CryptX Deep Dives — 2/8/26

From CJ Reichel

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Brief:

- BTC has rebounded after crashing to 60k.
- The four year cycle in BTC remains, the market is shifting from anxiety into denial.
- Equity indices have bounced from support while the dow reached new highs.
- SPY and QQQ bullish sentiment has reached extreme levels.

Bitcoin’s Technical Highlights

BTC 1D - 7pt Trading Algo

After a historic week of price action in several markets, IBIT is showing 6 out of 7 bullish signals on the 7pt trading algo. Clearly Bitcoin is oversold, but I am starting to like crypto a lot more than I did a month ago. Bear markets are great because they cleanse the space of grifters, memecoin pump and dumpers and overall bad actors trying to take advantage of the retail trader for a quick buck. Unfortunately, all of these aspects will return if a new bull market comes back. For now, we can enjoy constructive discourse aside from which new coin is the hottest and focus on core aspects of the industry such as Bitcoin and quality companies in the crypto ecosystem.

When looking at the technicals, Bitcoin was absolutely annihilated last week. Without a doubt it was one of the worst single day crashes in recent memory. Now the price has bounced back after massive liquidations and is back above 70k. A key theme of today's report will be the idea that many crypto companies such as COIN, HOOD, and MSTR are at critical support and showing 6/7 bullish checkpoints on the seven point trading algorithm. Many people have given up on Bitcoin and have accepted the four year cycle viewpoint. Perhaps this is when the counter trend rally occurs just to sucker them back into the market before creating a macro lower high and subsequent crash to 37k.

Bitcoin's Higher Timeframe: The Bigger Picture

BTC 1W Chart. 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. Last week, Bitcoin nearly reached the 200w moving average. This is a great sign that Bitcoin might be closer to a macro bottom than initially thought. However, Bitcoin is still very early in terms of its historic bear market cycles. My final target for BTC is 37k. We might not reach that level, but I still think there are some reasons we could trend lower longer term.

First and foremost, midterm elections could bring volatility into the market later in the year. We know from a historical context that the party which controls the presidency, senate, and house has never won the midterms during its second term in all of American history, but perhaps Trump pulls it off. Either way, the only reason I mention politics is because Trump has been bullish for the market because he is a proponent of lower rates and excess liquidity. If he loses influence, the market may not like that.

Additionally, crude oil has been spiking in recent weeks. If this trend continues with potential escalations in Iran, crude could break out from 60 to 90 in a few months. This is the biggest risk to the broader macro market in my opinion. We know crude oil is the most important metric when measuring inflation. We also know that inflation cycles are projected to increase in 2026 based on Larry Williams cycle analysis. This might not happen, but a rise in crude oil and inflation will likely make it difficult for risk assets to rally similar to conditions in 2022. Perhaps I am suffering from recency bias because 2022 was brutal for risk assets, but nevertheless crude is something to watch for as the single greatest risk for equity markets. I also took a small position in $USO (United States Oil Fund) as a small hedge in case Iran tensions escalate.

HOOD 1D

HOOD and COIN have both reached 6/7 bullish checkpoints on the 7pt trading algorithm. I'm hesitant to be long here, but at the very least I'm not going to be short and sell into the hole.

Conclusion: Bringing it all together

Bitcoin was annihilated last week and many crypto natives have now accepted the four year cycle view point. Perhaps this is when the counter trend rally occurs now that the majority have lost hope. Either way, I am remaining patient for the time being and prioritizing observation over action.

