



## CryptX Deep Dives — 2/1/26

From CJ Reichel

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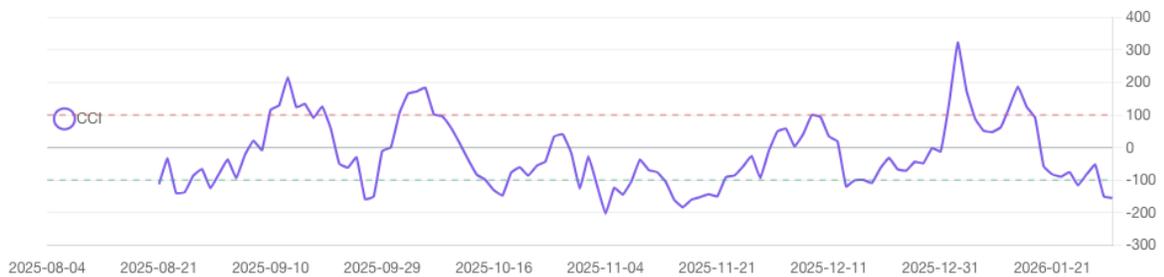
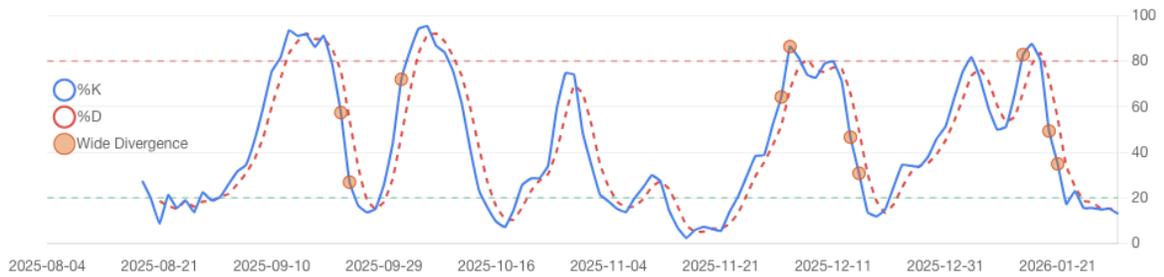
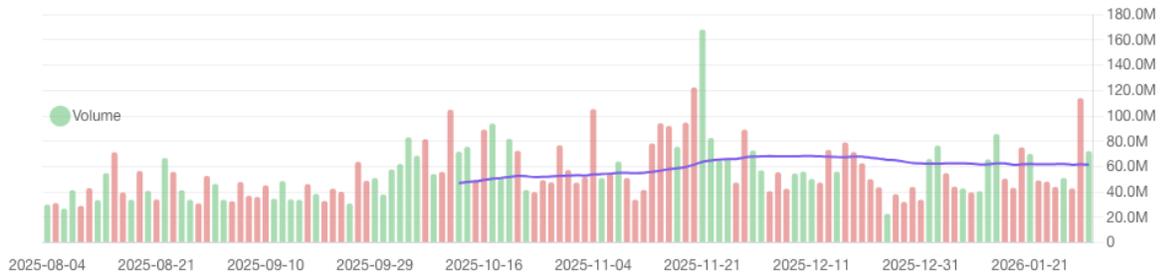
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### Brief:

- ❖ BTC has firmly closed below the 100w and is heading toward the 200w at 57k.
  - ❖ The four year cycle in BTC remains, the market is shifting from complacency into panic.
  - ❖ The Silver and Gold crash has potentially damaging psychological impacts to broader markets. Volatility begets volatility.
  - ❖ Shanghai Silver Futures have opened limit down.
  - ❖ Commercials are net short all four US indices.
  - ❖ Everyone has officially deemed the US Dollar 'dead'.
  - ❖ SPY and QQQ bullish sentiment has reached extreme levels.
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# Bitcoin's Technical Highlights



## BTC 1D - 7pt Trading Algo

After a historic week of price action in several markets, Bitcoin is showing 5 out of 7 bullish signals on the 7pt trading algo. Clearly Bitcoin is oversold, however things can remain overextended in trending markets for significant periods of time....just look at silver. Therefore, I am going to dismiss the 7pt trading checklist in this particular instance since we've transitioned into a trending market. Once the trend re-establishes an environment optimal for mean reversion, the 7pt trading algo will be more relevant in my process.

