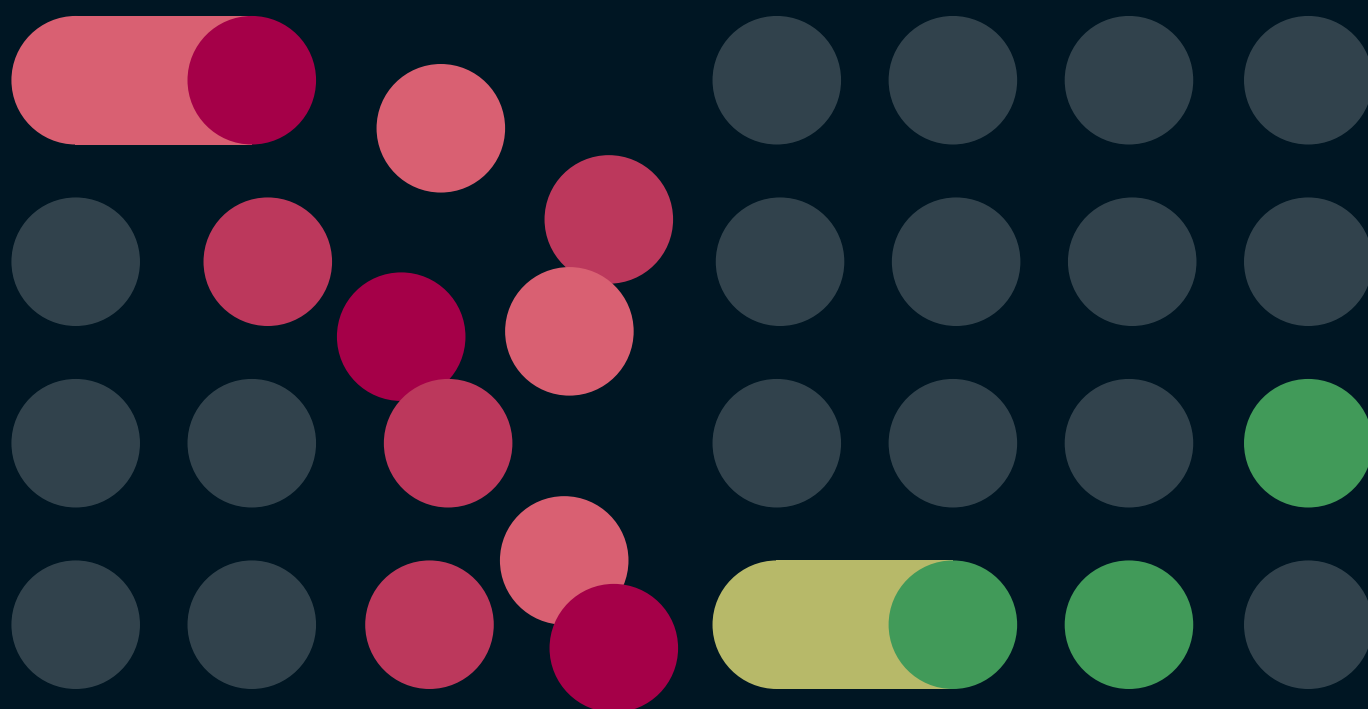


Rethinking the bitcoin bear market

after the four-year compass breaks.



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Bull markets author the bear that follows.

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bear down

The bear arrived on schedule.

The bull may not...

Introduction

"The compression of [Bitcoin] volatility is reaching historical lows, and if we know anything about Bitcoin, it loves to shock a market that has been lulled to sleep."

"One thing we are pretty confident in, is by the time everyone becomes comfortable with the new normal, the second chapter will start being written."

These are two of the quotes we left readers with at the end of the first edition of the Bitcoin Checkpoint, written in early-September 2025. Soon after publication, Bitcoin set its current all-time-high price of \$126k on 6-Oct-2025, and has since tumbled into a bear market, trading as low as \$60k.

As is often the case, the narrative wheels looking to explain this fall are in full rotation, with commentators calling out everything from the rise of quantum computers, to market manipulators, to the unwind of Treasury Companies which proliferated late into the bull cycle. Even the four-year cycle advocates got their precise price peak exactly 1,050-days after the low was set in Nov-2022.

The more things change, the more they stay the same. Bitcoin's market structure is unquestionably more mature than it was four years ago, and yet the 'predictable' four-year market cycle appears to be a self-fulfilling prophecy.

In our opinion, few things are predictable in markets, especially in the short-term. However, we balance this view with the idea that the one component of markets which is quite predictable is the behaviour of crowds.

This is especially true when people are presented with an 'opportunity' to make a great fortune (greed), or when they are faced with the painful decision of crystallising devastating losses (fear).

We are also strong advocates (and students) of using data to make decisions in markets, and Bitcoin is an asset with a very comprehensive set of sources to draw upon. Rarely do we take prevailing market narratives at face value, and more often than not, analysis of data clarifies, confirms, or condemns them as fact or fiction.

Where the crowd sees market manipulation, we see spot sell-side. Rather than blaming an arbitrary discount on quantum computers, we see a mass of investors panicking after buying too heavily at expensive prices. Treasury companies are indeed selling, that narrative is true. However, that result could have been avoided had they adequately studied the market regime they were buying into.

Now that the Bitcoin bear has returned, we are presented with a new set of investor incentives. Top buyers are deep into the five stages of grief, and many have taken the loss, and capitulated on their expensive coins, as the drawdown became too much to stomach. On the flip-side, the patient HODLers of last resort are being offered that very same unit of Bitcoin, at half price, and many appear quite happy to take it.

Bear markets are a grueling process, which only end when a sufficient volume of coins has changed hands, transferring from speculative buyers at expensive prices, to stronger hands at much lower ones.

Welcome to the second edition of The Bitcoin Checkpoint, which will be our study of this bear market process, and it is proudly brought to you by the teams at **Checkonchain** and **Unchained**.



James Check

Co-Founder & Bitcoin Analyst,
Checkonchain.

[@_checkmatey_](#)

Executive Summary

In this report, we analyse how the Bitcoin market structure has changed throughout the 2025-26 bear cycle, and the reasons we believe prior thresholds may no longer apply.

We are fortunate to have a wealth of Bitcoin market data at our fingertips from which we can draw conclusions, parallels, and find confluence in the story the market is trying to tell us.

_01. Coming out of Hibernation

The 2023-25 bull market ended right on the four-year cycle schedule, topping at \$126k 1,050-days after the 2022 cycle low. This ironically caught many investors off-guard, and it didn't take long before the hunt commenced for the market manipulators, price suppressors, and bear whales who were responsible.

Our own study shows that the bull was slain by good old-fashioned sell-side pressure in spot markets, which routinely exceeded \$2B to \$3B per day in the last quarter of 2025. This resulted in a top-heavy market of buyers, where over 65% of the wealth invested in Bitcoin now had a cost basis above \$90k. As prices fell, more and more investors fell into a state of unrealised loss, and the bear finally came out of hibernation.

_03. Capitulation

The pent up frustration of watching gold, equities, and just about everything else hitting ATHs, whilst Bitcoin stagnated in 2025 came out in two back-to-back capitulation events. The sell-off event in late Nov-2025 hit \$80k, and a second in early Feb-2026 hit \$60k. Both precipitated a historically large investor capitulation, with both seeing over \$2B in realised losses onchain. The February sell-off in particular was a point of maximum fear, and our inbox was lit up like a Christmas tree to prove it.

