to what to expect from the culminating phases of that cycle.

One of the first stages in analyzing a market and assessing where it is most likely to head is identifying the current trend(s). As in any market endeavor, that exercise must be proportional to the task at hand. If trying to figure out what to expect for the next few months, the weekly & monthly trends must be identified (the daily trends would be inconsequential).

If, in contrast, one is molding expectations for the next several weeks, the daily & weekly trends are most important. In that case, the monthly trend would provide some backdrop but would likely have little impact since a market can swing widely within a monthly trend without altering it.

In the case of Bitcoin and other cryptocurrency, it is beneficial to know what to expect over the next couple months… as well as the next couple years as the subtle assault on the US Dollar is likely to become more overt. So, a broader assessment of prevailing trends is necessary.

The Monthly Trend

The monthly trend is neutral. While plunging for a precise 360-degree movement - from a high weekly close on Dec. 10 - 14, 2017 to a low weekly close on Dec. 11 - 15, 2018 - Bitcoin neutralized its monthly uptrend multiple times.

However, it would not turn that monthly trend completely down until a monthly close below ***3158/BTC****.*

That single factor is very important, since it allows an investor to draw a few basic - but very determining - conclusions. The first is that Bitcoin's plunge was not as technically damaging as it could have been - on a 3 - 5 year basis.

Yes, it was a massive bubble bursting that resulted in losing ~84% of its peak value. *That is exactly what the Nasdaq 100 & QQQs lost in 2000 - 2002.*

In the case of the Nasdaq 100, it never violated the 2002 low (one of the only indexes to hold that distinction during the 2007 - 2009 meltdown) BUT it basically consolidated for the 8 years following the 2002 low. It spent 5 years recouping ~40% of its losses, as it rallied into late-2007, and then promptly gave back ~90% of those hard-earned gains in 2008.

It then spent the ensuing ~2.5 years rallying back to the highs and peaking in early-2011.

Do you notice how the duration of the March 2000 - Oct. 2002 decline (~2.5 years) set the cycle for the following decade?

The Bridge Publications: In an effort to provide a more comprehensive, balanced & holistic perspective on the markets, and to add necessary context to cyclic and technical outlooks, I will be periodically adding additional publications to *bridge* current events with prior analysis, to *bridge* fundamental events with technical patterns, or to simply add related analysis to markets that do not normally receive primary coverage in other publications. *The Bridge* Publications are currently provided to ***Weekly Re-Lay*** subscribers as an added bonus even though that is not part of the package of publications in a paid subscription. If that were to change, subscribers would be notified in advance.

Please Note: Currently, there is not a specific publication schedule. That allows *The Bridge* publications to be compiled at any time - when markets or current events warrant additional coverage. Also, markets addressed in *The Bridge* are not signaling the beginning of regular coverage. In some cases, a particular market might only be addressed one time - due to a unique set of circumstances.

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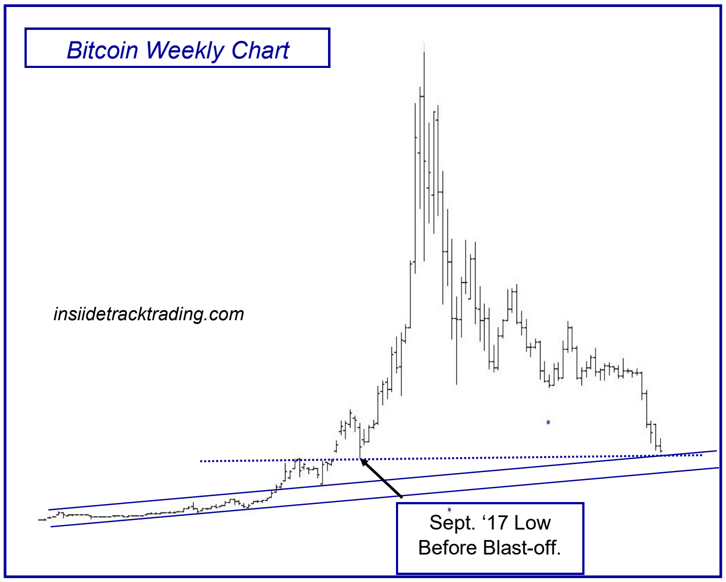

The Nasdaq 100 pulled back into Oct. 2011 (~2.5 years from its March 2009 double bottom) and then began a breakout advance - finally confirming a breakout uptrend in late-2012, ~10 years from the late-2002 low.

The first phase of that uptrend lasted into 3Q '15, when stocks suffered a sharp correction into early-2016. The Nasdaq-100 remained in that consolidation through 2Q '16 (~7.5 years from its 4Q '08 bottom) and then surged into 3Q 2018.