## Bitcoin's Higher Timeframe: The Bigger Picture



**BTC 1W Chart. 50w SMA (red), 100w SMA (blue), 200w SMA (orange)**

If you've been following our reports, you'll know we've been highlighting the 200w moving average as a long term target for BTC. Bitcoin has firmly broken below the 100w and is now heading toward the 200w moving average at 57k. In 2022, Bitcoin bottomed 17% below its 200w moving average. 17% below the current 200w moving average would be roughly 30k. I don't see this situation as being out of the realm of possibility at all. Every Bitcoin bull market ended with the entire asset class getting completely obliterated. I clearly have a recency bias,

but why would this time be any different? We're still dealing with an incredibly volatile asset class where the price *is* the fundamentals...and the fundamentals impact price in a reflexive feedback loop.



## BTC 1d - Turtle Trader Trend Followers

The Turtle Trading Strategy is a famous trend-following system designed to catch large market moves using Donchian channel breakout rules. It relies on strict discipline: buying 20-55 day highs and selling 10-55 day lows, with strict 1% risk-per-trade management and trailing stops, focusing on trading high-volatility, liquid, and diversified markets.

TradingView has a [turtle trader trend-following indicator](#) which is the basis of most modern CTA trend-following funds. From my perspective, it makes sense to employ a trend following technique to the current market environment. The turtle trading system entered a short last Sunday the 25th with a trailing stop currently at 83k.

## DXY Performance in Midterm Years



### DXY 1w

The US Dollar Index has averaged a 15% rally during the previous three midterm election years. Clearly the DXY had a horrible start to the year. But for the first time, I am beginning to see sentiment potentially bottom. No one seems to have faith in the US Dollar anymore as the crowd is amazed by parabolic moves in gold, silver, and currencies. Interestingly, there was a strong reversal in the DXY at the end of the week following Trump's comments on the new Fed Chair. If positioning becomes more favorable and a technical buy setup emerges, I like the Dollar long idea as one of the more contrarian trades in the market. The short Dollar trade has almost become 'too easy' at this point.

