



## TECHNICALS: What next after BTC's surge toward next resistance near 13.8K?

- After surging through resistance at the August highs near 12.5K over the past week, BTC is closing in on next major resistance near June 2019 highs at 13.8K. With short-term trading indicators pushing into overbought territory, traders are understandably questioning whether they should reduce exposure. We disagree. Sure, a near-term dip or pause is likely given the recent rally, BUT the longer-term technical structure continues to improve suggesting pullbacks are likely to be short lived and relatively shallow. **Based on the following bullets and accompanying charts, we remain bullish on BTC's longer-term prospects and rather than attempting to micro manage trading position, maintain exposure using pullbacks and pauses to further increase exposure.**

### Key technical developments

1. **Improving long-term price structure following 2018-2020 consolidation** – BTC's price structure is incrementally transitioning into a new long-term uptrend following its very broad 2018-2020 consolidation above its long-term structural uptrend defined by the 200-week sma. BTC has reversed its 2018-2020 downtrend with a series of higher highs and lows following the March collapse in all risk assets. Bottom line: BTC's price pattern is in the early stages of a new longer-term uptrend with the June 2019 highs at 13.8K its next key resistance hurdle followed by 20K. While a pause/consolidation between current levels and 13.8 is likely, our recommendation is for longer-term investors to stay focused on the improving longer-term technical structure and to not be unnerved by tactical pullbacks and consolidations. [Slide 3](#)
2. **Relative performance trends vs equities, golds and bonds is beginning to trend to the upside.** In our opinion, the most noteworthy chart for investors to focus on is BTC's relative performance versus the S&P 500, Gold and the TLT Bond ETF. BTC is likely in the early stages of assuming leadership to all three asset classes. This appears to be an almost textbook perfect bearish to bullish transition as BTC emerges from 6-month trading range/pause following its 2019-2020 downtrend reversal. Asset allocators take note! [Slide 4](#)
3. **Daily chart is becoming overbought but expect pullbacks to be shallow and short lived.** Momentum indicators are becoming overbought on BTC's daily chart but they are by no means extreme yet. Our expectation is that pullbacks are likely to be shallow given the bullish higher weekly time frame chart discussed above. [Slide 5](#)
4. **Intra-day 4 hour chart IS very overbought** – Given BTC's impressive surge over the past few days, it is hardly surprising its 4-hour RSI momentum indicators are very overbought. However, rather than attempting to micro manage the trade by selling in hopes of also identifying the exact pullback low, we recommend maintaining exposure at current levels and using near-term pauses and consolidations to further build BTC exposure. [Slide 6](#)
5. **Too early to rotate to small-caps – Participation remains concentrated in larger-caps** – Our Fundstrat FS CryptoFX advance-decline lines for large-caps (FX 10), mid-caps (FX40) and small-caps (FX250) illustrate that upside participation is concentrated in larger-cap cryptos. As such, we recommend investors focus exposure in larger-caps, until we see breadth improve into smaller-caps. [Slide 7](#)