The Nasdaq 100 then suffered its sharpest drop, since 2008, leading into late-4Q '18 - the same time that an uncanny *~3.25-Year Cycle* projected a multi-quarter low in equity markets and in a majority of the primary indexes.

It bottomed almost exactly 10 years from its 4Q 2008 bottom - in 4Q 2018 - reinforcing the *2.5/5.0/10.0-Year Cycles* that have governed the NQ-100 during this century.

The Application

So, what's the point in belaboring analysis in tech stocks… when discussing cryptocurrency?

The reason for reviewing that is to illustrate how markets - and their cyclic movement - often *'cast their shadows ahead'*.

When the Nasdaq 100 plummeted for ~2.5 years, it cast the die for future cycles and movements. Most of the significant trends, trend changes and/or trend turning points have adhered to that *~2.5-Year Cycle* (and its multiples) since then.

Similarly, Bitcoin et al could be revealing its future cycle movement with the recent ~1-year decline.

In the case of tech stocks, the NQ-100 remained in a wide (though potentially lucrative) trading range for the next four phases of that *~2.5-Year Cycle*. Yes, it had major, multi-year moves up and major, multi-year moves down.

However, it took ~15 years - from early-2000 until early-2015, before that index made it back to its previous high.

That is also the nature of a bubble and its bursting. Many bubbles burst and are never seen again (think *Tulip Bulb Mania*) while others collapse in price but remain a viable entity for years or decades to follow (think *South Sea Shares* bubble; see page 3**).

The Nasdaq 100 action, of 2000 - 2002 (and since then), reinforces that a bubble bursting does not mean the end of an asset's viability. It simply means it got WAY ahead of itself and needs to reposition. That repositioning, and recalibration, often takes multiple cycles to return to a point of equilibrium and prepare for a new advance.

The same could be true of Bitcoin… and that is what the monthly trend is also reflecting.

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The ~9-Year Cycle of Bubble Development

**The *South Sea Shares* bubble of 1720 has two intriguing parallels to markets like the NQ-100 in 2000 - 2002 and Bitcoin in 2016 - 2018.

The South Sea company began in 1711 and saw its 1720 bubble take shares from 128 up to 1,000+ and then collapse to 124 - from Jan. - Sept. 1720.

In other words, the ~8-month move - from 128 to 124 - was just a minor correction… *until you add in the intervening bubble (and surge above 1,000)*.

That is much like Bitcoin from mid-Sept. '17 - bottoming around 3,000 - to Dec. '18, bottoming around 3,200… when it gained a meager ~5% per annum… *but still gained*.

However, when you add in an intervening surge to almost 20,000 - and then a subsequent plunge back to the point of equilibrium near 3,200, that meager 5% gain probably bankrupted many traders (while making instant millionaires out of others).

The other intriguing parallel has to do with the timing of a bubble development…

It took ~9 years from the South Sea Company's inception in 1711 until its bubble in 1720.

Similarly, the dot-com bubble can trace its origin to the stock market low of late-1990/early-1991. ~9 years later, the bubble peaked and began to burst.

In an uncanny parallel, it took almost exactly 9 years - from Bitcoin's ledger start on Jan. 3, 2009 until its bubble peak in mid-Dec. 2017.

And then the bubble burst!

Perhaps all those bubbles are not nearly as different as many investors imagine.

That trend action reinforces that the drop into Dec. 2018 was a simple rebalancing of Bitcoin's value - heading back to a point of equilibrium after a parabolic and irrational surge to levels that were never justified.

Had Bitcoin continued to return a very healthy 20 or 30% per annum gain during 2017, a pullback to ~**3200** would have been barely noticed. *The problem is that it surged above **19,000** in the interim*.

Bottom Line: The monthly trend pattern signals that the Dec. 2018 low should hold for 6 - 12 months or longer. **Dec. 2019** could time another low.

The Weekly Trend

The weekly trend is also neutral… but from an opposite perspective...

After bottoming in Dec. '18, Bitcoin quickly rallied and twice neutralized its weekly downtrend. In the ensuing months, it has neutralized that weekly downtrend multiple times.

*However, it would not turn the weekly trend up until a weekly close above **4259/BTC**.*

Considering that Bitcoin created a double top in late-Feb. - right around **4200/BTC** - and pulled back, a rally back to **4200** would now increase the odds for acceleration *through* that resistance and to higher highs. That would likely prompt a weekly trend reversal (to up) at the same time.

There are multiple timing factors corroborating this outlook… and identifying when an accelerated advance is more likely:

-- First, there is the *~8-Week Cycle* that has been discussed in several previous articles.

