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Is Bitcoin Showing Consistent Bullish Signals?

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Bitcoin made a reputation for itself as the most important cryptocurrency in the world, boasting the highest market capitalization level and consistently remaining the top choice among traders. The beginning of 2024 was set to be the start of one of the best years in the history of BTC, but since Q2, the coin has been unable to hold momentum and has plunged to new low levels. Investors who have been looking to **buy Bitcoin** made the most out of the price plunges, looking to add assets to their portfolios in order to consolidate them. And while there's no denying the fact that prices have not been performing as well as some were expecting, there's also no denying the fact that corrections are nowhere near as severe as they used to be.

But the question remains: How can investors expect the market to evolve over the next few months? Having a rough idea about how the ecosystem will continue to evolve is crucial in order to come up with a comprehensive strategy that can take your investments forward and allow you to maximize your gains.

Network difficulty

August has historically not been a very good time for cryptocurrencies, with metrics amassed over the years showing that cryptocurrencies tend to lose value during the last month of summer. The first day of August recorded the lowest levels in several weeks, a movement attributed to decreasing optimism. The distribution of almost 50,000 BTC from a now-defunct exchange, as well as lowered expectations regarding US interest rate cuts. Most investors believed that there was a possibility for Bitcoin to retest the \$57K level, a prediction that ended up being too optimistic as August 5th saw the market plunging to \$52,838 as part of its corrective actions. In spite of these signs that could be interpreted as clear downgrades and a problem for the market, many traders are confident that this tendency won't last very long, especially as derivatives remain resilient and there are no signs of stress on the market.

Investor strategies

Even though Bitcoin is considerably more robust than it used to be and has already been around for several years now, investors must still create complex strategies to keep their portfolios profitable. There are several factors that have the potential to impact the market's movements, and they can even significantly affect the price action in both the short- and the long-term. Macroeconomics is one of the most essential factors for the crypto marketplace, apart from the supply and demand metrics. On July 31st, the US Federal Open Market Committee announced its decision to keep interest rates at 5.25%, an unchanged figure that is also in line with general market expectations.

The reasons cited were the growth of gross domestic product levels and the confidence in the rate of inflation reduction. There's a possibility that a rate cut could take place in September, which could support the market even further. As a result of this news, investors immediately increased their bets in the United States Treasury, actions that caused the five-year yield to reach its lowest level in half a year. Analysts see this as a result of the challenging geopolitical situation affecting many parts of the world. There are also market participants who are convinced that the US economy is set to enter a period of recession.

Jobless claims climbed to an eleven-month high while construction spending, an economic indicator measuring the monthly expenditures that go into new construction work, including labor, engineering, and materials, continued to decline for two consecutive months. The quarterly results of major tech giants will also influence marketplaces and determine price evolution for the next few months. The transfer of roughly \$3 billion worth of crypto on July 30th from an exchange that ceased all operations a decade ago has been good news for the investors who have been waiting for the payout for ten years, but others are concerned that it will bring price levels even lower.

Options and futures

The Bitcoin derivatives metric is also fundamental when it comes to understanding the impact of the retest and the strength of the \$62,000 support level. The monthly futures have been performing very well, with the prices displaying levels between 5% and 10% relative to the regular spot exchanges to adjust to the more extensive settlement period. The futures premium plunged 7% on the first day of August, reaching the lowest level in the span of three weeks but remaining in the neutral range nonetheless, an essential consideration for investors. As such, although users became less optimistic about the market's prospects, it would be inaccurate to say that they have become bearish.

One way to determine if the sentiment is only related to the futures markets is to analyze the 25% delta skew of the options. This figure demonstrates the difference between implied volatility and general perception. It helps investors by offering measurements about the relative demand for sell and buy options, also known as put and call. When there's a negative skew, the demand is higher, with the neutral markets being anywhere between -7% to +7% delta skew, showcasing balanced pricing between the instruments. As of the first week of August, the 25% delta skew of Bitcoin stands at -5%, meaning that the sale is dealing with a slight discount, a key indicator of neutral marketplaces.

This figure has remained the same since the end of July, showing that the sentiment on derivatives hasn't changed. Although the intraday decline shouldn't be ignored, more investors appear confident that more intense price corrections will not likely occur soon.

Conclusion

If you're an investor, you want to do everything you can to remain profitable and ensure that you're not losing capital. During times of market volatility, with prices continuing to drop, you need to remember that holding on to your assets or consolidating through buying are the best game plans. Don't make rash decisions; they're more likely to result in capital losses than gains. Although the Bitcoin market is the most reliable in the entire crypto environment, fluctuations can still affect your list of holdings and take you away from your goal. The most important thing when operating in this market is to have a solid plan since that will take you further than anything else.

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