



CryptX Deep Dives — 1/4/26

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Brief:

- ❖ BTC continues its bullish trend toward the 200d moving average.
 - ❖ There's no significant edge in positioning for BTC currently.
 - ❖ Large Speculators are 'max long' S&P 500 Futures
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Bitcoin's Technical Highlights



BTC 1D

Bitcoin is holding after a great week. We are finally starting to see the bullish weekly setup result in bullish price action on the 1d chart. Currently, the CCI has gotten into overextended territory with wide divergence from the 20d moving average. All and all, Bitcoin successfully closed above the 20d moving average which should set up a continued rally to the 200d at roughly 105k. Even in the most bearish market conditions, Bitcoin has historically experienced counter trend rallies to the 200d moving average after steep declines.

Bitcoin Positioning Data



BTC 1W

We index positioning data in the Commitment of Traders Report released by the CFTC. This report breaks futures market participants down into three categories: commercials (red), large speculators (blue), and retail speculators (yellow). When large speculators reach 100, it indicates they are in a 'max long' position and have been consistently buying for weeks. The same is true for the inverse, if large specs are at a reading of 0, it indicates they are in a 'max short' position and have been selling for several weeks.

I use this data to fade large speculators at market extremes. If these large speculators are wrong when they are in a crowded position... then the trend has a better probability of significantly moving in the opposite direction because large speculators are being forced to cover their positions. One of the most famous COT trades came from the Swiss Franc in 2015.



Swiss Franc 2015 1W

In 2015, large speculators relentlessly shorted the Franc for months. For a significant period of time they were profitable trend followers but the trade got crowded. In January 2015, the Swiss National Bank (SNB) unexpectedly abandoned its minimum exchange rate of 1.20 CHF per euro, causing the Swiss franc to surge dramatically (around 15-30%) against the euro and dollar in a single day, creating massive market shockwaves, punishing speculators, and highlighting challenges for Swiss exporters.

Interestingly, there was no long term effect on the price of the Franc. In just a month, the Franc was back to where it was trading before the news...so did the fundamentals matter or was it short term positioning? Regardless, you couldn't have known the Swiss National Bank was going to make that announcement, but COT positioning data could have protected you by avoiding a crowded trade.

Many trend following funds blew up that day because the market gapped up against them. COT may not make you money overtime, but it has protected me from a lot of bad crowded trades over the years.

So how can we apply this data now?

Trend following in noncrowded markets can be a viable strategy especially in commodities. Personally, I like to wait for large speculators to get very crowded in a market and be at a reading of 0 or 100 on the COT oscillator. Then I look for a 'news failure', this means the market closes up on bearish news, or fails to rally on bullish news. You've probably seen this idea in your own trading. Markets bottom on bad news all the time and top on good news. When the news failure is obvious, then it's easy to risk 75bps.

Since you are fighting the majority when fading large speculators, the win percentage for this style is only about 40%. However, the trades that do work average 3:1 return on risk payouts because of the asymmetry within positioning. Once the COT oscillator returns to 50 for large speculators, then the edge in the trade has been realized and we have captured the losses of the majority. The key to the COT strategy is keeping risk per trade very small (0.75% of account value per trade). With only a small amount of winning trades per year, this strategy has the potential to provide noncorrelated returns of about 10-12% per year with less than a 3-4% drawdown. This might not sound like much, but it's a valuable income stream as part of a larger portfolio. Most people are net long things like the stock market or their home so it's worthwhile to have a noncorrelated strategy as part of the portfolio to hedge years in which trend following or being net long underperforms.

Bitcoin Positioning Data



BTC 1w

When looking at the COT oscillator, positioning is neutral for Bitcoin so there isn't much of an edge in terms of large speculators being crowded. In fact, large speculators have been exiting their longs and giving up on the recent uptrend after they bought the dip.

ES Positioning & News Failure



It is rare to see large speculators max long the stock market. Historically it has happened near market tops such as 1999 and 2022. Positioning is not a predictor of direction, it's a predictor of return to risk. So if the trade is going to work...it's probably going to work well. Right now large speculators and retail speculators are 'max long' the S&P and Nasdaq. Therefore the optimal return to risk trade is an ES short.

For me, a news failure event would be the confirmation to enter a short trade with a stop at the recent high. Since liquidity has been driving the bull market, a news failure would likely come in the form of the market selling off in the face of bullish liquidity news like a low CPI print or another rate cut. If the market can't rally on bullish rate cuts and bullish tech earnings, then what's going to take if most of the large specs are already long?

This positioning combined with nearly every major bank predicting a gangbusters 2026, I am cautious about who is left to come in and drive prices higher in the short term. If large speculators are forced to cover longs for some reason, then there's potentially a lot of vulnerability for price to drop rapidly. COT isn't everything, it's certainly not a timing tool or a predictor of direction, but above all, it highlights optimal return to risk setups.

Conclusion

Bitcoin is finally looking strong in the face of a bearish stock market and uncertain geopolitical factors. Hopefully Bitcoin continues to rally to the 200d moving average which it historically does. If not, I can live with being stopped out.

For the first time in a while, positioning data is highlighting a short setup in SPY. I hate shorting the stock market since indices have upward drift over time, but I believe we are getting close to a short setup. I will be looking for a bearish technical setup and a news failure in ES likely based on the market failing to rally on bullish liquidity news. I'm still long BTC from a few weeks ago. Last week, my ZEC short was stopped for a 1% loss.

Current Positions:

- ❖ Long BTC from 92.8k. Stop at 81,000 (75bps risk).

Weekly Report Trade Blotter. Since CryptX Launch:

Market	Ticker	Long/Short	Entry Date	Exit Date	Stop Loss	Entry Price	Exit Price	Loss/Win	Account Risk	Trade % Return	Direction
Japanese Yen	FX	Long	11/25/25	12/2/25	58.21	58.93	58.99	Win	1.00%	0.11%	Bullish
ZCash	ZEC	2x Short	11/25/25	12/1/25	770.00	485.00	337.73	Win	1.00%	0.61%	Bearish
Bitcoin	BTC	8x Long	12/10/25		81,192	92,862.90			0.75%		Bullish
Zcash	ZEC	10x Short	12/14/25	12/27/25	483.00	400	483.00	Loss	1.00%	-1.00%	Bearish