Well over 2.0M BTC have since capitulated from top buyers, to new buyers in the \$60k to \$75k zone, and derivative markets are betting heavily short on every relief rally. We consider the move to \$60k as being the 'price-pain' capitulation event of this bear cycle, equivalent to June-2022, and commenced the bottom formation process.

_02. The Tumble

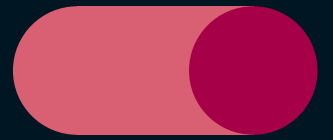
Sentiment swings in the Bitcoin market can be measured based on how price moves relative to the cost basis of investor cohorts. As prices fell after the Oct-2025 ATH, unrealised losses swelled to an ATH of \$270B, and unrealised profits declined by a monumental \$900B. Technical analysts saw the 50-week MA break at \$102k, and set their bear market target to the 200-week MA, down at \$59k.

Similarly, we saw the Short-Term Holder cost basis breached at \$114k, and flagged the True Market Mean at \$80k as the first stop, and the Realised Price at \$54k as a lower bound floor. On the 6-Feb sell-off, the Bitcoin price fell to \$60k, at which point the weekly RSI hit an all-time-low, and a plethora of metrics signalled extreme oversold conditions.

_04. Welcome to Deep Value

Having studied prior bear market floors in some detail, there are some dynamics we expect will remain the same, but many we believe will not. It's our view that the True Market Mean (\$78k today) is a better reflection of the average cost basis for investors, replacing the Realised Price (~\$54k), and we expect this bear to bottom between the two.

Based on our mean reversion index, an aggregate of nine pricing models, \$60k represents the bottom 10% of the probability distribution. All previous bears have bottomed near Q4, equivalent to the Realised Price today. Should our thesis hold, this bear market will likely break the mental model of many following the four-year cycle compass, and force a rethink of both bull bear markets in the future.



**Bears are
a grueling
process.**

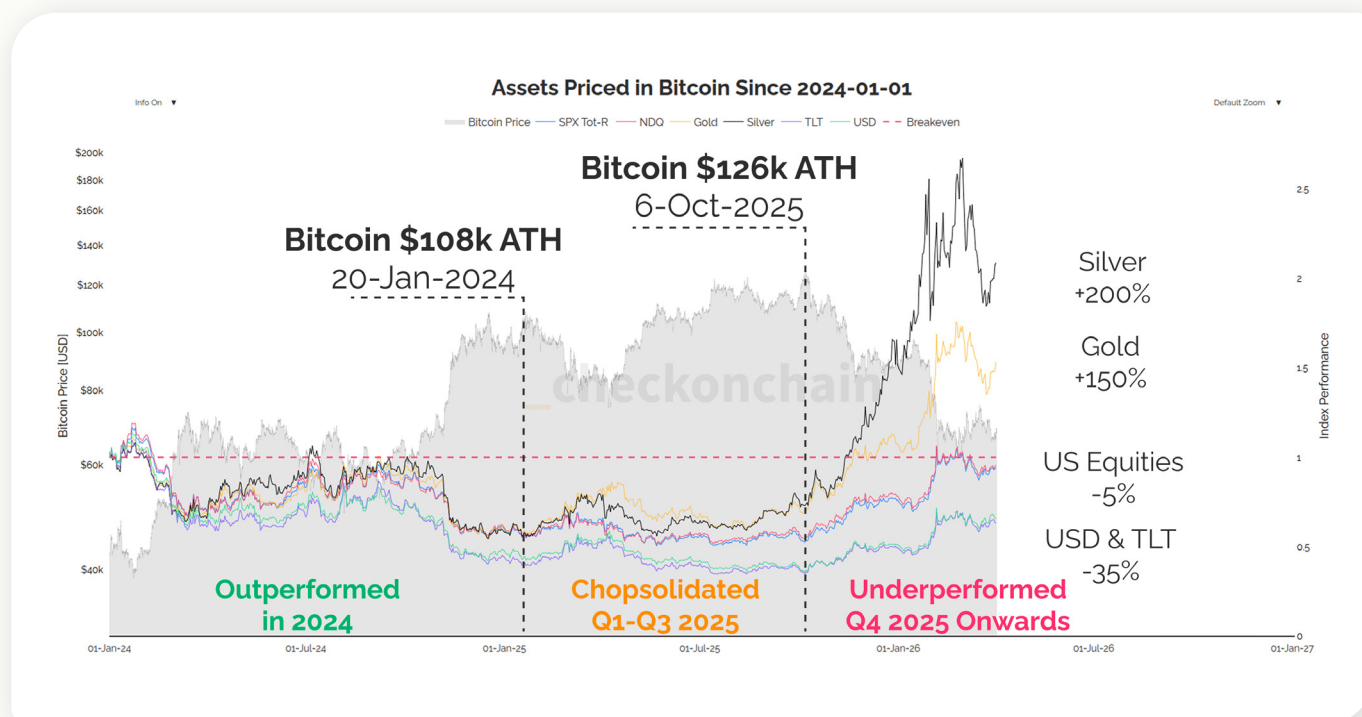
**But they also
present the
point of
maximum
opportunity.**

bull envy

Everyone blamed market manipulators.

We think people just sold.

01. Coming Out of Hibernation



Competition for the centre of attention.

One of the key themes we highlighted in the first edition of The Bitcoin Checkpoint, was how differently the Bitcoin market has behaved since the last bear cycle ended in Nov-2022. We believe this remains very much the case, even despite the arrival of yet another bear market, which caught many investors off guard.

One of the sayings we used throughout the 2024-25 bull was that *'bull markets author the bear that follows'*. The underlying concept is that parabolic prices tend to suck in a large number of unsophisticated investors, with little fundamental conviction in the asset acquired. They buy far too much at the highs, often with leverage, and inevitably sell at a heavy loss in the bear that follows. Conversely, low energy up-trends, like the one Bitcoin experienced in 2025, tend to see ownership more heavily skew towards tenured investors, who have a higher propensity to hold through downturns because they know what they own.

