

# The Bridge

## “Currency Wars & Cryptos III”

### **Bitcoin’s Bottom & the Dollar Delay**

**05-10-19** - The first two installments of this series - *Currency Wars & Cryptos* - were published at prescient times. The first was published on Dec. 14, 2018 and projected an imminent bottom in Bitcoin - the culmination of the entire bubble-bursting of 2018.

Bitcoin set its lowest daily close on Dec. 14 - while testing the extreme downside target at ~**3,200** (a target reiterated in a preceding issue of *The Bridge* on July 13, 2018) - and reversed higher on Dec. 17. It has not returned to those levels since.

At the same time, the Dollar Index was peaking at **97.71** (Dec. 14, 2018) - at the very least, delaying its uptrend and opening up an opportunity for anti-Dollar instruments to recover.

*Both occurred exactly a year (360-degrees) from the mid-Dec. 2017 bubble peak in Bitcoin.*

Within a week, Bitcoin had set a trading range that would hold for the ensuing 3+ months.

The second was published on March 18, 2019 and updated this bottoming phase of Bitcoin, published a new buy signal, and explained why an accelerated advance should take hold in **April 2019** - coinciding with the plunging (but inversely correlated) weekly *21 MARC* and a topping Dollar.

### **Bitcoin’s Breakout & the Dollar Dip**

Bitcoin was trading around **3,900** and spent the following two weeks remaining in that trading range.

Then, on the precise day/week that the inversely correlated weekly *21 MARC* began a 6-week plunge, Bitcoin accelerated. That same day (April 2), the Dollar set a multi-week peak and dipped - providing a prime opportunity, upon which Bitcoin seized - adding confirmation to its Dec. ‘18 cycle low.

It immediately surged to its short-term target (**5,100**), closed above it, and then entered a few weeks of volatile trading - vacillating above that level and then pulling back to retest it (*resistance turned into support*) on **April 26**.

### **Bitcoin’s Boon: The Dollar Driver**

Not surprisingly, that was the exact date the Dollar peaked again - briefly and barely spiking above its Dec. 14 high and closing the week (**April 26**) at **97.72/DX**. Bitcoin received just what it needed to spur the next phase of its multi-month advance - and to reach its 1 - 2 month target at ~**6,000**.

It again surged and is now attacking that target - and turning focus to larger-magnitude upside objectives - as that six-week plunge of the inversely correlated weekly *21 MARC* is culminating.

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[Keep in mind that the *start* of that 21 MARC plunge was an important trigger but the *culmination* of it does not - in and of itself - signal an end to Bitcoin's rally. It simply assumes a lesser role, moving forward - having achieved what it signaled.]

The interesting part is that the Dollar is only beginning to confirm an intermediate peak and could be in for a significant sell-off.

*If Bitcoin is really trading as an anti-Dollar alternative, what would a substantial Dollar drop do for it?*

### **Bitcoin & the Dollar Deception**

It is important to recognize this Dollar/Bitcoin correlation or opposition... but also to remain profoundly aware of its limitations.

First and foremost, each market needs to be treated on its own... its own merits (or lack of), its own technicals, its own cycles, and its own trading signals and strategies.

Second, each market has a majority of its own factors that are NOT linked to the other - inversely or otherwise. So, a trader cannot expect the two markets to move in precise opposition to one another.

With that said, it is still important - when viewing Bitcoin and cryptocurrency - to understand the topping process unfolding in the US Dollar and what that could mean for Bitcoin and other anti-Dollar vehicles, moving forward. The following are a few recent excerpts, detailing that development:

**3-20-19** - *“The US Dollar is fulfilling the first few criteria needed to signal a multi-week and potentially 3 - 6 month peak...”*

*Bitcoin, as detailed in the March 18, 2019 issue of The Bridge - Currency Wars & Cryptos II, is also poised for an April - June rally. It's biggest moves of 2017 - 2018 have been in (inverse) lockstep with*

*the Dollar.”*

**4-03-19 - Looks Can Be Deceiving:** *“Since Dec. '18, the Dollar Index has maintained some similarities to equity indexes between Jan. & Sept. '18. The primary parallel has to do with how that index (DX) has remained resilient and near its highs - similar to how key equity indices did in 1Q - 3Q 2018 - even as an ever-growing chorus of contrasting factors continue to sing out warnings of an impending drop.*

*In 2018, it was a succession of diverse indexes and bellwether stocks topping on a consistent basis.*

*That finally reached the point of critical mass in late-Sept./early-Oct. and triggered the projected 15 - 20% declines into late-2018 (when a 3.25-year low-low-low cycle portended a 6 - 12 month bottom).*

*In 2019, the Dollar continues to remain (appear) resilient with the Dollar Index repeatedly retesting its Dec. '18 high. However, as this is going on, a steady stream of contrasting vehicles (anti-Dollar financial instruments) have been bottoming and turning higher.*

*In Aug., it was Gold bottoming and reversing higher. It has gained, on balance, since then.*

*In Oct., it was the Japanese Yen bottoming and reversing higher. It rallied sharply into early-Jan. and remains above those Oct. lows.*

*In late-Oct., it was the Chinese Yuan bottoming and reversing higher. It has gained, on balance, since then.*

*In Nov., it was Silver bottoming and reversing higher. It remains above those lows.*

*In Dec., it was Bitcoin bottoming and reversing higher. It has gained, on balance, since then.*

*In Dec., it was also the Canadian Dollar bottoming*

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### **The Dollar Connection**

**03-18-19** - Bitcoin is the consummate ‘anti-Dollar’. As a result, 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.