The accompanying *HCP* diagram is a reprint from last year and shows how it played into the anticipated late-June '18 low. After that, three more lows were

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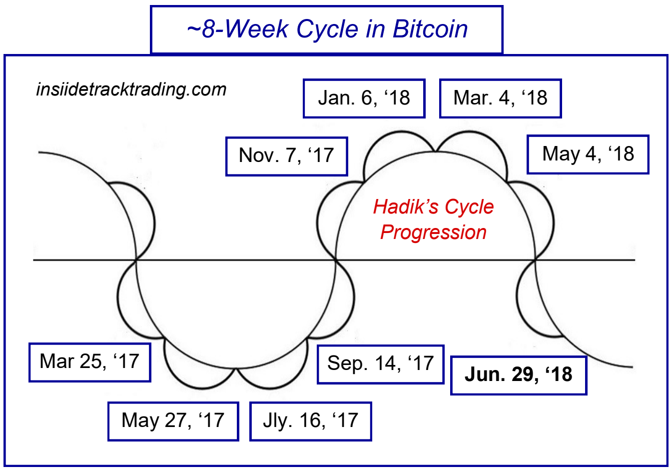

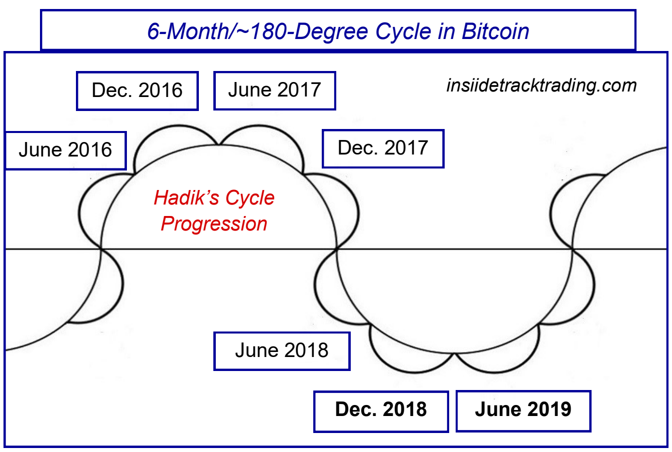

anticipated - with the third coming into play in mid-Dec. 2018.

Sure enough, Bitcoin bottomed in mid-Dec. '18!

That also fulfilled the over-arching 6-month/~180-degree cycle that projected 3 - 6 month lows for June 2018 (√) Dec. 2018 (√) and **June 2019** (?).

Since the Dec. 2018 bottom, Bitcoin has consolidated between ~**3200** & ~**4200/BTC** - reinforcing those cycle lows.

-- While Bitcoin has been bottoming, it has produced constructive signs with regard to its *21 MAC*s. On a daily basis, that channel turned positive in mid-Feb. and has been guiding Bitcoin higher ever since. However, the weekly *21 MAC* is the key…

That channel has been trending lower and Bitcoin has been trading below it… until now. The weekly *21 Low MAC* is at **3903** and Bitcoin has just given a *daily* close above that level. While a *daily* close above a *weekly* indicator does not prove anything, it is the first time Bitcoin has done this since early-Nov. '18.

-- Equally important, and helping to hone the time for a potential accelerated advance, the inversely-correlated weekly *21 MARC* will begin to plunge in **April**.

That presents the optimum time for Bitcoin to both turn the direction of the weekly *21 MAC* higher and to rally from that new support (as long as Bitcoin has given a weekly close above the weekly *21 High MAC* in **late-March**).

To give a couple examples of the inverse correlation between the two (*21 MARC* and price/*21 MAC*):

In early-Nov. '17, the weekly *21 MARC* entered a period where it declined for 5 - 6 weeks. At the same time, Bitcoin and its *21 MAC* entered a parabolic surge.

In early-Nov. '18, Bitcoin's weekly *21 MARC* bottomed and entered a 5-week surge. At the same time, the price of Bitcoin (and its *21 MAC*) entered an accelerated decline.

With Bitcoin already entering the weekly *21 MAC*, it increases the likelihood that the *21 MARC* drop - in **April 2019** - should spur a strong rally in price.

The Dollar Connection

Bitcoin is the consummate 'anti-Dollar'. As a result,

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its biggest up moves have been when the Dollar is declining and its biggest drops have been when the Dollar is recovering. While this does not mean that every weekly move is (inversely) correlated, it shows that the primary moves are closely related.

In late-2013 - Jan. 2017, Bitcoin remained in a trading range between roughly $200 - $1,100 as the Dollar steadily rallied. Bitcoin was slowly gaining a foothold in the *Currency Wars*, but was unable to break out while the Dollar was rallying.

