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Bitcoin and Ethereum
6 Month Outlook

Trading like currencies and influenced by currencies

The more mysterious nature of crypto prior to 2021 left most people trying to evaluate the worth of each cryptocurrency, most people randomly throwing out numbers without any true basis for the forecast.

During the last five months, there have been some brief, strong, short-term correlations between Bitcoin and both The U.S. Dollar and Ethereum. As of the last month, more consistent correlations took place between these assets, in both daily charts and weekly charts. During this last two weeks, I had several "aha moments" when particular technical analytic events took place that I believe are now signaling a shift in crypto away from an independent asset.

One of the most relevant influences was the strengthening of the U.S. Dollar against the Euro on November 10th in the decline through the 1.1495 ongoing critical monthly close in EUR/USD. This monthly close has been a designated "line in the sand" for our long-term bullish view for EUR/USD]. On the day the decline took place, a huge outside reversal day took place from the new long-term high. This simplistic bar chart event reinforced the four other proactive signals in our model and therefore I knew that a shift in correlations was taking place. No longer was crypto an independent store of value… it was officially correlated to currencies in my technical analytic work.

In this article, I will focus on my forecasts for Bitcoin and Ethereum against both the U.S. Dollar and against themselves. In my previous analyses of Bitcoin of the previous three years, I stressed the insufficient data available in this relatively new asset to accurately assess medium-term and long-term outlooks. The recent outlooks were relatively short-term [less than three months]. The data that I consider reliable is now five years deep, and therefore has reached that level of longer-term analytic capability.

BTC/USD [2017 – 2021]

The extreme conditions in BTC/USD at the April 2021 high and its resulting clear head and shoulders top was a simplistic yet effective analysis of the forecast decline back to 30,300 which was forecast for June 2021. Since then, multiple indicators which I have used in my models for the last 30 years began to conform to patterns of other assets. It was last week that a convergence of these indicators took place and sent the first technical signal on both daily and weekly charts that was similar to the signals from other assets.

We are forecasting a strong 20% decline from the recent highs to 53125 through November 2021 in a bearish short-term outlook [53,125 – 66,355]. We are forecasting a subsequent rally to retest 66355 in early January 2022 in a broad and less volatile short-term outlook. We are forecasting a subsequent rally to 70,850 through early February 2022 in a broader, volatile medium-term outlook into April 2022 [49,390 – 72,660]. Only a monthly close above 69355 (commencing a rally to 86115 weak long-term resistance over two months) or a monthly close back below 43,745 (terminating the forecast medium-term rally to 70,850 and resulting in a retest of 32,225 over a month) would alter the forecast bullish 6-month outlook into the second quarter of 2022.

ETH/USD [2017 – 2021]

ETH/USD has become increasingly divergent over the last four weeks and bullish momentum continues to wane. The short-term and medium-term technical aspects continue to deteriorate similar to the decline in May 2021.

We are forecasting a strong 20% decline from the 4868 recent high to 3855 strong short-term support into December 2021 in a bearish short-term outlook [3855 - 4770] into late December 2021. We are forecasting a subsequent rally to retest 4770 into the middle of January 2022 in the same broad and less volatile short-term outlook. We are forecasting a subsequent rally to 5290 weak long-term resistance through early February 2022 in a broader, volatile medium-term outlook into April 2022 [3855 - 5665]. Only a monthly close above 5290 (commencing a rally to 6380 weak long-term resistance over two months) or a monthly close back below 3855 (resulting in a deeper corrective decline to the 2651 weak medium-term support over a month) would alter the bullish 6-month outlook into the second quarter of 2022.

ETH/BTC [2017 – 2021]

Due to the fact that I have been trading currencies for over 40 years, I am always looking at the relationships of all currency pairs, not just those against the U.S. Dollar. Since Bitcoin and Ethereum are becoming the two most traded and valuable crypto assets, it is natural to focus on the relationship between the two in order to maximize long-term returns within the asset class. Although we are dealing with extreme fractions by presenting the data as ETH/BTC, we prefer this representation.

We are forecasting a continuation of a broad and choppy medium-term consolidation through January 2022 [.0610 - .0735], before a subsequent increase in value of Ethereum over Bitcoin through the .0795 critical monthly close to .0859 strong long-term resistance through February 2022. We are forecasting a further increase of ETH/BTC to .1009 through April 2022 in a 30% increase in value of Ethereum over Bitcoin over the next six months. Only a monthly close back below .0591 (neutralizing the improving neutral/bullish medium-term technical attributes and yielding a retest of .0506 weak medium-term support over a month) or a monthly close above .0824 (further confirming the rally in ETH/BTC to .1009) would alter the outlook through May 2022.

Summary

November 2021 marked the transition of crypto from an independent asset class to a more mainstream asset class that is influenced by other global assets, in particular currencies. Since crypto in general quoted in a pair of value with the U.S. Dollar, it is only natural, but did not have the necessary technical analytic correlations for a confirmation of that fact.

In reality, Bitcoin is becoming the Euro of crytpo, the largest and most traded in the asset class. I believe that, over time, Ethereum will become the Swiss Franc of crypto assets, being the crypto to watch for proactive signals in the direction of the whole crypto class.

Good luck and good trading!

ABOUT THE AUTHOR

Keith Raphael, President of Crosscurrents Investment Advisory, created Crosscurrents in 1993 to satisfy the currency risk management needs of the diverse investment community. Until October of 1993, he served as Vice-President and Chief Technical Market Analyst at Chase Manhattan Bank in New York City. His customer base was comprised of the top corporations, fund managers, investment banks, and spot traders of the world. Surveys by Greenwich Associates and Euromoney, consisting of 400 corporations and investment banks worldwide, ranked his Chart Service number one in 1992 and 1993.

Keith has been seen on CNBC, has reported in the New York Times and Wall Street Journal, and travelled extensively over the last 20 years on speaking tours to financial institutions and central banks.

METHODOLOGY

Crosscurrents Investments has been in the forefront of innovation of methodology for over 30 years. Keith Raphael has developed and lectured on the “Portfolio Approach” to Technical Analysis. This original school of thought is based on a hierarchical weighting of 13 indicators; 8 derived from standard indicators, and 5 proprietary indicators.

The indicators are given a variable weighting and a fixed weighting. The fixed weighting is set in regular re-evaluations and the variable weighting follows individual formulas which allow the system to adapt and self-adjust.

The result is a set of numbers which identify direction and strength of price movement, and can be applied to virtually all freely traded markets.