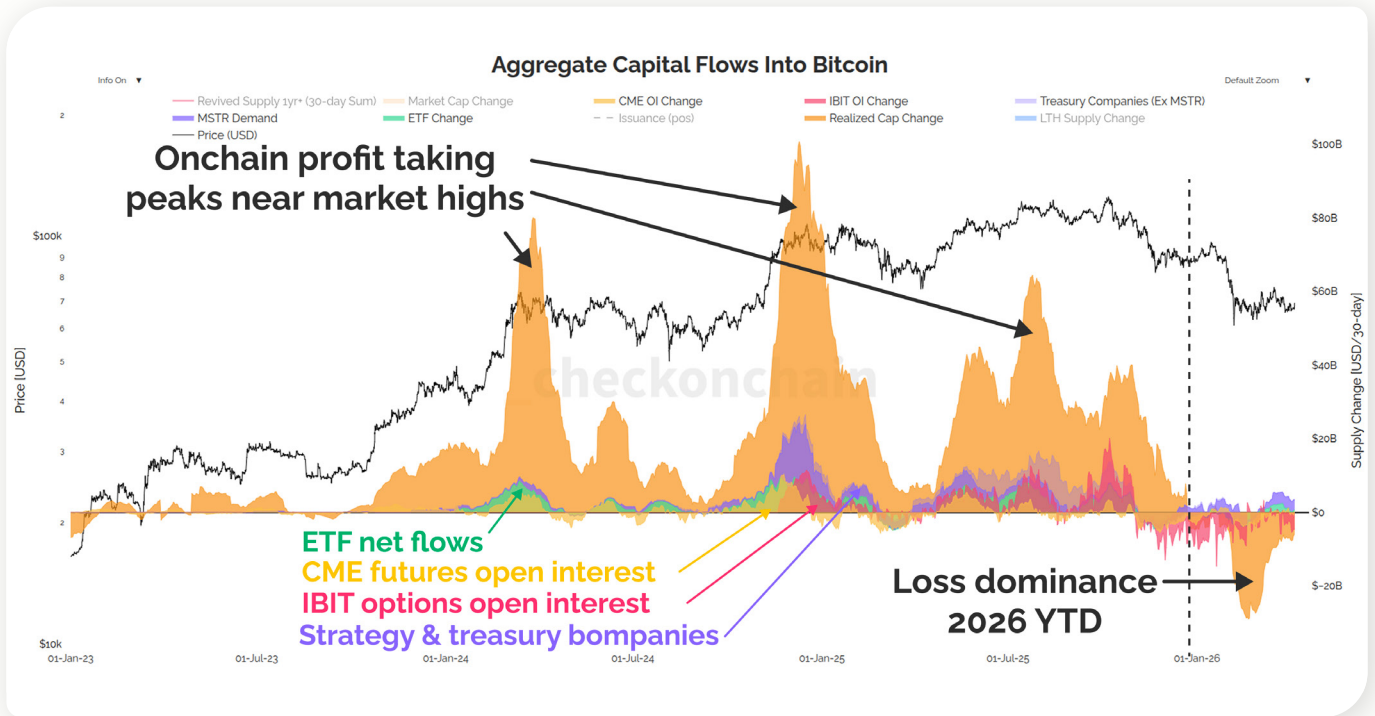
In 2024, after the most successful ETF launch in history, Bitcoin quickly became the most popular trade, out-performing everything else by a wide margin.

The US election saw a heavily invested market, with many expecting the administration to follow through on several favourable promises pertaining to Bitcoin, sending prices much higher. Instead, the executive ink on the 'Strategic Reserve' was about as far as that promise went, and the world was instead plunged into a war over global trade tariffs, and more recently conflict in the Middle East.

At the same time, the oxygen of investor capital started getting sucked into equities involved in the once-in-a-generation build out of artificial intelligence infrastructure. The sovereign bid for precious metals also finally sent gold, silver and platinum prices vertical (much to the relief of Peter Schiff, who grew silver hair waiting for the move).

By the time we reached Q4-2025, Bitcoin had already chopped painfully sideways for nine months, causing momentum to wane, and many investors lost interest.

This lengthy period of relative under-performance in 2025, and the lack of a classic blow-off top, put Bitcoin in an already un-loved state. The massive derivatives-led deleveraging on 10-Oct put the last nail in the bull market's coffin.



Hunting the market manipulating boogeyman.

The Bitcoin market is a complex beast, with prices influenced by the supply and demand balance across spot, ETF, futures, and options markets. Some Bitcoin that is traded is the real deal, settling onchain over the Bitcoin network, whilst others trade as paper derivative contracts, as impure as many believe those to be.

The lack of a blow-off top in the 2025 bull market has been blamed on many things, with the evil cabal of price suppressing manipulators being a crowd favourite. There is no question in our eyes, that derivatives contracts change the way any asset trades, and create new and complex incentive structures for entities to move prices.

We also believe that the incentive exists in both directions, but seemingly the manipulators never seem to be bulls, despite the liquidation of levered-longs being a well known source of downside volatility.

Market manipulation is a feature of all markets of any size, and is usually indistinguishable from normally functioning trade. There is no world where Bitcoin becomes as large as gold, or NVDA without a deep and liquid derivatives market

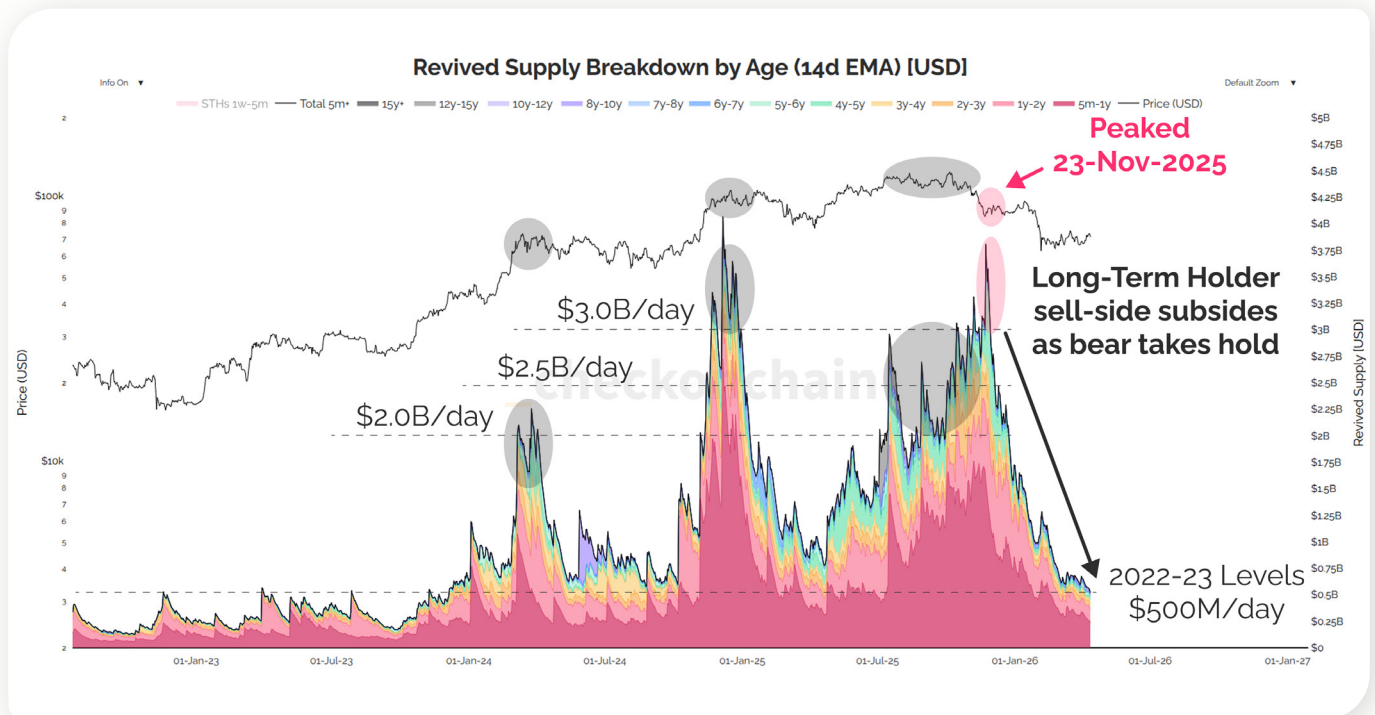
for large capital to hedge risk, and transfer it to speculators.

Markets are never manipulated higher, and somehow, gold and equities went up in 2025, despite their derivative markets being orders of magnitude larger than BTCs.

The chart above shows the rolling 30-day change of several supply and demand vectors to give a sense of relative scale. It shows ETF flows in green, changes in Treasury company balance sheets in purple, CME futures open interest in yellow and IBIT options open interest in red. The large orange trace, which dwarfs all the others by a typical factor of five or more, is the net volume of realised profit or loss locked in by coins spent onchain.

Market manipulation via derivatives is real, the ETFs are massive, and Strategy is a major buyer of Bitcoin. However, if one has a market thesis for Bitcoin which assumes any one of these is as large in scale and influence as the bull market sell-side via spot, we believe they might be missing approximately 80% of the story.

