CryptX Deep Dives — 2/22/26

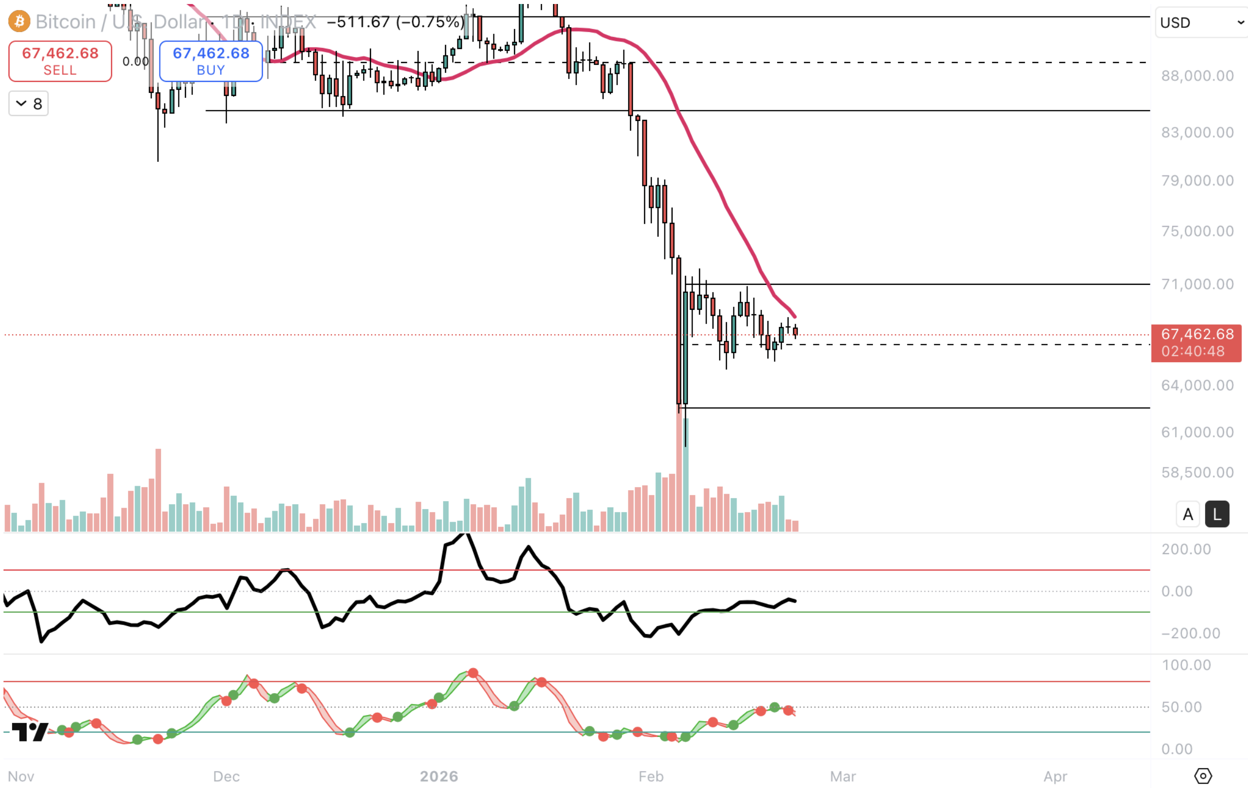
From CJ Reichel

Contents:

Brief:

- BTC continues to chop with low volatility.
- Based on historic midterm year performance, stocks may hold their ground until a local top in late April. Positioning is becoming more neutral.
- The DXY monthly chart is lining up on the 7pt trading checklist.
- Dollar shorts have reached a 14-year extreme.

