



Harry's Take

September 12, 2023

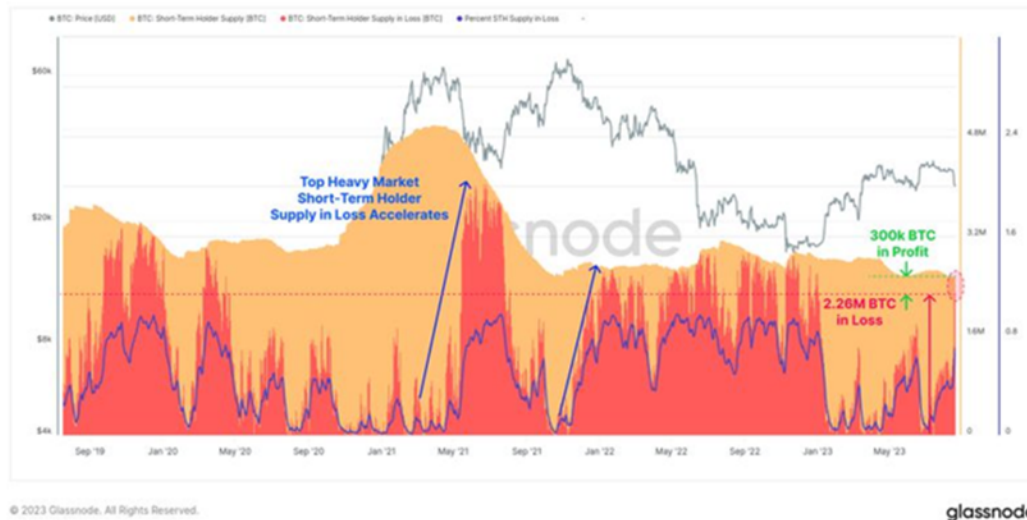
Recent Bitcoin Losses Will Only Increase Selling Pressure

It shouldn't be a surprise that the longer investors experience losses, the more likely they are to sell. The chart below shows a recent spike in investors with losses in Bitcoin who should increase selling pressure if these losses persist.

And recall that I consider Bitcoin a leading indicator for stocks. It represents a new, leading-edge sector of the economy very similar to the dot-com stocks of the late 1990s, led by Amazon. Bitcoin bounced from a first-crash low of 15,599 in late November to as high as 31,814 in early July. Since then, it has fallen, going as low as 25,753 on September 6, recently.

Short-Term Bitcoin Holders Falling into Losses, Creating Selling Ahead

Bitcoin: Short Term Holder Supply Falls Into Loss



Source: <https://www.coindesk.com/markets/2023/08/23/nearly-90-of-bitcoin-short-term-holders-are-underwater-onchain-data-show/>

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The bottom of this chart (in red) shows the rise in investors with losses. The top black line shows Bitcoin prices. The two arrows show the last time that investors falling into losses spiked, in early 2020 and in early 2022 during that first crash. It is a bit hard to see (note red arrow), but recently, investors with losses suddenly spiked to 2.2 million, a pattern similar to past spikes, which have gone as high as 3 million plus.

This spike is a sign that Bitcoin could fall further, and it will be a greater sign if this spike continues higher toward 3 million. Hence, any further weakness in Bitcoin is likely only to create more intense selling pressure...

It's just another brick in the wall for the most-volatile new growth sector in our economy, the sector set to revolutionize financial services and money. The most-compelling crash target is around the 3,253 lows put in during the last crash into December 10, 2018. That's still a long, long way to fall from here... a crash of 88%, to be more precise!

If the Bitcoin crash continues as I expect, it is likely to bottom by mid-2024 or sooner. Bitcoin's bottom is likely to come ahead of the final bottom for stocks, as it tends to be the leading indicator.

Harry

Got a question or comment? You can contact us at info@hsdent.com.