

Not So Fast...

Today's post is a short and snappy one, where I diagnose whether this -10% red candle is something I'm worried about, or just another day of choppy noise.



[JAMES CHECK \(CHECKMATEY\)](#)

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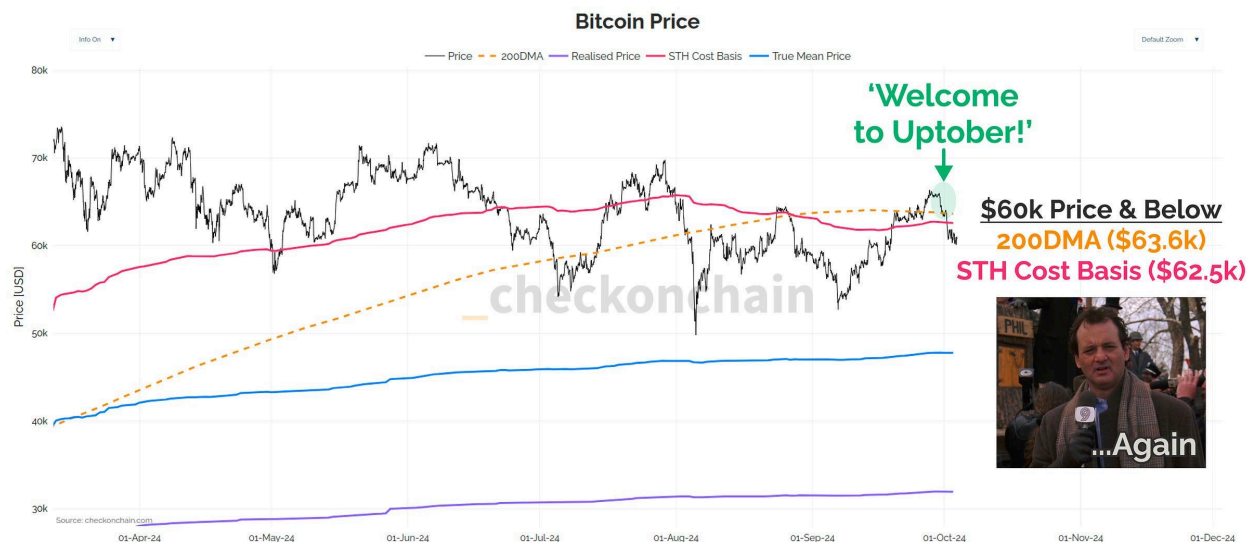
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G'day Folks,

Can you feel it?

The hype, the excitement, the energy!?

'Uptober' has finally arrived, and that means we're boarding the unstoppable Bitcoin rocket ship to \$100k...



[Live Chart](#)

I truly believe markets have a sense of humour, and it tends to find liquidating overly excited traders to be a decent laugh.

What caused this red candle is up for debate. It could be trading algorithms seeing new headlines (`if 'war' AND 'stike' == True: Sell Everything`), it could be genuine risk-off fear, could be shifting election odds... ...It could also be just another day of chopsolidation.

Today's piece will be a short and snappy one, where I will take you through a routine of metrics I use to diagnose whether this red candle is something I'm worried about, or just another day of choppy noise.

Time to hit the gym.



Reminder: you can find the charts from our articles on [the Checkonchain Charting Website](#), and a guide in our [Charts Tutorial Video](#).

*Premium Members will find the **TL:DR summary**, **video update** and the **rest of the written post below**. Consider upgrading to premium today to unlock the rest of the content!*

Disclaimer: This article is general in nature, and is for informational, and entertainment purposes only, and it shall not be relied upon for any investment or financial decisions.

TL;DR

- Long-Term Holders are spending very few coins, and it is pretty clear they are sitting on their hands, and not responsible for this sell-off.

