Twitter Thread by kain.eth



kain.eth
@kaiynne



For those who were trading in 2017 or earlier bull markets this may be obvious, but these kinds of corrections are typically driven by overleveraged longs, not whales dumping on you. That hasn't started yet. Let me break down why it happens and why it is worse on the weekends.

I should probably have data to back this up, but I haven't kept up to date with the latest trading data so much of this is based on intuition and experience trading through 2016-2018. If you have data that invalidates this please provide it, happy to be wrong here!

Firstly in an early bull market you have some OG holders taking profit around previous ATH, they have "learned their lesson" and are trying to not get rekt like last time. Once they finish taking some profits or hedging they are riding this up to multiples of previous ATH.

For example I sold around 5-10% of my ETH into stables between $500-$1200, over $1,200 you would need to claw it out of my cold dead hands before we hit $3k. If we don't get there this cycle (we will) then I will just keep holding. I know a lot of people who did the same.

The problem with this is that the new money coming in and pushing the price up is highly leveraged, and the people with the most conviction are mainly holding and so while they might buy some dips they probably don't have the dry powder to soak up huge liquidated positions.

That is why you get these very sharp corrections in a bull market, it is not people who held for years suddenly capitulating in a directional bull market, it is just longs being liquidated or delevered.

The most interesting thing about this BTC movement is that it appears to have been kicked off by institutional buying. If that is true what we can guess is they are not buying with leverage, and they are convicted enough they are not unwinding a position based on a -5% move.

That is why all of these deleveraging events keep getting bought up, but @fintechfrank is right, tomorrow (if we don't bounce by then) will be a big test of that theory. If this dip is bought up Monday morning US time that would be strong evidence in favour.

Many of you remember this gem of a tweet: https://t.co/wpKpYWxlBp the question is why was I so wrong? Mainly because I kind of gave up on the institutions are coming narrative in 2018.

> There is a very real chance that BTC barely moves as this bull market plays out. The days of BTC as on-ramp to crypto are over, it\u2019s being bypassed almost completely as new money comes in primarily via stablecoins.
>
> — kain.eth (@kaiynne) August 30, 2020

If institutions have actually arrived, we should see lower volatility during weekdays and high volatility on the weekends which over the last few weeks has started to become a pattern.

There is also a chance there is some unexplained magical process going on that lags the halvening by like six months that causes BTC to rally massively. I was never 100% convinced of this, but I mean three times now…

I'm confident the DeFi rally of summer 2020 would have picked up steam again this year without a massive BTC rally adding tailwinds, but this is obviously hugely helpful to both ETH and DeFi generally.

The key takeaway here is that if you are a new entrant to the market or you have been here for a while don't be spooked by a -10% daily candle. While we all carry a little PTSD from late the 2018 capitulation it is important not to overreact to intraday moves, or even intraweek.

Make sure you are neither over-leveraged or over-exposed so you can comfortably ride out a few volatile days!