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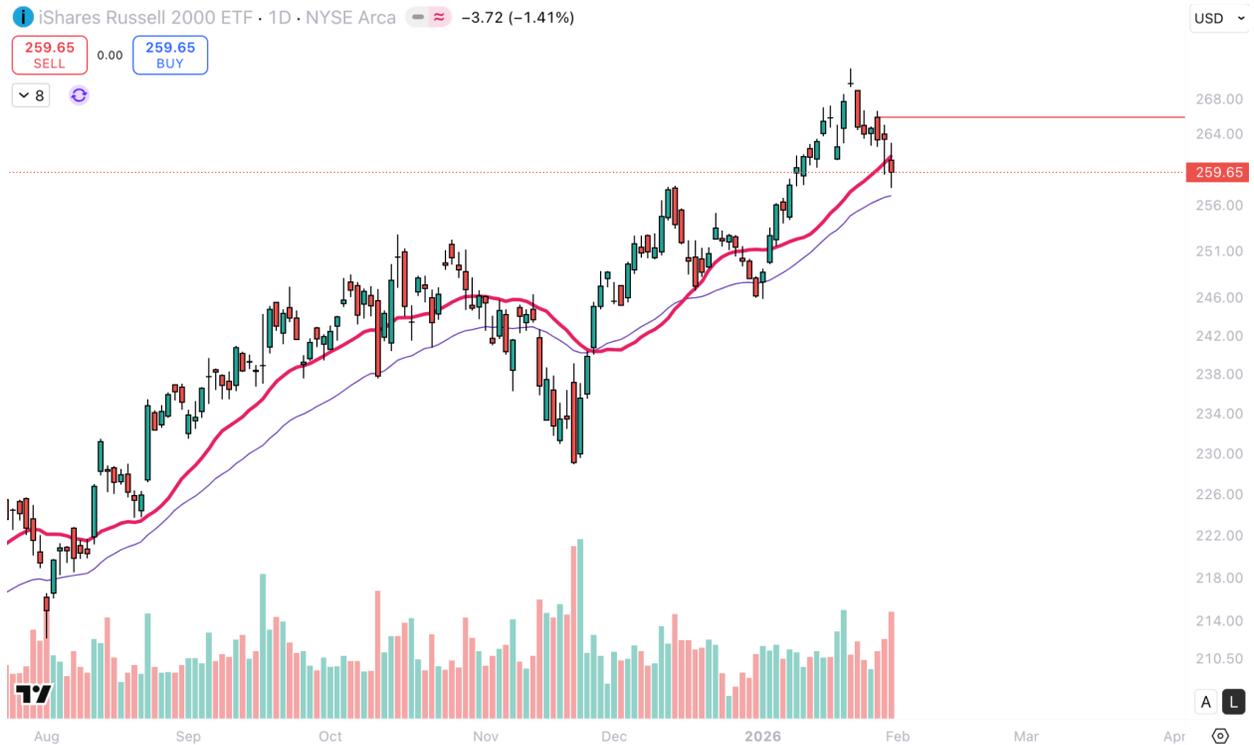
## IWM Positioning and Equity Risk



### IWM 1w

Over the last month and a half, we've seen all the major indices become crowded with large speculator longs. Right now, commercials are net short every US equity index. We determine whether a market is crowded by indexing futures positioning data provided by the CFTC. Currently, the Russell, DJI, and S&P 500 are 'crowded long' with large speculators. Once a market is crowded, I look for a technical reversal to initiate a position opposite of the large speculators. A market can remain crowded for very long periods of time, and it's important to understand positioning is not a predictor of direction, rather it's a predictor of potential return-to-risk. Based on the current positioning data, optimal return-to-risk is pointing to the downside for both the major indices and Bitcoin. None of the positioning data I use is supportive of risk-on trades right now.