- Short-Term Holders bought the ‘*Uptober*’ highs, and are now selling low. The positive polarity shift remains underway, and I see no change to my thesis yet.
- Leverage was a factor in this price decline, with 9.2% of futures open interest cleared within a week. Folks went levered long at \$66k, and now have smaller accounts.
- **Overall, this looks like just another day of chopsolidation, and I can’t see much evidence of it being anything special.**

Full Premium Video

Three Gym Sets

Generally speaking, there are three core questions that I want to answer whenever I see a couple of red days like this:

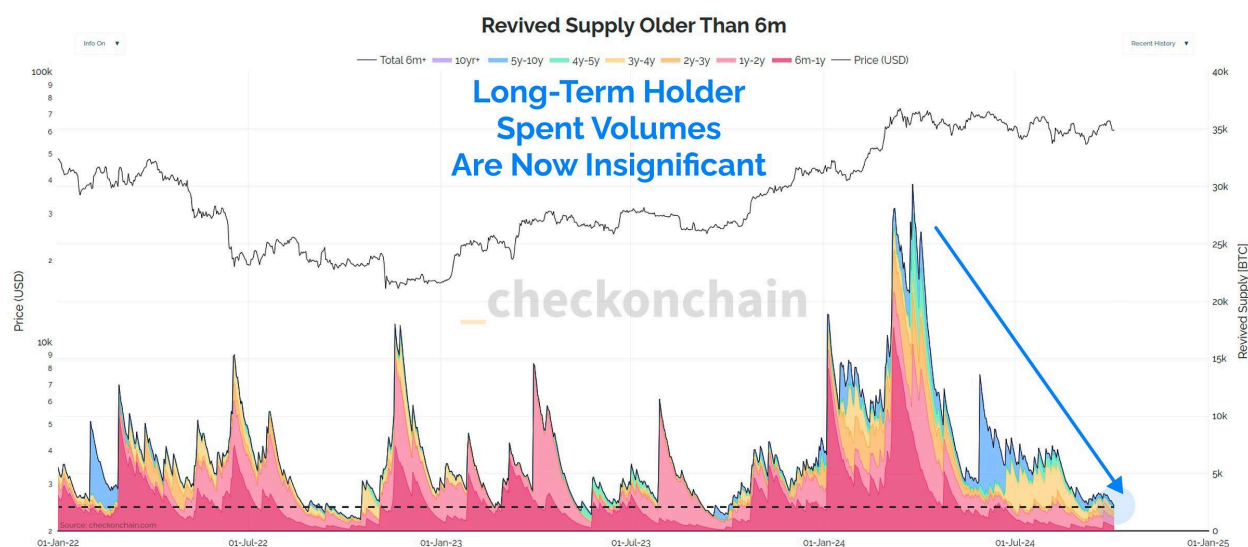
1. **Are Long-Term Holders responsible for the sell-side?** Their conviction and sentiment is an important reference point for spotting major inflection shifts.
2. **What is the response of Short-Term Holders?** Are they buying high and selling low? My personal rule is; If STH-SOPR is high...I do not buy.
3. **Is this just another long-leverage wipe-out?** If so, the probability is that this red candle is just another day of noise in the jungle of markets.

Ultimately, I want to gauge whether this red candle matters, or just another unmemorable candle, which none of us will remember in two weeks time.