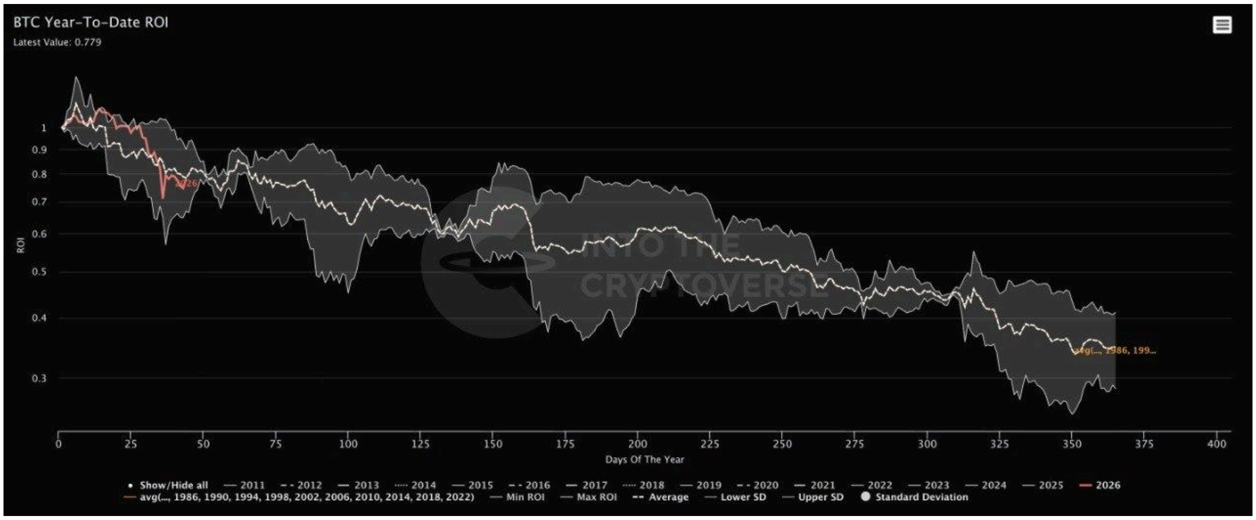
Bitcoin's Technical Highlights



BTC 1D - 7pt Trading Checklist

It's hard to get a read on Bitcoin here. Price continues to trade in a tight range. One of Livermore's principles was to only trade stocks which are exhibiting clear directional movement. Bitcoin does not meet this principle. Based on my process, there's not much for me to do with the current setup other than wait.