## CRYPTO TA STRATEGY

### Technical Strategy

**Rob Sluymer, CFA<sup>AC</sup>**

+1 212 293 7140

inquiry@fsinsight.com | @rsluymer



### US Portfolio Strategy

**Thomas J. Lee, CFA**

inquiry@fsinsight.com | @fundstrat



### Data Science Research

**Ken Xuan, CFA**

inquiry@fsinsight.com | @fundstrat\_ken



### Washington Policy Strategy

**L. Thomas Block**

inquiry@fsinsight.com | @TomBlock\_FS



# Key charts in this report...

## Resuming its longer-term uptrend – 13.8K next resistance



## BTC emerging vs the S&P, Gold and TLT bond ETF



## BTC – Overbought short-term – Expecting shallow pullbacks



## Participation remains concentrated in large-caps (FX 10)



# BTC - 2016-2020

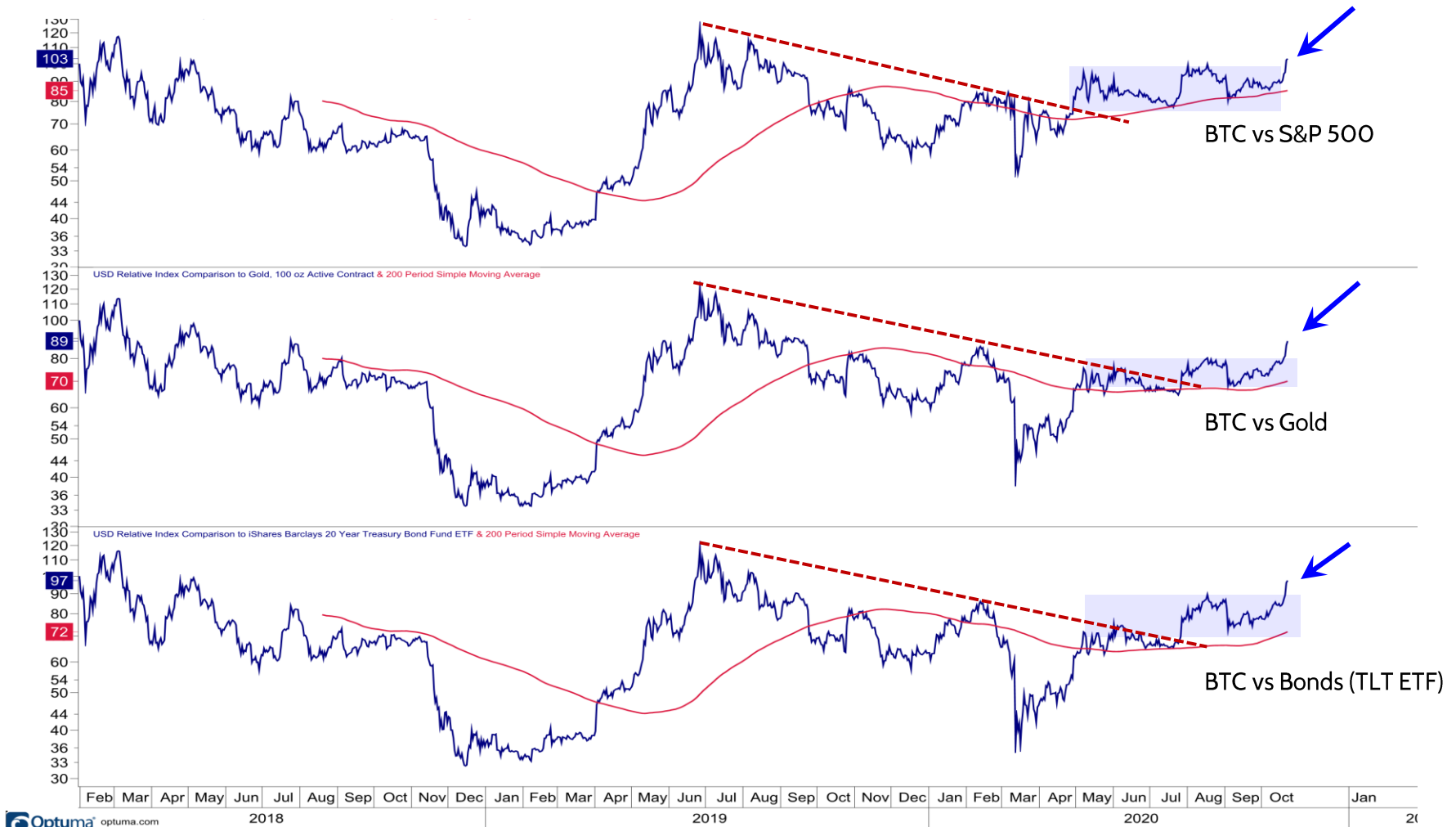
Bullish trend transition continues as BTC breaks above the August 2019 high of 12,640 following a successful test of ~10-10.5K support band.  
 Next resistance is at 10,380 followed by ~20,000. A break below 10K would be needed to negate this bullish setup