Sitting On Their Hands

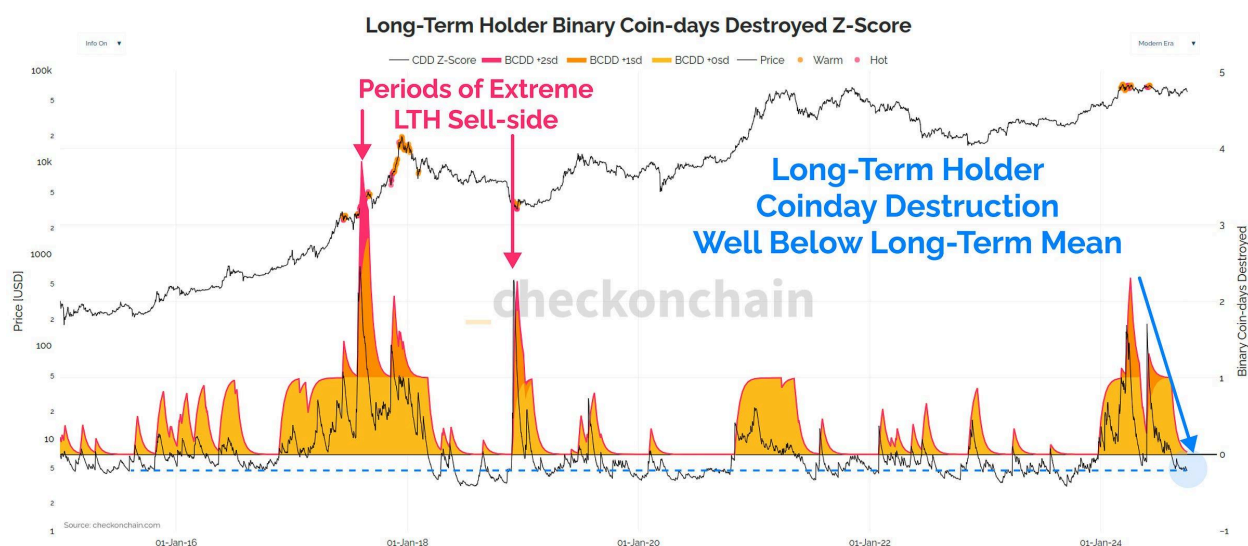
Starting with Long-Term Holders, they appear to be sitting on their hands. The volume of coins aged older than 6-months which are on the move is extremely low, and is trending lower.

On first inspection, Long-Term Holders do not appear to be a dominant sell-side force in this instance (which is good).



[Live Chart](#)

The volume of coin-day destruction by LTHs is also well below average, which confirms that very few old coins are on the move right now.



[Live Chart](#)

The Sell-side Risk Ratio for Long-Term Holders is also trading lower this week, and is now deep into the 'Low Liquidity' zone.

This means that of the LTH coins which are on the move, the majority were acquired at a price very close to \$60k.

There are very few metrics which suggest Long-Term Holders are selling an appreciable volume of supply. As a result, I am not worried about these folks, and I can see my own behaviour in this data (sitting tight, waiting, and doing nothing).



[Live Chart](#)

When STH-SOPR is High...

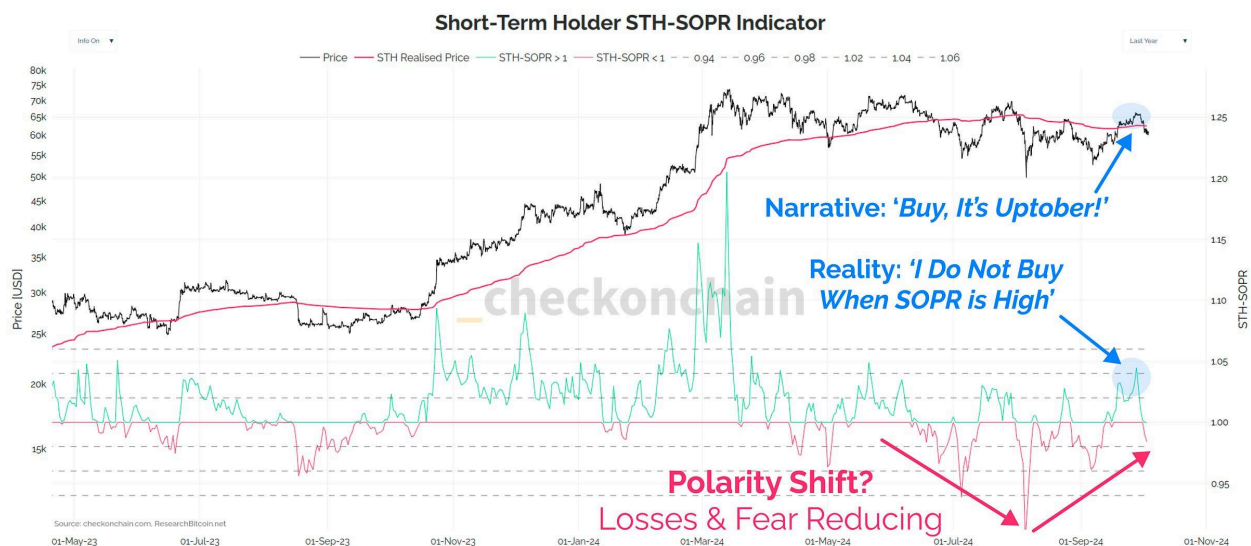
My desert island metric, STH-SOPR, tells me everything I need to know about this week. Exactly when the '*Uptober is Here*' excitement was peaking on Twitter, STH-SOPR was hitting 1.04, indicating STHs were taking profit into the rally.