It is our view that the 2025 bull was primarily slain by this spot sell-pressure by HODLers, which consistently reached rates \$40B to \$100B/month throughout 2025.



Old hands sell in bull markets.

Revived supply is an onchain metric we use to track when coins held for at least 6-months are on the move. This disproportionately occurs near the heights of bull markets. Statistically speaking, once a unit of Bitcoin is dormant for 5 to 6-months, the probability of it being spent on any particular day is very low, and it represents around 1% to 2% of daily onchain volume. We classify 5-month+ old coins as 'Long-Term Holder supply' for analysis of Bitcoin investor cohorts using onchain data.

Whilst Long-Term Holder supply is dormant most of the time, large volumes of it are disproportionately revived at the height of bull markets, with investors locking in a large realised profit relative to their original acquisition cost basis.

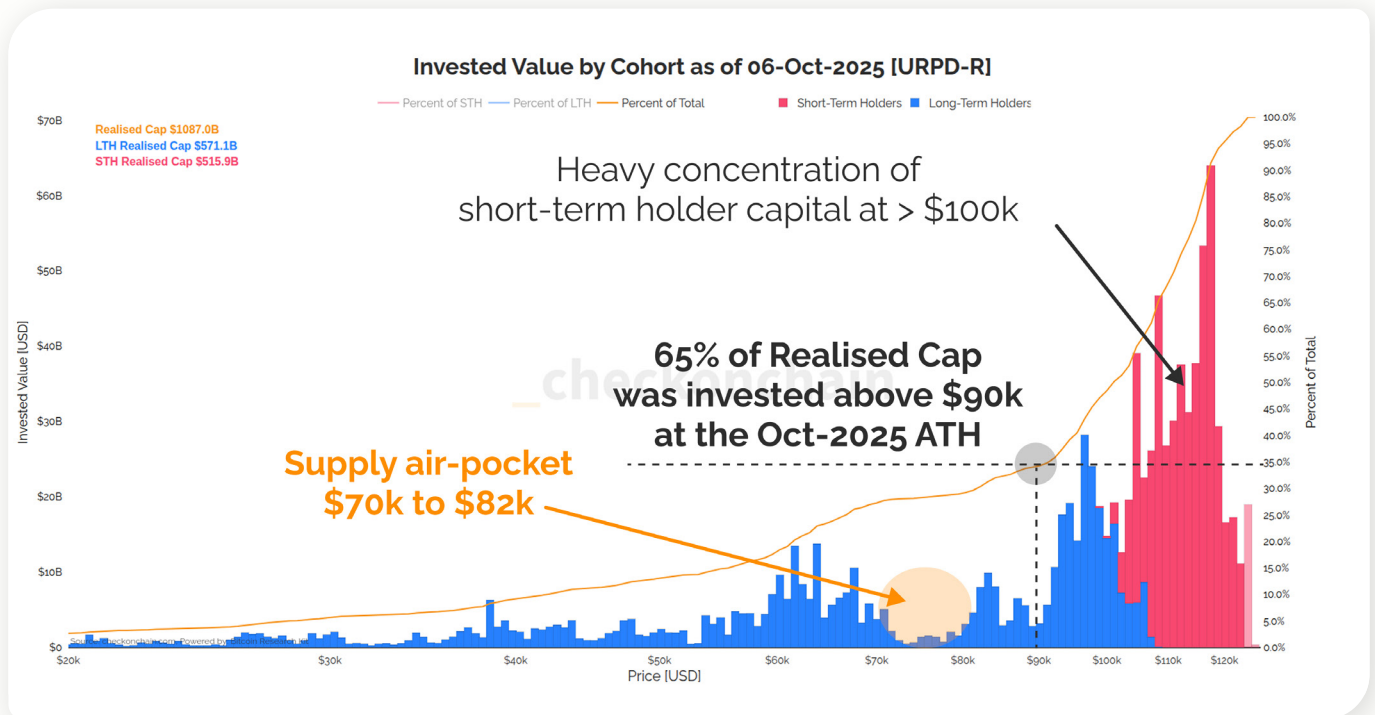
At both the \$73k ATH in Mar-2024, and then again at ~\$110k in Q4-2024, revived supply peaked at \$2B and \$3B per day, respectively. This reflects an upper bound for the true spot sell-side pressure. Many commentators like to argue onchain metrics like this aren't 'true sell-side' since some investors migrate funds to new wallets.

We do find it interesting however, that heavy volumes of revived supply seem to always correlate with 'number-no-longer-going-up', but it could just be coincidence.

Noting the market context of 2025, and the parabola envy investors felt by watching NVDA, Gold, and Silver prices moon, holding Bitcoin for just 5 months ended up- being a painful lesson in opportunity cost. We can see the large pink areas of the revived supply chart which represents these frustrated momentum traders, and formed a large component of the sell-side pressure in Q3 and Q4 2025.

More detailed analysis of the coins revived in this bull reveals that 806k BTC (\$56B) aged 5-years or more were revived in 2024, and another 561k BTC (\$57B) were revived in 2025. Around 126k BTC (\$13B) held for at least 12-years were revived, with 80k BTC (\$9.6B) coming from one HODLER of 2011 vintage.

It is our view that the Bitcoin market was heavily suppressed in 2025...by one of the largest and greatest rotations of spot holdings the asset has ever seen in its history.



Too many coins, at too high of a price.

Every seller of Bitcoin is matched with a willing buyer at the current fair market price. On the receiving side of the largest rotation of spot holdings to date, was a pool of buyers who accumulated the same coins, at much higher prices, mostly above \$100k.

The breakdown of the Realised Cap is one of our preferred tools for modelling the supply structure of the Bitcoin network, which is shown in the chart above. For the uninitiated, the Realised Cap is best thought of as the onchain Market Cap, and it values every coin at the price when it last transacted onchain, rather than at the spot price.