Optuma | Source: Fundstrat, Bloomberg, Optuma

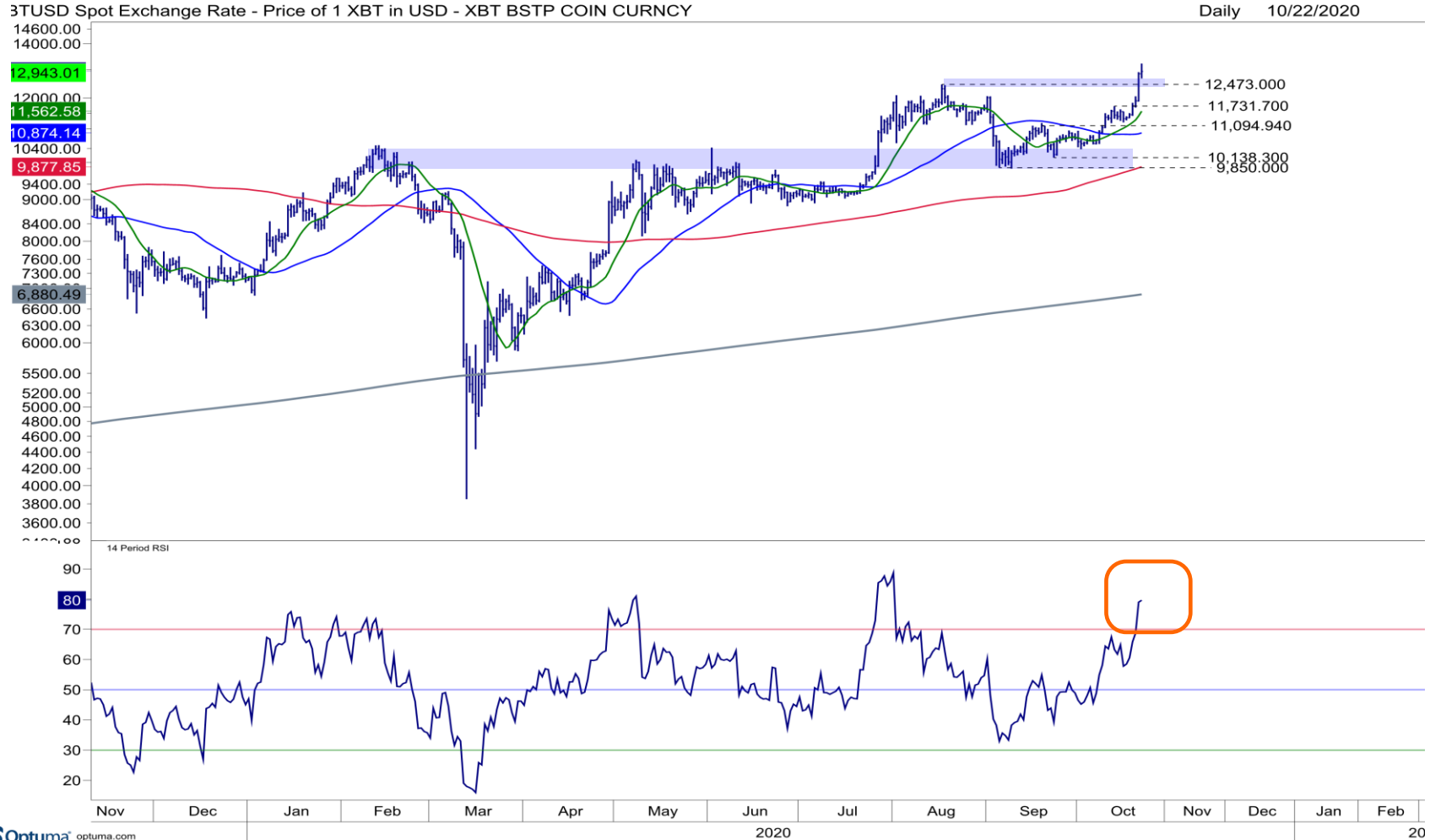
# BTC versus S&P, Gold and Bonds (TLT ETF)

