Bitcoin extends consolidation above $11,000

Thursday 03 September 2020

Key highlights

» Early week Bitcoin optimism suppressed by yesterday’s correction

» Bitcoin and its supercycle

» Micro peaks in supercycle suggesting Bitcoin on the verge of a breakout in the next 100 days

USD volatility moving Bitcoin

A volatile week for crypto as optimism resurfaced for crypto markets early this week before a correction on Wednesday. Bitcoin saw gains of 2.3% on Tuesday breaking the $12,000 level once again for the 6th time within the past 2 months, where optimism was fuelled by Jerome Powell’s speech last Thursday in Jackson Hole.

However, a 4% correction on the back of Dollar strength happened on Wednesday most likely due to the US Dollar Index being at its 9-year support. The correction saw Bitcoin’s price breaking down from the $11,500 weekly support and out of the lower Bollinger Band but managed to remain supported at the $11,100 handle that coincides with the 50 daily EMA.

Overall, we expect Bitcoin to continue range-bound in the coming weeks as the focus continues to shift towards the Altcoin market. The market should maintain consolidation at this elevated range with signs of bullishness for an end of a year upside break.
Zooming out on the Bitcoin supercycle

The current cryptocurrency market is encapsulating nostalgic moments as it brings back the memories of the 2017 ICO craze. Cycles are always prevalent in markets, with a recent example being Apple’s expected iPhone 12 5G supercycle. Similarly, Bitcoin has gone through multiple supercycles on its own and is over 600 days in its current cycle (4th cycle).

From the Coinmetrics Bitcoin cycle chart, which measures the price performance against the number of days it takes to reach its peak, the timing could not be better for the digital asset to begin its ascent. Revisiting previous cycles could give us a brief idea on the expectations of Bitcoin price going forward.

Simple observations show that the duration of cycles are extending and with the following cycle taking 400 days versus the previous cycle before the peak is reached. Extrapolating this, several analysts have called for the next peak to arrive at the 1450th day, which represents somewhere in late 2022. However, given the contrasting macroeconomic conditions now as compared to the past (third cycle beginning in 2015), one could not discount the additional uplift current fundamentals provide – lower inflationary rewards, higher hash rates, a greater number of transactions, and more whales accumulating.

Zooming into the short-term time frame, one would notice that the gap between micro peaks tends to be 200 days apart (yellow dots in the chart), with the break of the micro peak in the current cycle long overdue. Therefore, our analysts are expecting a break of the 200d peak (representing the Jun 2019 highs of $14,000) in the 4th cycle, which we believe could happen within the next 100 days. This aligns to our end of year target of $15,000, translating into a 30+% upside from current price.

Source: Coinmetrics
About the Analyst

Lennard Neo, CFA - Head of Research, Stack Funds

Lennard specializes in fundamental and technical analysis in digital asset investments. He became acquainted with blockchain, cryptocurrency and ICOs in 2016, and recently decided to take a meaningful step away from traditional banking to join this industry.

Previously, Lennard spent 3 years with an investment bank in Forex and Debt Capital Markets. Companies he worked for include Commerzbank AG, DBS Bank, Bloomberg, and Fidelity. Prior to this, he also had entrepreneurship experience with an e-commerce startup and a local social enterprise.

Lennard completed the CFA program and graduated with a master's degree in Applied Finance. He is fluent in English, Chinese with a basic in Korean.

**With assistance from Travis Chua**

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Stack Funds is an issuer of Cryptocurrency Access Products (CAPs) including trackers, indexes and structured vehicles for institutions.

Our investment funds have been structured according to institutional standards, taking into account the highest degree of security, flexibility and compliance in our delivery of digital asset based products.

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