Bitcoin’s Higher Timeframe: The Bigger Picture in 2026

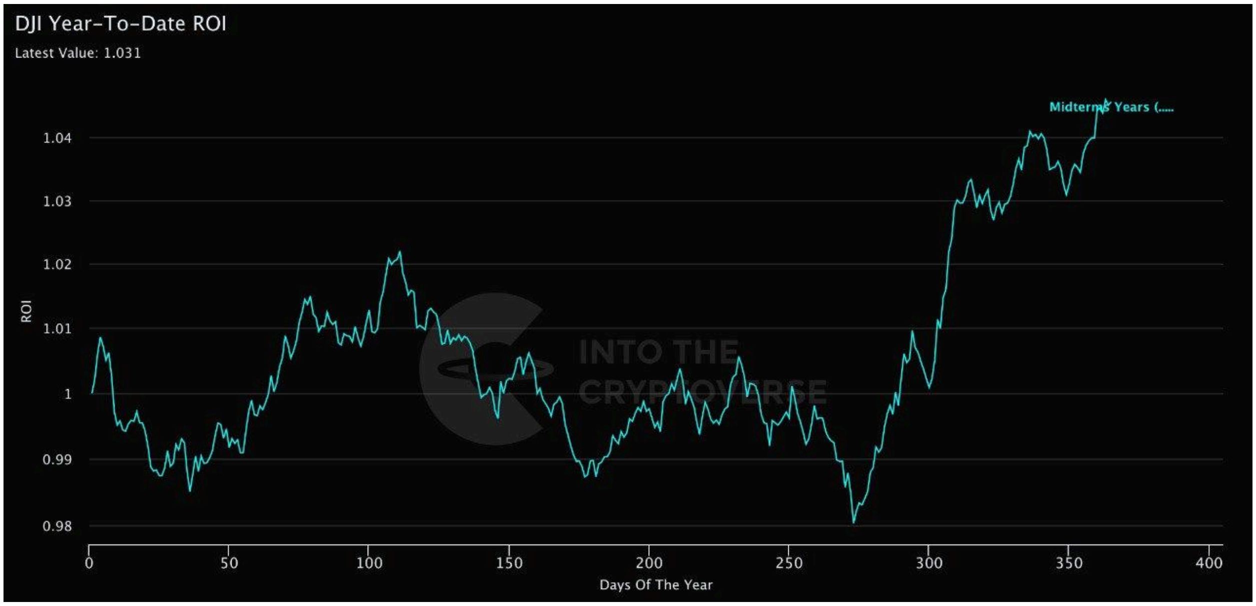


BTC (Red) vs. Average Performance in Midterm Years

We know the midterm years are when every Bitcoin bear market has occurred. On average, BTC doesn’t bottom until Q4 of the midterm election year. So my long term plan with BTC remains to wait until October so the cycle can conclude in risk assets.

Notable Stocks

If Bitcoin is underperforming, where can we find a different bull market?



DJI Average YTD Return During Midterm Years Since 1925

We know the midterm years are usually bullish until late April. So perhaps stocks can continue to hold their ground until then. We are already starting to see a broadening out in the overall market which is typical before the average local top in the first half of midterm years. If this cyclical history repeats, I want to limit exposure until October where stocks historically perform their best.