Check the HODLer has one unbreakable rule: If STH-SOPR is high, I do not buy.

Why?

I don't like buying high. It is that simple. Rarely does $\text{STH-SOPR} > 1.04$ persist for very long, and more often than not, it is telling me a red day is coming shortly. I wait instead for that to happen.

On another note, I still see a constructive polarity shift developing in this metric, with losses being of lower magnitude, and larger profits starting to kick in.



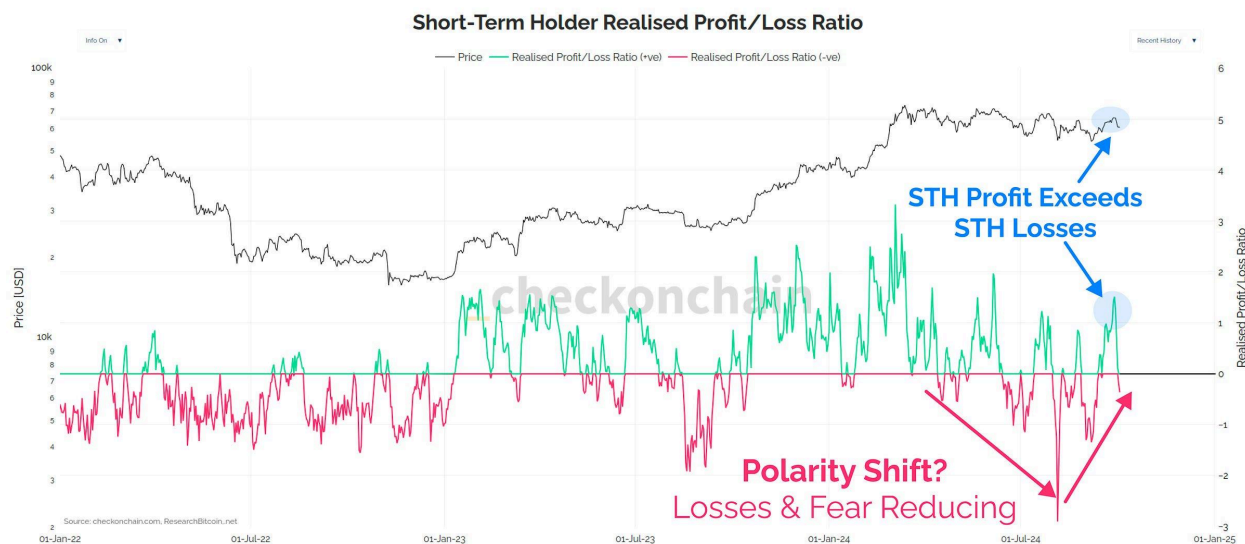
[Live Chart](#)

I see a similar story told via the Short-Term Holder Profit/Loss Ratio. This metric is like STH-SOPR, but it accounts for the USD magnitude of the profit and loss being locked in (where as SOPR describes the average profit multiple).

Once again, we have losses decreasing in magnitude, and an uptick in profit volumes. Short-Term Holders are doing exactly what we expect, and that is getting bullish during rallies, and bearish during declines.

Both of these metrics suggest that the macro scale polarity shift back to the upside seems unaffected by this week's red candles.

No change the my macro thesis at this stage.