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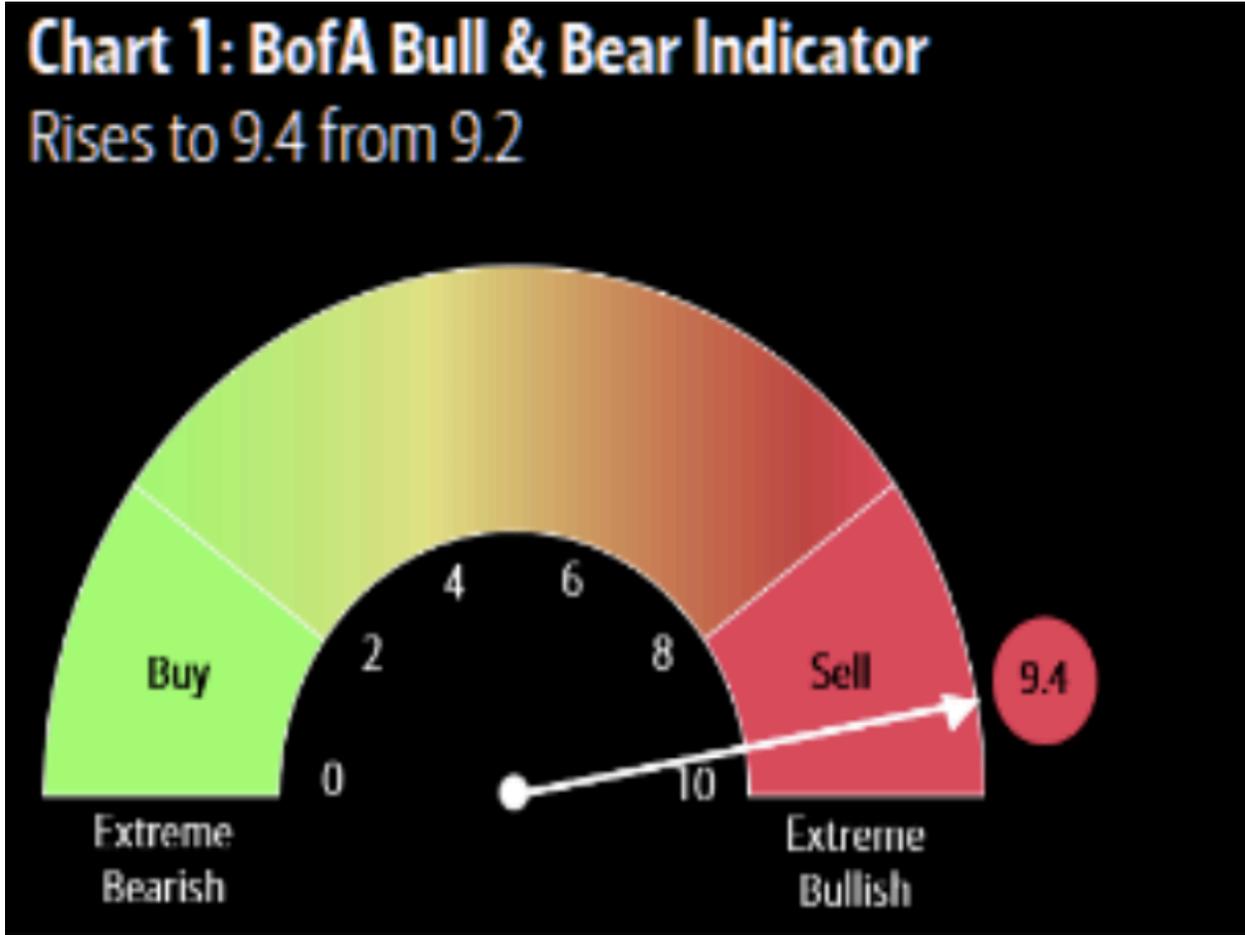
### IWM 1w

I will be shorting Russell 2000 futures with a stop at Wednesday's high risking 75 basis points of account value. Positioning is crowded and price has closed below the 20d SMA. More importantly, I think the crash in Silver and Gold is very psychologically damaging to the market in general. It showed that extremes can overpower the 'always buy the dip' crowd which has become so baked in the last few years. There's an old saying that 'volatility begets volatility' and fear of contamination to the wider stock and bond markets are likely rising. Always assume the tape may know something you don't.