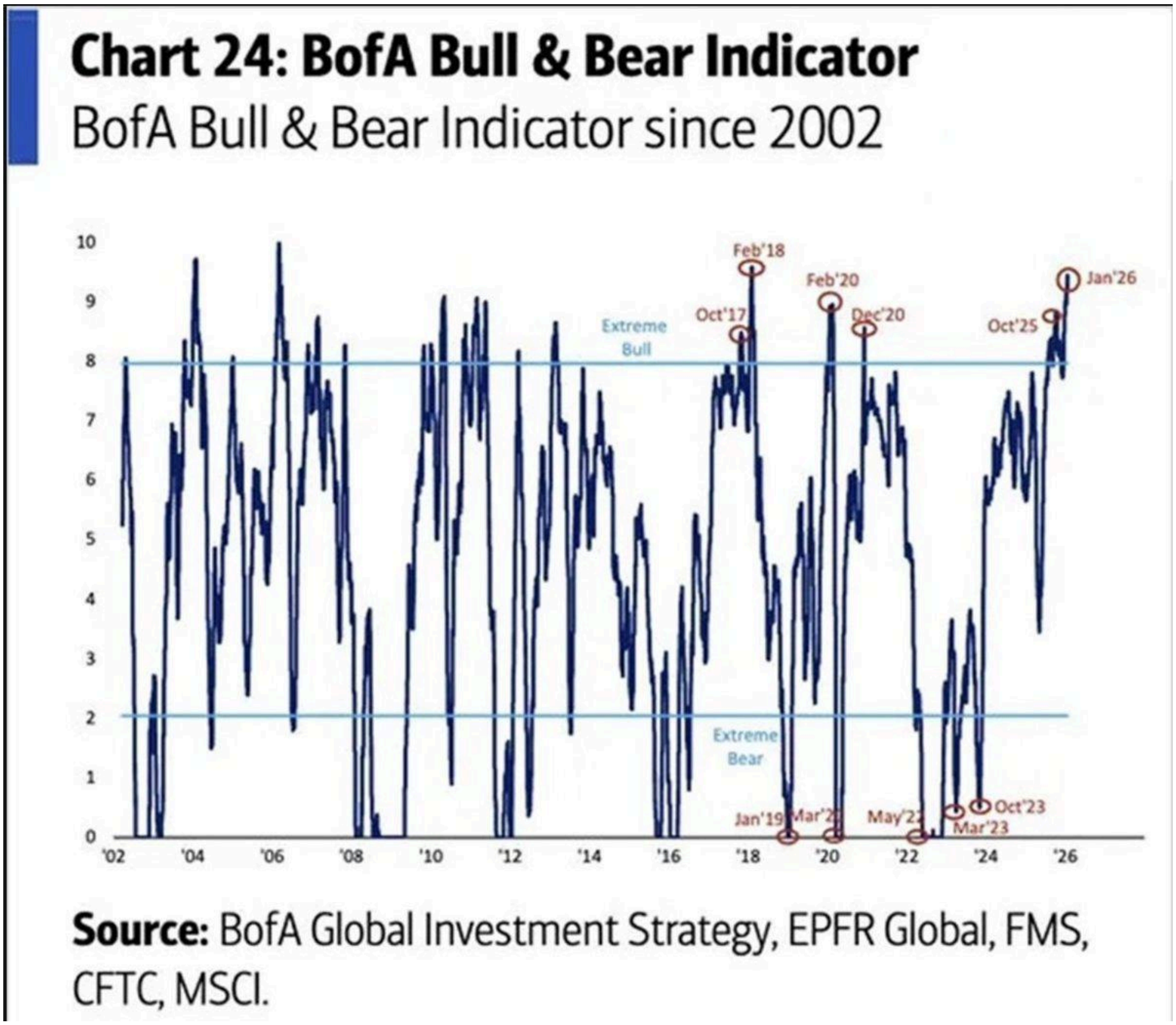

Chart 24: BofA Bull & Bear Indicator
BofA Bull & Bear Indicator since 2002

Source: BofA Global Investment Strategy, EPFR Global, FMS, CFTC, MSCI.

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. Bank of America's Bull & Bear Indicator is up to 9.4 points, the highest since February 2018. This measures equity and bond flows, hedge fund and fund manager positioning, and market breadth. The gauge is now at its 4th-highest level in 24 years, signaling extremely positive market sentiment. This comes as 5 out of 6 indicator components show bullish and very bullish sentiment, with only bond flows at neutral. The most recent increase has been driven by rising global stock market breadth and fund manager cash at a record low of 3.2%. Investor demand for equities is exceptionally strong. But I wonder how long this can be sustained without some kind of return to equilibrium.

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 and everyone is bullish. If this correction occurs and the positioning and technicals become favorable, I will deploy my cash. Until then, I would rather miss quick profits than potentially losing money entering an overly bullish market. I understand I will probably give up profits with this approach, but I can’t enter and manage risk properly if I am on the side of the majority. I'm not trying to have my best year in 2026, I'm trying to compound wealth overtime, survive, and play the long game.

(chat gpt and ai were not used in this report)