[Live Chart](#)

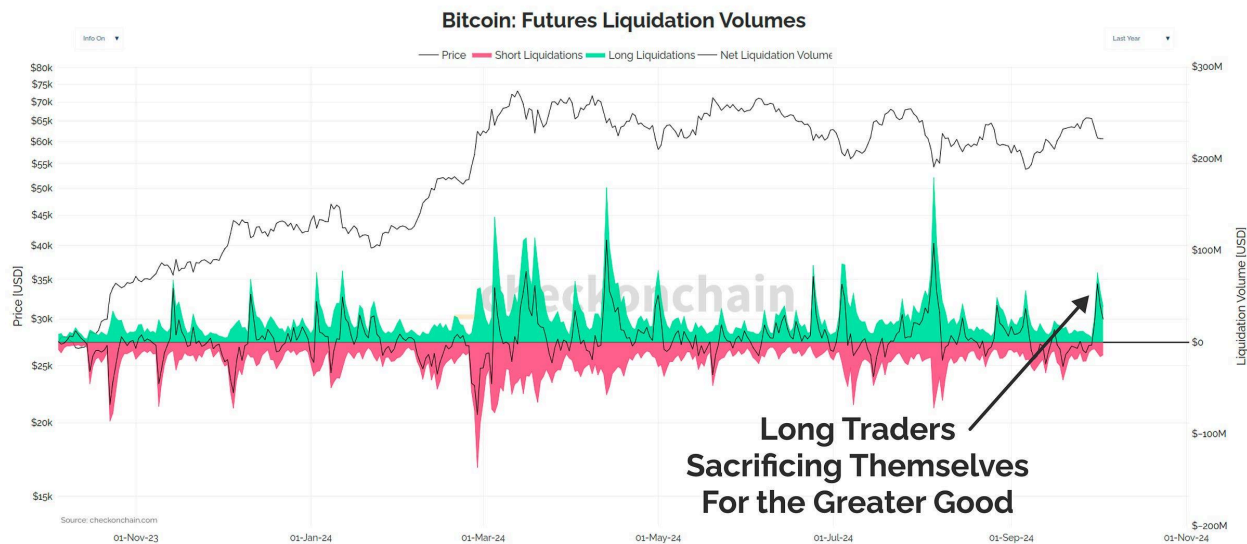
Losing on Leverage

To round things out, my final check is to see if this price decline was fuelled by a good old fashioned long-liquidation event.

Surprise! It was.

At the exact time STH-SOPR was trading higher, some other dude on Binance had the brilliant idea to open a 100x levered long, preparing to ride the wave to \$100k...

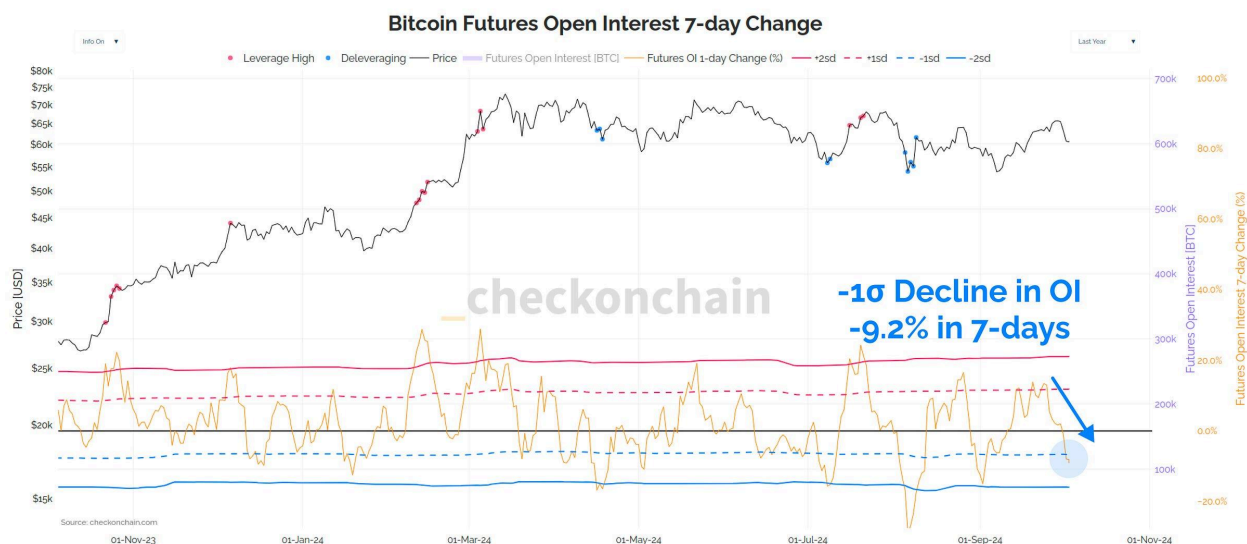
Thank you for your sacrifice, Mr Trader.