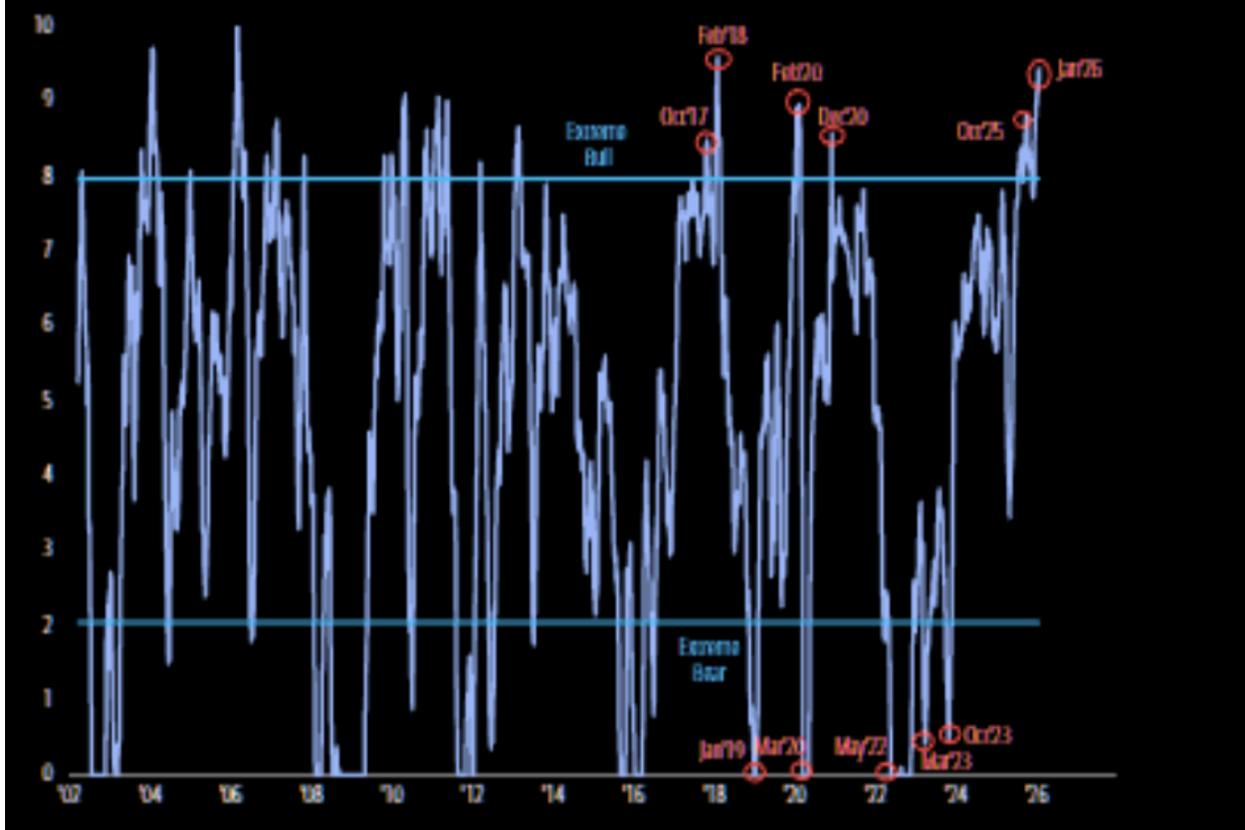
### Conclusion: Bringing it all together

Bitcoin had its best returns following periods of excess liquidity brought on by stimulus as a response to US recessions - A condition which is currently absent from our present environment. Not many people on social media or CNBC have made the base case that a recession will occur this year. All major banks forecast a bullish year for Equities, Silver, Gold, Bitcoin and Copper while being simultaneously bearish on the US Dollar and Crude Oil.

Interestingly, major sentiment indicators are reflecting this view as well.



## BofA Bull & Bear Indicator since 2002



Bullish sentiment on the SPY and Qs are reaching the highest levels in years. Clearly people are anticipating blue skies for the rest of 2026.

Naturally, I want to fade this sentiment. But managing risk and waiting for market confirmation are the only things which matter. Most talking heads have already been wrong on crypto. Tom Lee's Bitmine is now operating with a 6B unrealized loss on its ETH position while Michael Saylor's 54B Bitcoin position currently sits at breakeven. Markets have a way of probing for weaknesses and flushing out these vulnerabilities when markets become crowded. My portfolio remains 95% cash with the remaining 5% being used for tactical trading opportunities in the futures markets. I don't feel comfortable deploying significant amounts of capital during a midterm election year where the average S&P drawdown is 18% since 1926. If this correction occurs and the positioning and technicals become favorable, I will deploy my cash. Until then, I would rather give up any quick profits than potentially losing money entering a crowded market.

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