What's not to like? Downtrend reversal followed by consolidation followed by upside break-out versus, stocks, gold and bonds



# BTC - Daily

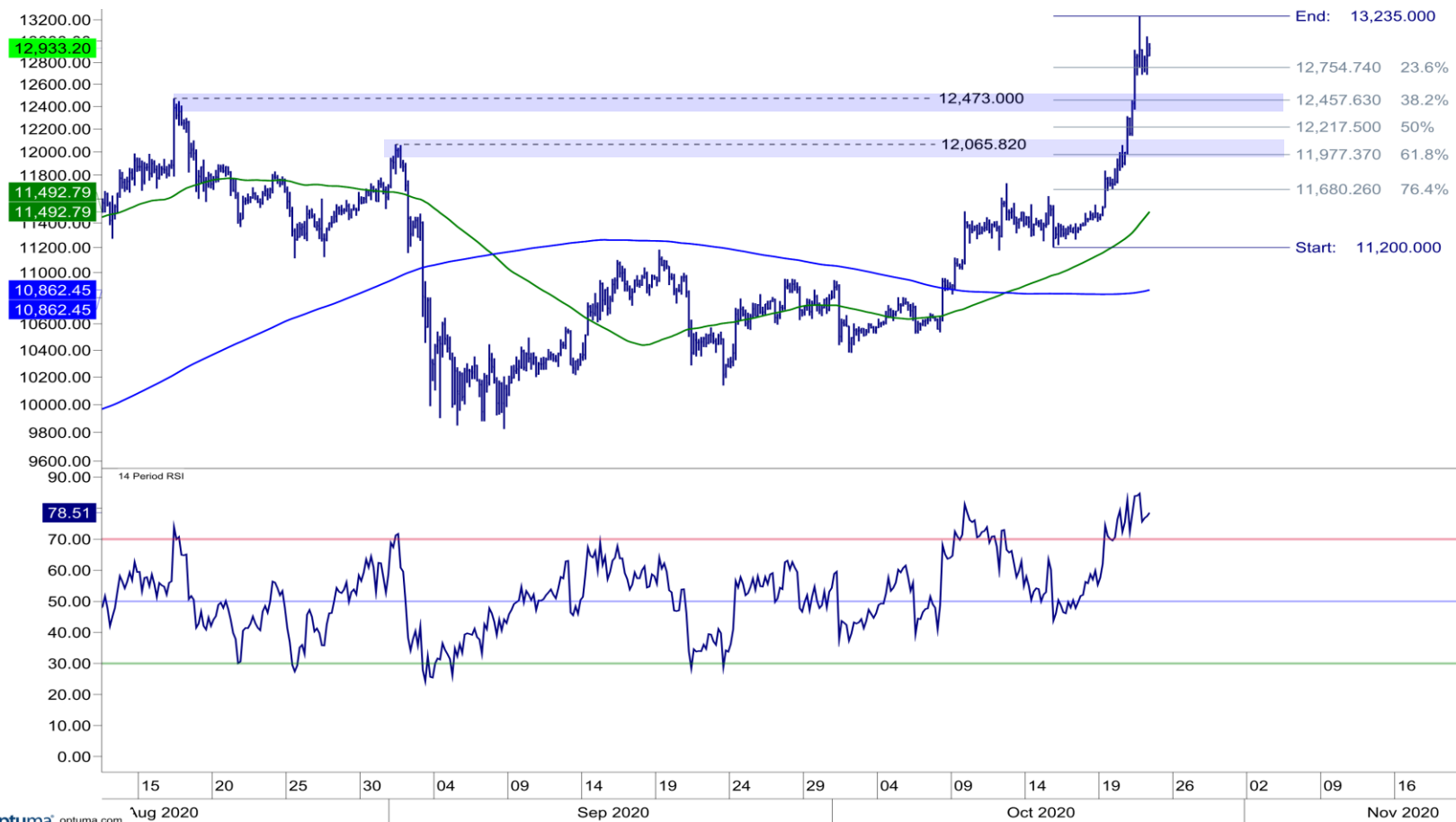
Short-term / daily technical becoming overbought following BTC's break-out from its August-October trading range. Our expectation is pullbacks are likely to be shallow and short lived given the bullish price structure BTC is resolving to the upside