[Live Chart](#)

This wasn't the largest liquidation event, but it did clear around 9.2% of the open interest from futures markets. This represents a -1 standard deviation move, which is big enough to indicate leverage was a factor in the decline.

However, In my view, this is unlikely to affect the broader market structure. This is increasingly looking like 'just another red candle' within the context of our beloved chopsolidation price range.



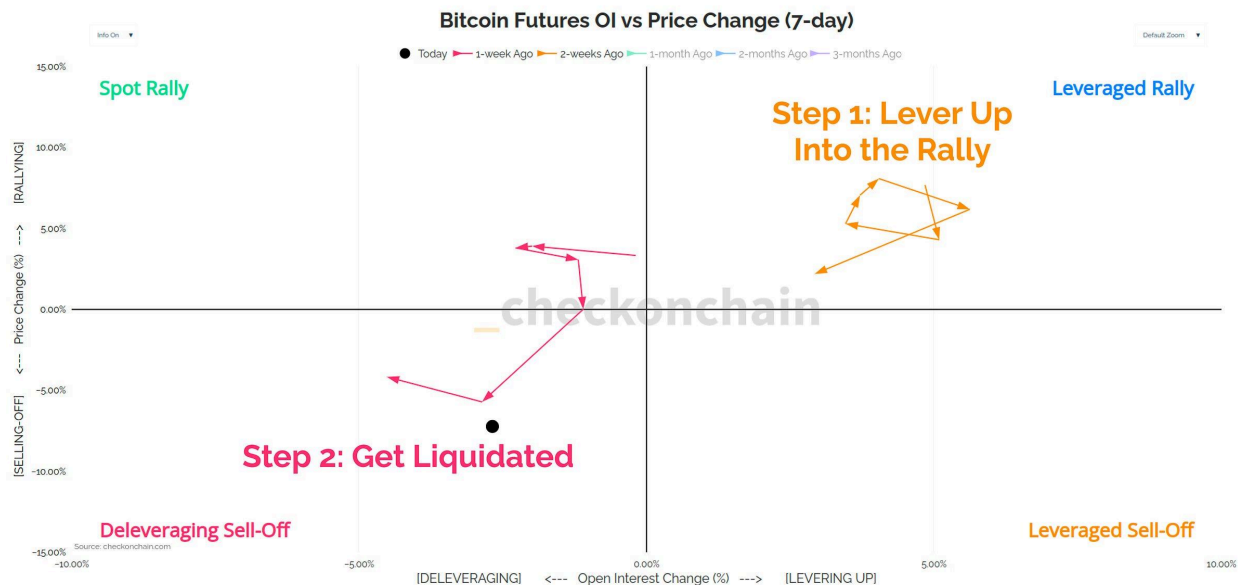
[Live Chart](#)

Apparently, there are three steps required to being a successful leveraged long trader:

1. Maximise your long-side leverage as the market rallies, especially when SOPR starts trading higher.
2. Have your account liquidated.
3. Profit.

These charts are a perfect reminder that human nature never changes.

People will always, and forever, buy high, and sell low. One of the great constants of markets.



[Live Chart](#)

Closing Thoughts

By and large, these red candles are just part of the daily chop. They don't seem to have much substance behind them, and Long-Term Holders are sitting tight. A few leveraged long traders now have a smaller account.

This suite of charts really highlights a fundamental reason why onchain data is so powerful in my opinion. It helps me spot when the conditions are favourable, or unfavourable, ahead of time. I get a snapshot of what the rest of the crowd is doing, and can make decisions based on a sort of X-ray vision into the cards others are holding.

There is still a healthy balance of evidence of a constructive polarity shift underway, so until that body of evidence changes, my thesis doesn't have to either.

Have a great weekend folks, and thanks for reading,

James