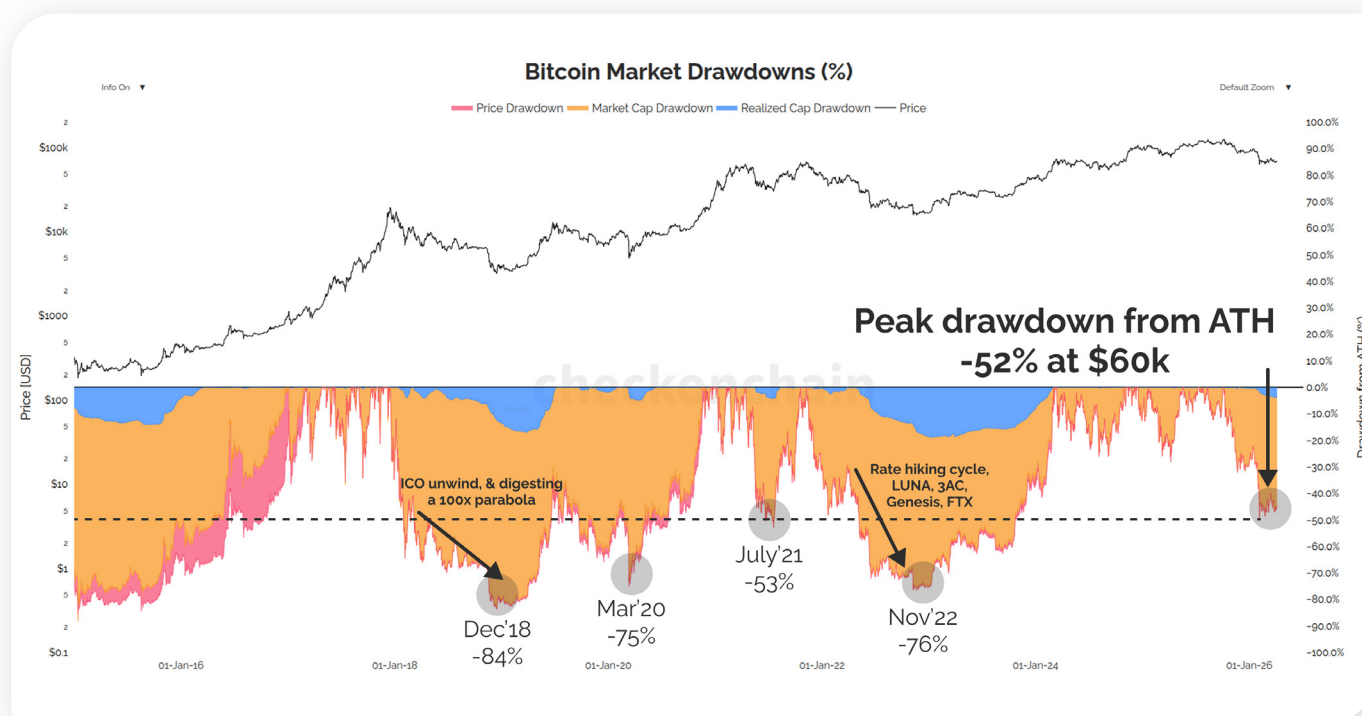
Each bar therefore shows how much USD denominated capital (left y-axis) was invested at each Bitcoin price (x-axis), broken into Long-Term Holder (blue, held 5-month or more) or Short-Term Holder (red, held under 5-months) cohorts.

At the 6-Oct-2025 all-time-high of \$126k, around 65% of the capital invested in Bitcoin, as measured via the Realised Cap, had a cost basis above \$90k. There was a heavy concentration of willing buyers, who had just paid the going fair market price of \$100k or more...

Visually, readers can see why we refer to supply structures like this one as being *'top-heavy'*, and they are a common feature in the later stages of Bitcoin bull markets. As the price started to fall and break support levels towards \$90k, more and more newly minted top-buyers saw coins fall into a state of loss. At the same time, last-gasp profit taking occurred by those who'd recognised a change was in the wind.

By the time we got to mid-Nov-2025, over 70% of the Realised Cap was underwater at \$90k, precipitating a 'moment of realisation'. Investors recognised that the fair market price of Bitcoin was in fact, heading lower.

Of particular note is the *'supply air-pocket'* between \$70k and \$82k, which is a price range where very few coins changed hands on the way up. It is our experience that these *'air-pockets'* offer little support on the way down, as we found out in Feb-2026.



The same asset, trading at half-price.

So far, this bear market has played out in three main chapters. First was the slowly at first, and then all at once descent from the \$126k all-time-high down to the Nov-2025 low of \$80k. The second was a brief period of consolidation between Nov and Jan, with Bitcoin prices painting a bear flag between the \$80k low and a local high \$98k.

The third, and prevailing chapter, started with a sell-off on the 5th of Feb-2026. Prices plunged sharply down to a low of \$60k, and sliced right through the buttery centre of that supply air-pocket. It has been chopsolidating sideways ever since (chopsolidation is our term for a period of lengthy, volatile price consolidation).

At the time of writing, the current price low of \$60k represents a -52% discount to the all-time-high price. Relative to previous bear market declines, this is currently the shallowest bear, which has many investors fearful of more legs lower.

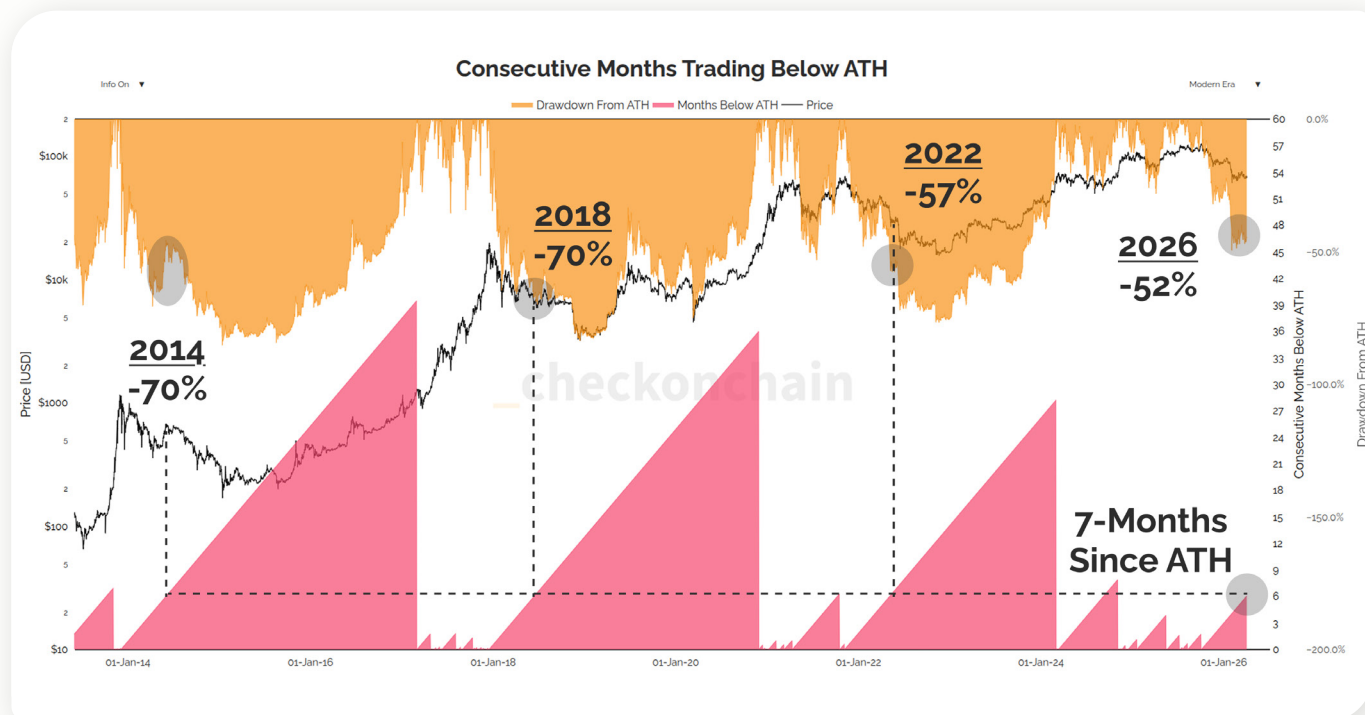
In our view, the most comparable bear market period, which some may find an unconventional view, is the 2019 mini-bear. The broader macro-economic conditions in 2019 was also later in the business and liquidity cycles. This can be argued to be somewhat similar to today, although with a fair share of differences too.

The market was still digesting the 2018 bear market, but was interrupted by a strong spot bid; coming from the PlusToken ponzi scheme in China, which hoovered up some ~1 to 2% of the Bitcoin supply in early 2019.

Today, much of the real economy has struggled to recover after the 2022 bear market and rate hiking cycle. More recently, the conflict in the Middle East has introduced an unforeseen and sharp tightening of liquidity conditions, and introduced a potentially 2020-like disruption to global supply chains. At the same time, the ETFs have taken in over 6.5% of the Bitcoin supply (1.31M BTC), and Strategy accumulated over 590k BTC, providing two of many significant spot bids.