# BTC - 4-hour

BTC is now overbought intra-day/short-term (4-hour).

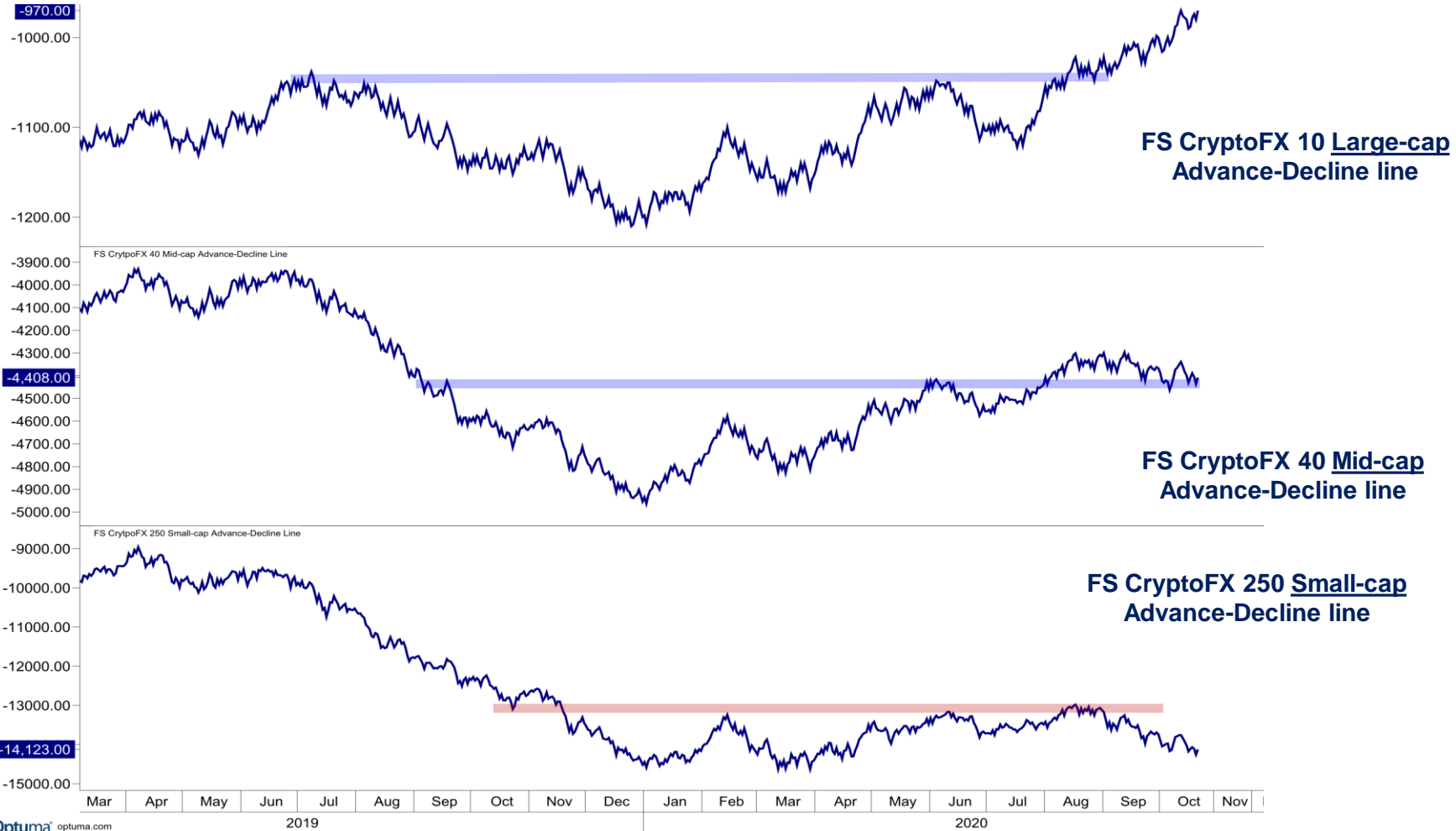
Our expectation is that pullbacks will likely be shallow with support between 12.5K and 12K. Rather than micro manage the trade (selling then buying back) we recommend holding current exposure and using near-term weakness to increase overall portfolio exposure given the bigger emerging trend developing