Then, with little warning, it happened…

The Dollar entered a sharp correction - dropping about 15% from Jan. '17 into Jan. '18. It was its largest decline in over 7 years… removing the primary impediment for Bitcoin's gains.

As the stability in the Dollar eroded, and with it - the faith of many investors and speculators, the appeal of cryptocurrency increased exponentially. *A bubble was born*. Bitcoin exploded and inversely moved in lockstep with the Dollar - surging to stratospheric levels as the Dollar dropped.

The speculative value of Bitcoin created a bubble that lasted until the Dollar's descent was nearly complete. *And then the opposite occurred…*

The Dollar bottomed and stabilized and Bitcoin - and the entire cryptocurrency arena - plummeted.

For the first 6 - 9 months of 2018, Bitcoin trended lower as the Dollar trended higher. In Aug. - Oct. '18, the Dollar consolidated near its high as Bitcoin consolidated near its low.

In Nov. '18, the Dollar broke out to a new high… and that was the last straw for cryptocurrency. Bitcoin plunged - reaching its extreme downside target at ~**3200** - as the Dollar peaked.

Since then, both currencies have vacillated near their respective extremes. The Dollar has steadily topped while Bitcoin has steadily bottomed. In many cases like this, the weekly *21 MARC* identifies when those markets are going to elevate their moves - from topping process to sharp decline or from bottoming process to strong advance.

So, it is not surprising that a myriad of Dollar indicators and analysis have been projecting this very same thing - the start of a multi-month decline in **late -March/early-April 2019**.

The 21 MARC Connection

In the previous installment of *Currency Wars & Cryptos* (published on Dec. 14, 2018 and describing why a multi-month bottom was at hand), I described the recurring ~5-month cycle in Bitcoin. To review:

> **12-14-18 -** *"From a timing perspective, Bitcoin continues to move in ~5-month trends and ~5-month cycles. In late-2017, mid-Dec. 2017 was the timing target for a major top - the fulfillment of the 4th consecutive rally of 5 months' duration. That is when it peaked. Ensuring (descending) peaks were expected in May & Sept. '18, with sharp declines to follow each.*
>
> *At the same time, Bitcoin has set a series of lows at ~5-month intervals - in late-March '17, early-Sept. '17, early-Feb. '18 & late-June/early-July '18. The next phase of that ~5-month cycle is in the first half of December, which is now unfolding.*
>
> *While it could easily stretch its decline a week or two beyond that cycle, the point is that Bitcoin's decline is nearing another important juncture - like it did in late-June/early-July - when a 3 - 6 month low could take hold. It is also 360 degrees from its major, mid-Dec. 2017 peak."*

So, what's the connection?

A ~5-month cycle consumes approximately 21 weeks. So, Bitcoin's highs & lows have not been the only thing swinging at ~5-month/~21-week intervals.

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Its accelerated moves are also often occurring at the same interval - *but in opposing directions*.

As a result, the sharp decline of Nov. 2018 is now setting the stage for a sharp advance in **April 2019**. *Will price action corroborate?* The most critical confirmation would be the weekly trend turning up - with a weekly close above **4259/BTC**.

Since that would also involve a positive weekly *21 MAC* signal, it would become that much more significant. However, there is another important signal that would generate…

It would now take a weekly close above **4115/BTC** to turn the intra-year trend up. If/when that occurs, it would project an overall rally into **June/July 2019**.

That is noteworthy since Bitcoin has a 17 - 18 month low (July '13) - low (Jan. '15) - high (June '16) - high (Dec. '17) - high (**June 2019**) *Cycle Progression* portending the same thing.

A rally into **June 2019** would also complete a 50% rebound in time - rallying for 6 months from its Dec. 2018 low after declining for the preceding 12 months, from the Dec. 2017 peak.

A weekly close above **4259/BTC** (which would turn both the weekly trend and intra-year trend up) would project a strong rally back to **5100 - 5200/BTC** in the immediate future and ultimately back to ~**6000/BTC** - where repeated lows were set between Feb. 2018 and Sept. 2018.

As a result, ~**6000/BTC** represents a pivotal level of *'support turned into resistance'* on a 1 - 2 year basis.

In the interim, multiple monthly *LHR*s are aligning at ~**5050 - 5150/BTC** and are near the monthly *21 Low MAC* at **5185/BTC**. Those levels could be tested in the coming month(s).

Traders can be building long positions, following the Dec. 2018 bottom, and looking for a rally back to ~**6,000/BTC**. The risk now would be a weekly close below **3350/BTC**.

More to follow...

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