Prior bears have seen Bitcoin prices plunge -75% or more. From our perspective, there were also very clear market structure reasons for those 75% declines; whether the digestion of a 100x parabolic move in 2017, or the total evisceration of the lending market, and fraud associated with LUNA, 3AC and FTX in 2022.

If some equivalent magnitude earthquake arises, perhaps we see this bear market repeat such a drawdown, and trade well below the Realised Price at \$54k. If however we do not, then perhaps half-price Bitcoin is where this bear market ends up clearing.



Bear markets take time.

In bear markets, investors are faced with two primary sources of mental anguish; price-pain, and time-pain. Generally speaking, Bitcoin bears go through a nasty period of rapid price declines first, which act to shake out all price-sensitive investors who allocated too much capital near the peak.

The second phase is the time-pain component, where prices chop generally sideways, threaten to leak lower, and present investors with an equally painful, and highly frustrating period of utter boredom. The more they stare at their portfolio, and the lack of upwards momentum, the more the pressure builds for them to bail out, and buy literally anything else with the proceeds.

Price-pain flushes out the price-sensitive buyers first, and time-pain bleeds out the remaining folks who don't have the conviction to see the end of the movie.

The Oct-2025 ATH was set almost 7-months ago, and at this point, prior bear cycles were trading between -57% as deep as -70% below their ATH. All of them had much further to go, in both price drawdown and time-pain. From a four-year cycle perspective, each prior bear reached the ultimate bottom approximately one year after the ATH,

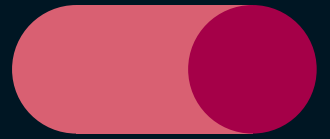
which has many investors expecting a low to be set somewhere around October 2026. It is true that this cyclical behaviour currently has a 3-for-3 hit rate, although we should also note that three data-points is a small sample size.

We believe it is unlikely that a resilient bear market floor is hammered out without a significant volume of the coins bought at expensive prices, changing hands to new, and higher conviction investors at much cheaper ones.

The motivation for this rotation of capital in bears is usually a combination of price-pain and time-pain. Top buying investors must be shaken out, and will be until seller exhaustion is reached. However we don't believe there is any hard-coded magnitude of drawdown depth, or fixed duration to achieve a resilient base.

The remainder of this report will document the investor behaviour we have seen in response to the price-pain and time-pain which has already occurred.

We will then use this as a foundation to assess whether a sufficient rotation of capital has occurred at lower prices to argue whether a bear cycle low is in...or not.



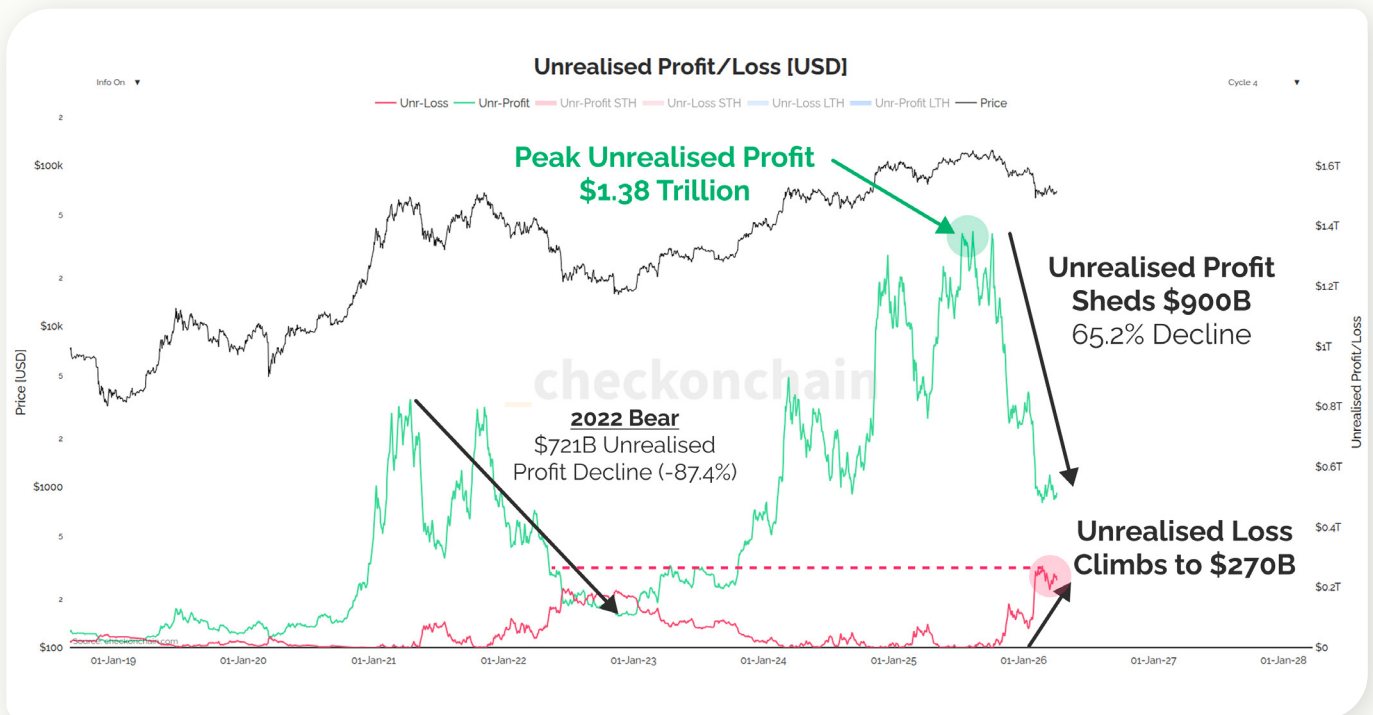
**Price-pain
flushes out the
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**Time-pain
bleeds out the
remaining folks,
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the conviction
to see the end
of the movie.**

over
sold

Bears leave nobody unscathed
but patience pays off.

02. The Tumble



Few investors are spared.

It is our opinion that markets and volatility are generally unpredictable, especially in the short-term. However, human behaviour, especially in crowds, and in response to fear and greed is far easier to reliably model.

This is why we are students of market data, and in particular Bitcoin's onchain data, which immutably documents the decisions and input motivations behind each Bitcoin transaction.

During bull markets, we see the patient smart money investors who bought Bitcoin at cheap prices, enjoy an explosion in unrealised profits. As we discussed in chapter 1, many of those investors follow through and realise those gains, with history showing that the longer the coins were HODLed, the larger the reward tends to be.

Many Bitcoin investors fear buying the top, because they are concerned about an uptick in the unrealised losses they may endure. In practice, the evaporation of once-held unrealised gains tends to be a far more painful experience.