Optuma optuma.com  
 Source: Fundstrat, Bloomberg, Optuma

# FS CryptoFX Advance-Decline Lines

*Large-cap(FX10) leads while mid-caps (FX 40), and notably small-caps (FX 250), lag*



# Disclosures

This research is for the clients of FSInsight only. FSI Subscription entitles the subscriber to 1 user, research cannot be shared or redistributed. For additional information, please contact your sales representative or FSInsight at fsinsight.com.

## Conflicts of Interest

This research contains the views, opinions and recommendations of FSInsight. At the time of publication of this report, FSInsight does not know of, or have reason to know of any material conflicts of interest.

## General Disclosures

FSInsight is an independent research company and is not a registered investment advisor and is not acting as a broker dealer under any federal or state securities laws.

FSInsight is a member of IRC Securities' Research Prime Services Platform. IRC Securities is a FINRA registered broker-dealer that is focused on supporting the independent research industry. Certain personnel of FSInsight (i.e. Research Analysts) are registered representatives of IRC Securities, a FINRA member firm registered as a broker-dealer with the Securities and Exchange Commission and certain state securities regulators. As registered representatives and independent contractors of IRC Securities, such personnel may receive commissions paid to or shared with IRC Securities for transactions placed by FSInsight clients directly with IRC Securities or with securities firms that may share commissions with IRC Securities in accordance with applicable SEC and FINRA requirements. IRC Securities does not distribute the research of FSInsight, which is available to select institutional clients that have engaged FSInsight.

As registered representatives of IRC Securities our analysts must follow IRC Securities' Written Supervisory Procedures. Notable compliance policies include (1) prohibition of insider trading or the facilitation thereof, (2) maintaining client confidentiality, (3) archival of electronic communications, and (4) appropriate use of electronic communications, amongst other compliance related policies.

FSInsight does not have the same conflicts that traditional sell-side research organizations have because FSInsight (1) does not conduct any investment banking activities, (2) does not manage any investment funds, and (3) our clients are only institutional investors.

This research is for the clients of FSInsight only. Additional information is available upon request. Information has been obtained from sources believed to be reliable, but FSInsight does not warrant its completeness or accuracy except with respect to any disclosures relative to FSInsight and the analyst's involvement (if any) with any of the subject companies of the research. All pricing is as of the market close for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, risk tolerance, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies. The recipient of this report must make its own independent decision regarding any securities or financial instruments mentioned herein. Except in circumstances where FSInsight expressly agrees otherwise in writing, FSInsight is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice, including within the meaning of Section 15B of the Securities Exchange Act of 1934. All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client website, fsinsight.com. Not all research content is redistributed to our clients or made available to third-party aggregators or the media. Please contact your sales representative if you would like to receive any of our research publications.

Copyright © 2020 FSInsight LLC. All rights reserved. No part of this material may be reprinted, sold or redistributed without the prior written consent of FSInsight LLC.