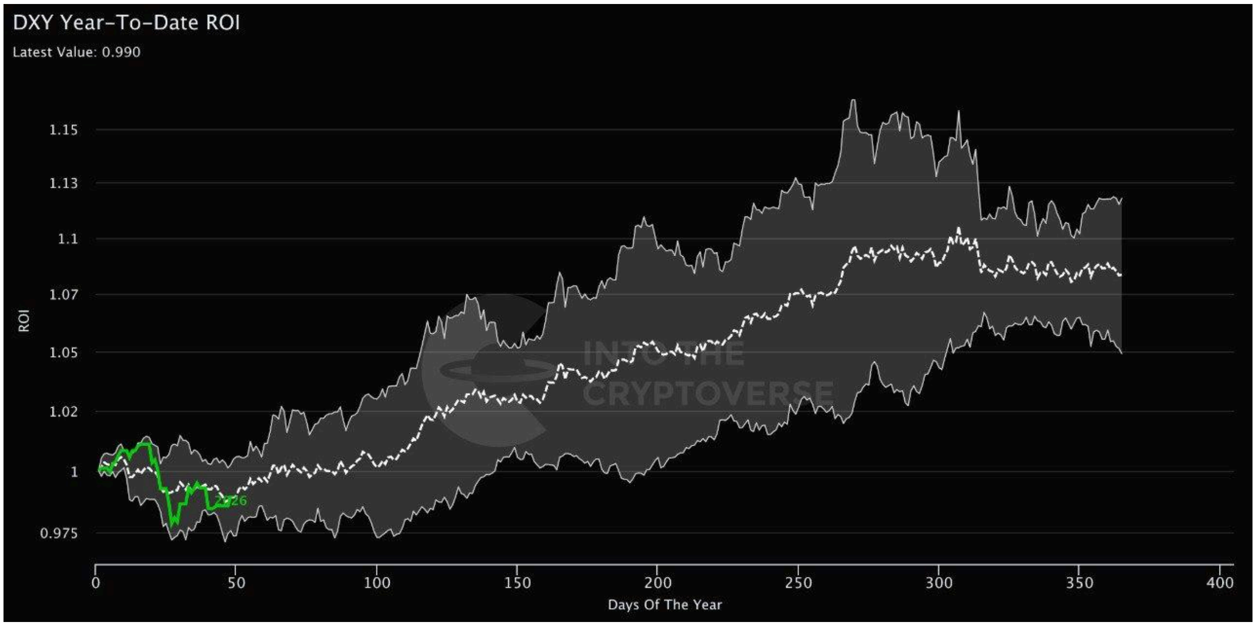
Riot Platforms - Fundamental Story

If we are looking for assets which might perform well into Q4, I would continue on the theme of AI, energy, and infrastructure. In our webinars, we've discussed ETFs such as LIT, URA, BOTZ, EWZ and AIQ. When it comes to individual names, RIOT stands out.

RIOT has outperformed Bitcoin since it announced its diversification away from the crypto industry. When BTC is in a reflexive bear market, it's very difficult to run a mining business on an industrial scale. Fortunately, for miners like CIFR, IREN, and now RIOT - they used their existing hardware assets to pivot into becoming a provider of power for AI datacenters.

When CIFR and IREN initially announced this pivot, their stocks rallied over 10x from the April lows. I don't think RIOT will rally that much, but the market seems to be repricing its new potential of an AI data center provider instead of merely a Bitcoin mining operation.

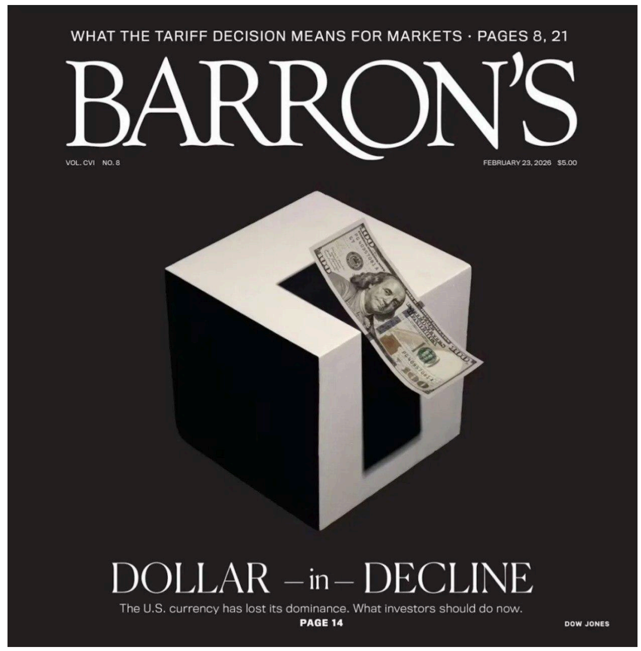
DXY YTD ROI Compared to the Average of 3 Prior Midterm Years:
With 1 Standard Deviation



While Bitcoin has suffered in midterm years, the US Dollar has averaged a 10-15% 1y return. Very impressive for a currency considering the limited downside risk of 3%. If Bitcoin is going to suffer in the midterm years, then I want to own UUP (Bullish DXY ETF) until this cyclical pattern resolves.