We compute unrealised profit (and loss) by comparing the current spot price with the onchain cost basis for

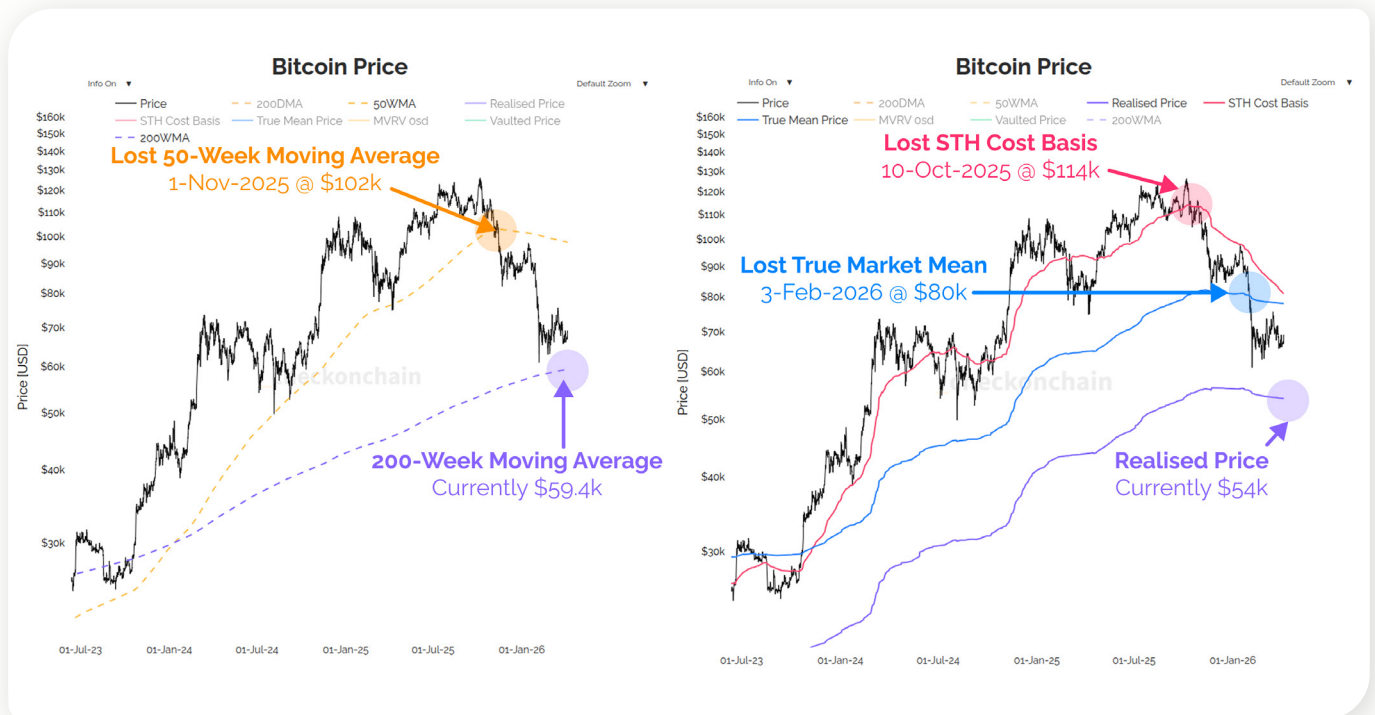
each coin in the supply. Whenever a coin is spent, it is revalued to the spot price, and we consider any held profit or loss to be realised at that time.

At the height of the 2025 bull market, the Bitcoin network, in aggregate, held a remarkable \$1.38 Trillion in unrealised profit. To reiterate for scale, at \$126k, Bitcoin investors collectively held ~1.4x the market cap of Berkshire Hathaway in unrealised profit alone. How's that for '*rat-poison squared!*'

The deepest drawdown of this bear market -52%, hit on 6-Feb at \$60k. At that time, the total unrealised loss held by the market had reached a record high of \$270B. As large as this figure is, it pales in comparison to the \$900B decline in unrealised profit from the peak, being a fall of -65.2%.

Investors who didn't even buy the top, still experience tremendous financial pressure during downturns. They watch as previously healthy unrealised profits compress sharply during the price-pain phase of the bear market.

Our framework for evaluating Bitcoin markets centres on this kind of assessment. Using the profit and loss incentives investors feel, and comparing it to their realised response. Are they underwater? Did they panic sell? In what size? Over what period?



Rethinking the lower bound of bears.

We've found that there is a surprising level of symmetry between traditional technical analysis, and the analysis techniques we use for Bitcoin onchain data. As a key example, the two charts presented above show an equivalent framework used by technical (left) and onchain (right) analysts to identify regime shifts in bear markets.

From a technical perspective, Bitcoin prices broke convincingly through its 50-week moving average at \$102k on 1-Nov-2025. This marked a meaningful reversal of momentum. A typical target of such a breakdown is the much slower 200-week moving average trading near \$59.4k. The sell-off on 5th and 6th of Feb-2026 came within a hair's breadth of that level, and has been consolidating above it since.

It is our view, that the market may revisit and retest the 200-week moving average before this bear is done. We also align with Warren Buffett, who as fellow humble sat stacker, is known to accumulate great assets near the 200WMA.

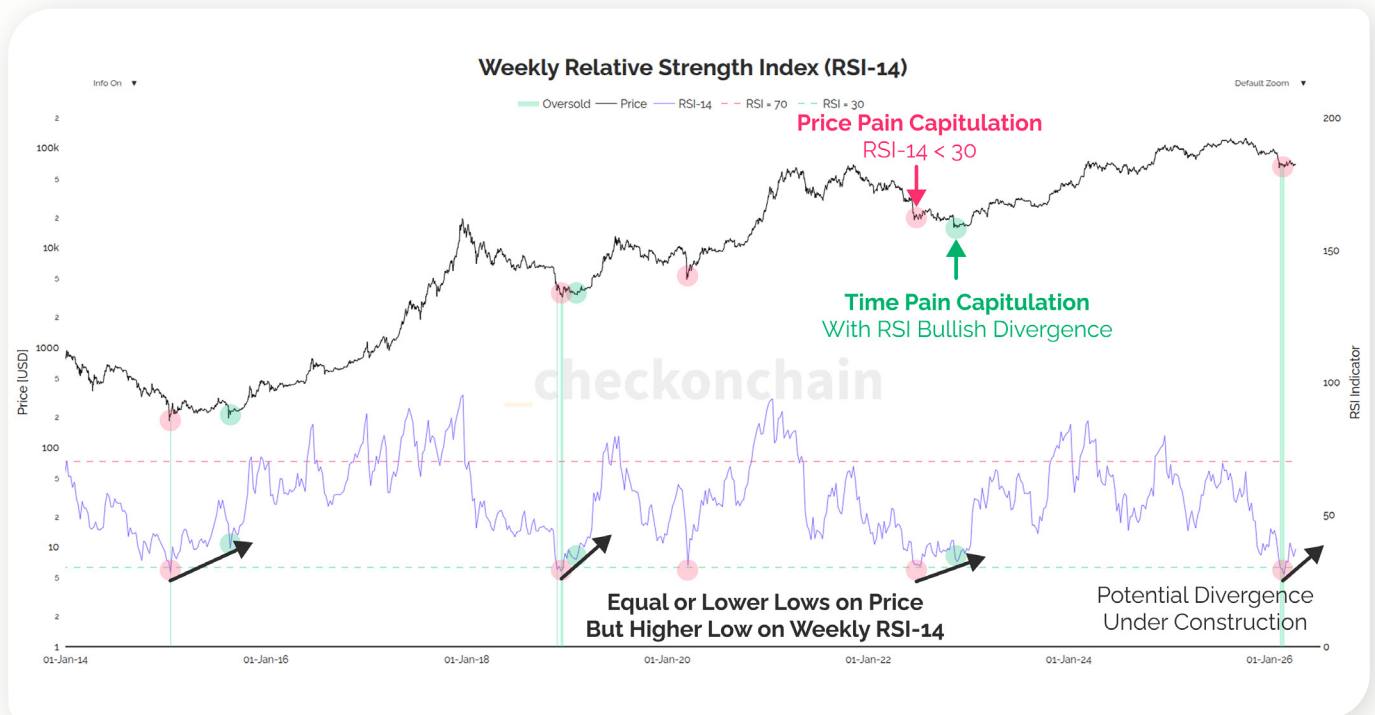
From an onchain perspective, we've shown three important cost basis models, each with particular relevance in our study of investor behaviour. The market broke below the Short-Term Holder cost basis (\$114k, red) during the 10-Oct-2025 deleveraging event. This was a major warning shot, signalling

recent buyers were now underwater on average, and sentiment was increasingly likely to sour. On 3-Feb-2026, the market broke below the True Market Mean (TMM, blue) at \$80k, which is an onchain cost basis representing the average for active investors. It is also the statistical 'middle' of the Bitcoin cycle, and signaled that a large pool of Long-Term Holders were now also underwater on their holdings.

