



TECHNICAL ANALYSIS – 32nd Edition

Bear Trap or Bull Trap

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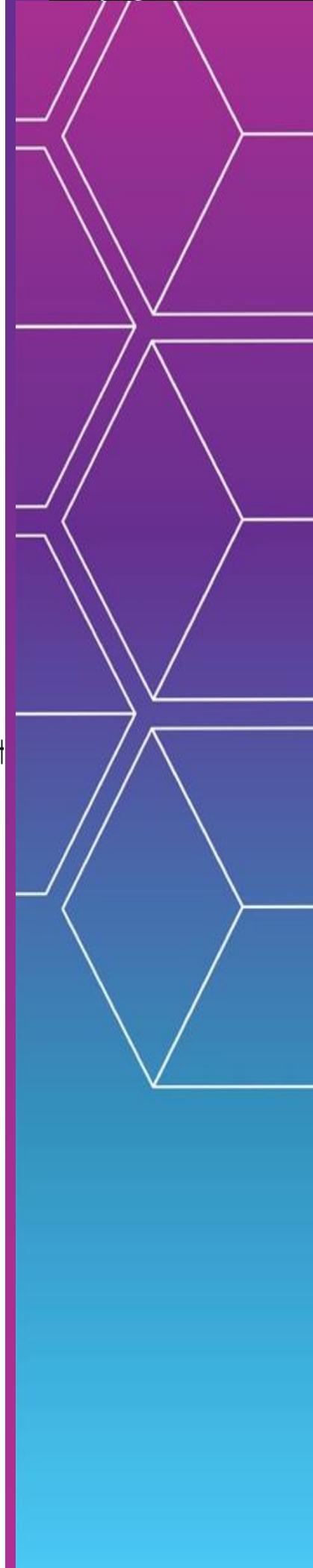


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Market Overview

January has proved to be a bullish month, and mostly everything, be it stocks, cryptocurrency, gold, etc., has performed well. It must be noted that gold has given close to 7% returns since the beginning of 2023. In an environment where rate hikes are prevailing by the central banks and markets are trending upwards, something is off.

Recently, the Fed has raised the interest rates by another 25 bps, which hasn't impacted the market. This might have been taken as good news by some market participants as the rate hike has slowed down. But still, this interest rate is high for the markets to adapt too quickly.

We are seeing a good accumulation going on in precious metals and the recession news is increasing rapidly.

It will be tough for the markets to sustain this rally for very long, and the uptrend must end. We can witness a big sell-off in the coming months.

A big mass is being laid-off, and that spiral will bring lesser inflows to the stocks and higher outflows as the demand for money rises.

S&P 500 (SPX)



The price is trying to form a reverse head and shoulder pattern. The breakout zone is between \$4,200 to \$4,4400. If the price goes above this level, then we might go into a bullish cycle. Though this might be tough as per the current scenario happening in the market.

It is tough to say, how long it will take to make a move, but some big move can be expected within the next 2 months. That will likely decide that where the market will head.

In a breakdown situation, the market will make new lower lows and the trend will continue to reach below pre-covid levels.

Bitcoin's Price Action

The price is making new higher highs, but this rally may not be sustainable for very long. The major support is around \$22,000 which is going to be the last support for this rally to hold. If the price goes below that level, then we can expect it to fall close to \$18,000.

If the price continues to rise then the next resistances stand at \$25,000, \$30,000, and \$32,500. Anything beyond these levels is not possible as of now, and the chances of making higher highs have diminished along with the market sentiments.

We should refrain from investing in current scenarios as it could be detrimental.



Bitcoin's Dominance

Bitcoin dominance is rising, so this move will be detrimental to the price of the altcoins. We can expect a dump in the altcoin prices if the upward movement continues in dominance.

From the technical aspect, it can reach the 50% mark, and other crypto prices will fall drastically. The MACD bullish divergence is visible, which can be supportive of this move. Also, the overall market cap of the crypto space is poised to come down.



Crude Oil

The price is still above the support level, around \$75. We can expect the price to stay in a range for some time until the market dynamics clarify better.

The downward pressure can take the price to a low of \$60, whereas the upward pressure, because of higher demand, can take the price closer to \$90. With the recession picking up the pace, we may see a continuous fall in the price.

A mid-range support/resistance is between \$80-85.



Bond Markets

Bond Markets are forward-looking, functioning in advance and giving reliable indications of economic health.

The 10-year bond yield supports the theory that whenever the yields fall, the market is expected to fall along with it as seen in years 2000 and 2008.

There bond prices are inversely related and have started rising. It might take close to 1 – 1.5 years for the stock market to rebound and start rising. It must be assessed timely whether the market is showing bullish indications or just a fake breakout.



Bond Markets

The bond prices will significantly benefit if there is a reversal in the bond yields. The chart shows a bullish hammer which is usually a sign of reversal, and it will be better if it consolidates for some time before an up move.

The 10-Year bond chart has completed its Elliot waves pattern, and it is possible that after a minor consolidation, we will start witnessing the rise in bond prices.

This can also be a good time to make an investment in the bond markets.



Gold & Silver

The price of gold has risen sharply, while the demand for silver has diminished. Instead of both commodities rising together, bulls make purchases at different times in both assets. This will help them get a better investment price and a good return.

The price of gold is expected to make a new high. However, countries whose currency has depreciated a lot have gold at all-time high levels, while the price of gold is still not at an all-time high in the US.

We can expect the gold to reach its all-time high soon. At the same time, a minor pullback in the price of silver is expected before it continues its upward journey.





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