Feb 7th 2026

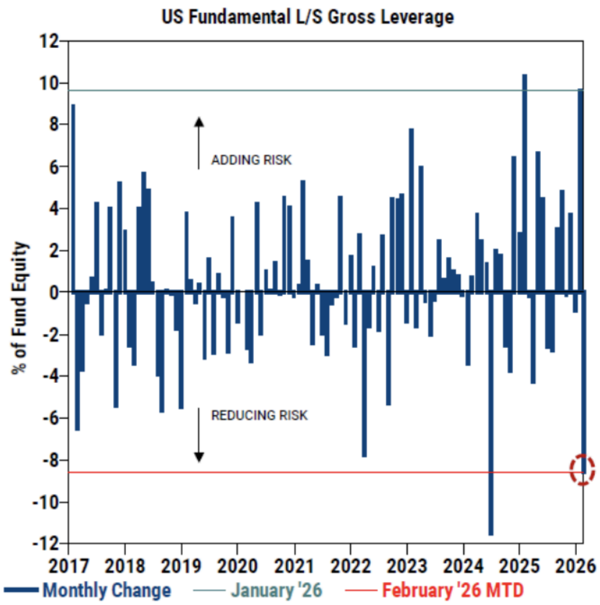
The dangerous dollar

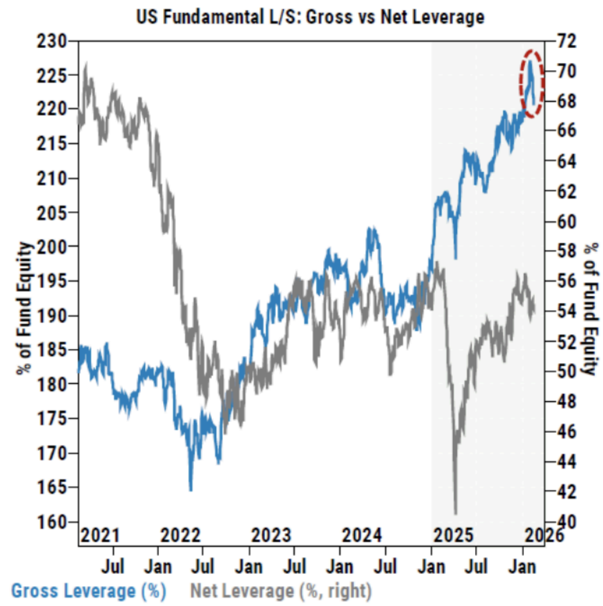


DXY: The Contrarian View

The US Dollar seems to be the most hated macro asset in the market. The DXY made a local low in late January, about a week before the Economist published “The Dangerous Dollar”. The economist has a decent track record when it comes to being a counter indicator. In a sample of covers from 1998–2016, analysts found that after 12 months the cover was contrarian 70% of the time. Why is this the case?

The idea is that by the time a macro narrative becomes cover-worthy, positioning is often crowded. Sentiment isn’t the only thing. Let’s look at positioning and technical analysis.





Dollar Shorts Reach 14-Year Extreme

Dollar positioning turned the most negative in over 14 years in February, according to Bank of America's latest FX and rates sentiment survey. Short bets against the dollar are now at their highest since January 2012; the earliest data point available.

Additionally, COT positioning has become very crowded in the Euro, Pound, Canadian Dollar and Aussie Dollar - some of the main components of the Dollar Currency Index.

DXY Monthly Chart

Analyzing the Dollar's Macro Trend

When looking at the monthly chart of the DXY, we see a bullish harami candle pattern forming at the bottom of a year long downtrend. We also have our oscillators turning up, price bouncing from critical support with a wide divergence from the 20M SMA and upside gaps.

When looking at the 2018 midterm cycle, the dollar bottomed in February 2018 after a year long downtrend. Now we find ourselves in the same cyclical circumstances under the same political administration.

Conclusion: Bringing it all together

Bitcoin continues to be a nothing burger with low volatility and no clear directional movement (other than down). US equity indices have been showing signs of distribution but have not yet broken the trend. Based on historic midterm performance, stocks may hold their ground until a local top in late April. I would be looking to cut exposure gradually as we approach April 20th. This is when the Dollar should begin to outperform and generally do well until Q4. I look at three things when making macro trades:

-Technical Analysis

-Positioning (is the trade crowded?)

-Sentiment

All three of these metrics seem to be lining up well for the DXY and I can't ignore the setup. Even if this trade doesn't work, the setup is optimal and it's checking the boxes/data points I need in order for my process to work. Overall, I'm looking to buy hated assets and sell loved assets when the trend shows initial signs of reversion.

Looking ahead to next week, we have NVDA earnings and a potential conflict in Iran starting now that the Olympics are over.