**5-09-19** - This excerpt from the March 18, 2019 issue of *The Bridge - Currency Wars & Cryptos II* emphasized the Dollar/Bitcoin (inverse) connection and demonstrated how that correlation is NOT an exact science and does not dictate inversely-*proportional* moves in the Dollar and cryptocurrency. Instead, it is intended to illustrate how the addition or removal of that influence can often be the last straw for a move that was already struggling to get underway.

(For example, as Bitcoin was bottoming in Jan. - March 2019, it was not able to sustain any upside momentum until the Dollar showed signs of vulnerability or weakness. When the Dollar finally showed that fragility, Bitcoin was off to the races. It just needed to see a *near-term* Dollar ceiling. **IT**

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and reversing higher. It remains above those lows.

In early-Jan., it was the British Pound bottoming and reversing higher. It has gained, on balance, since then.

In early-Jan., it was the Australian Dollar bottoming and reversing higher. It remains above those lows.

In early-Mar., it was the Swiss Franc bottoming and reversing higher. It has gained, on balance, since then.

Even the Russian Ruble has gained, against the Dollar, since early-Sept.

And yet the Dollar Index is hovering near multi-year highs. That is why I say: Looks can be deceiving.

Either all these ‘anti-Dollar’ instruments are wrong (or have just undergone a small upside correction before resuming declines) OR they are giving warnings of a developing transition in the Dollar.”

**4-10-19 - Anti-Dollar Uprising:** “The latest ‘anti-Dollar’ surge has come from Bitcoin and cryptocurrency, fulfilling a myriad of bottoming cycles, objectives and indicators in mid-Dec. (see 12/14/18 The Bridge - **Currency Wars & Cryptos**) - while signaling that at least a 3 - 6 month bottom was intact.

That analysis was corroborated by the action of mid-Dec - early-Feb. and then validated with decisive buy signals in early-Feb.

Bitcoin continued its bottoming phase and then triggered a reinforcing round of buy signals in mid-March that projected a surge to ~6,000 (see 03/18/19 The Bridge - **Currency Wars & Cryptos II**).

All those signals remain intact and could spur a spike up to 5,800 - 6,200 in the near term. Based on the declining weekly 21 MARC - over the next sever-

al weeks - Bitcoin will have another bullish indicator (21 MAC) supporting it...

As reiterated last week, a multitude of ‘anti-Dollar’ instruments have been bottoming and steadily gaining ground, leaving the Dollar in a similar situation as that of Stock Indexes in late-Sept./early-Oct. ’18 (before they plunged into late-2018 - the latest phase of a 3.25-year low-low-low cycle that projected a 6 - 12 month bottom).

This has been evolving for over six months...

How long can the Dollar Index hold up and mask this growing revolt in anti-Dollar instruments? Cycles & technical say ‘not much longer’.”

**4-27-19 - “The DOLLAR INDEX** has advanced into the latest phase of its 4-week cycle - perpetuating a sequence of swings at consistent 4-week & 8-week intervals since 3Q ’18...

That resulted in the Dollar closing the week right where multiple peaks have been set since Nov. ’18 - at/near **97.70/DX**.

If it can give signs of a reversal lower by May 3, with or without a final spike high in the intervening days, the Dollar would signal that a higher-magnitude top is in the making.

The Dollar just tested monthly resistance (**97.84 - 98.16/DXM**) - the upside target for the intra-month uptrend triggered on April 18 - and within a few points of two of the latest three weekly LHRs, reaching or nearing key resistance and extreme upside targets. That spurred an outside-day/2 Close Reversal lower to end the week...

3 - 6 month traders could have sold the Dollar at 96.75 up to 98.08/DXM and should now risk/exit on two consecutive daily closes above 98.08/DXM. 3 - 6 month traders could have bought the Euro at 1.1335 down to 1.1156/ECM and should risk/exit on

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*two consecutive daily closes below 1.1156/ECM.”*

The bottom line is that Bitcoin is entering another opportune period when it is already building upside momentum... just as the Dollar is validating signs of a top and reversal lower.

Bitcoin is attacking its 1 - 2 month upside target (**6,000 - 6,200**) and needs to break above that to turn focus to a larger-magnitude objective - its 3 - 6 month target at **8,400 - 8,500/BTC**.

Depending on if, when, and how that level is tested, Bitcoin could ultimately make it back up to **~11,500 - 11,800/BTC** - what should be the most formidable resistance on a 6 - 12 month basis. However, it would (obviously) have to get through **8,500/BTC** to trigger a surge to that price range.

From a timing basis, the cycles and timing indicators described since late-2018 remain in force. Bitcoin is still expected to see an overall rally into

**June/July 2019**, at which point a multi-month peak would become far more likely.

Among other things, that would perpetuate a 17 - 18 month low (July '13) - low (Jan. '15) - high (June '16) - high (Dec. '17) - high (**May/June 2019**) *Cycle Progression*.

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. If it lasts into **July 2019**, it would represent a .618 rebound in time.

Traders could have entered additional/new long positions in mid-March around **3,900** and be holding these w/avg. open gains of about \$2,400/Bitcoin or about \$12,000/Bitcoin futures contract. Risk/exit these on a weekly close below **4,800/BTC**.

*More to follow...*



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