Finally, we have the Realised Price (purple), being the average cost basis for all coins in the supply. Past bear markets have all bottomed below this level, although we believe this trend has an expiration date. At \$60k, the 1.7M assumed lost P2PK coins collectively hold ~\$110B in unrealised profit, which if lost, cannot be realised. In order for the spot price to reach the Realised Price at \$54k, alive top buyers must therefore carry \$110B in unrealised losses to offset and reach that 'break-even' level.

What we see in practice, is top buyers tend to crystallise losses, whilst lost coins do not cash in their profits. As Bitcoin grows, we expect the Realised Price will drift away from being an accurate read of the average investor cost basis.

Our view at the time of writing, is we expect the True Market Mean has replaced the Realised Price as the correct pain threshold for investors. When price breaks below, it tends to precipitate the price-pain capitulation event of bear markets.



Reaching oversold conditions at \$60k.

The 2023-25 bull cycle was measurably a period of maturation for the Bitcoin market, which was a core theme of the first edition of this report. Over 1.3M BTC have flowed into US spot ETFs, corporate entities added Bitcoin to their balance sheets, and institutional acceptance of BTC as a part of modern portfolios continues.

One of our favourite observations of late, is whenever global markets experience a shock-wave headline on a Sunday afternoon, you will find no shortage of Bitcoin critics sharing red Bitcoin price charts. What this actually signals, is that even the haters have the BTC ticker on their Bloomberg terminal, and understand that it is a useful barometer for what their stock portfolio will do on Monday morning.

As Bitcoin matures, and more institutional investors hold it, we can expect capital will respond to classic technical indicators that they are used to. At \$60k, the weekly RSI-14 traded below 30, signalling oversold conditions. This has occurred only at the lows of the price-pain capitulation in all prior bears.

Bear markets rarely end on the first oversold signal. All prior low RSI readings have been followed by several months of price consolidation.

However, it has also signaled that the bulk of the downside price action was now behind us, and only in the 2022 bear did price set a marginally lower low on news that FTX was insolvent.

What did follow all such oversold RSI readings was several months of choppy price action, ranging from 7-months in 2022, to over 12-months in 2015. Over the course of this time-pain process, downside momentum slowed, a base was hammered out, and a bullish divergence developed in the weekly RSI indicator.

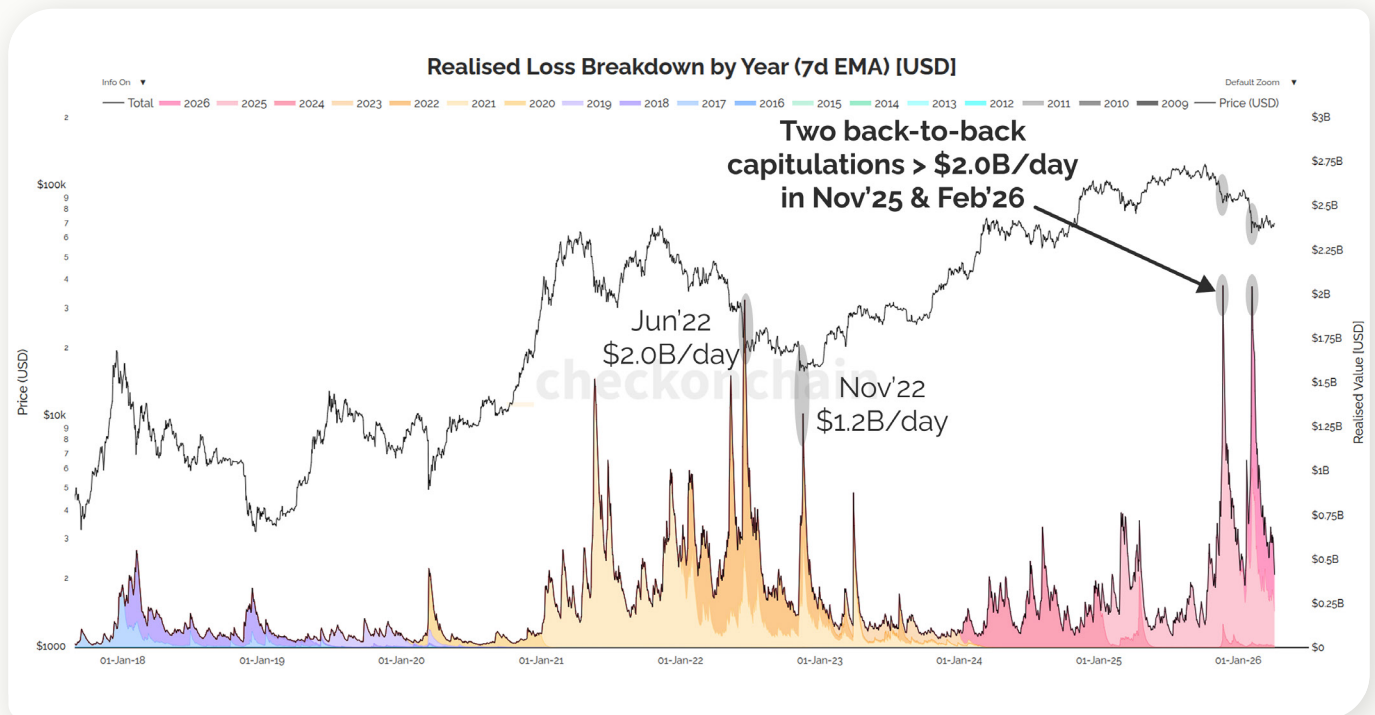
It would not surprise us to see a similar structure develop over the course of the next few months. \$60k may end up the ultimate low, as equivalent levels were in 2018 and 2025. We might also repeat 2022 and undercut it. However, in either case, we believe the downside momentum of this bear market is waning.

The next chapters build upon this idea from an onchain analysis perspective. We'll show that breaking the True Market Mean did precipitate a major capitulation event in Feb-2026, and make the case for a resilient base already being under construction.

price pain

Everyone gives up at the same time
and the smart money knows it.

03. Capitulation



Price-sensitive top buyers have capitulated.

The scene we have set up so far, is a bull market which ended under the immense weight of spot sell-side pressure. This was paired with a large cohort of buy-side counterparts who had a cost basis above \$90k. As the tides turned, key support levels were breached, bullish momentum faded, and unrealised losses expanded quickly.

The souring of sentiment through Oct and Nov-2025 culminated in the first major waterfall sell-off, reaching a low of \$80k on 21-Nov. We can calculate the volume of loss realised by coins transacting onchain in response to this sell-off by comparing them with their original acquisition cost basis.

The Nov-2025 sell-off to \$80k resulted in the first of two investor capitulation events of this bear cycle, seeing over \$2B/day in realised losses locked in, the largest such event in history at the time.

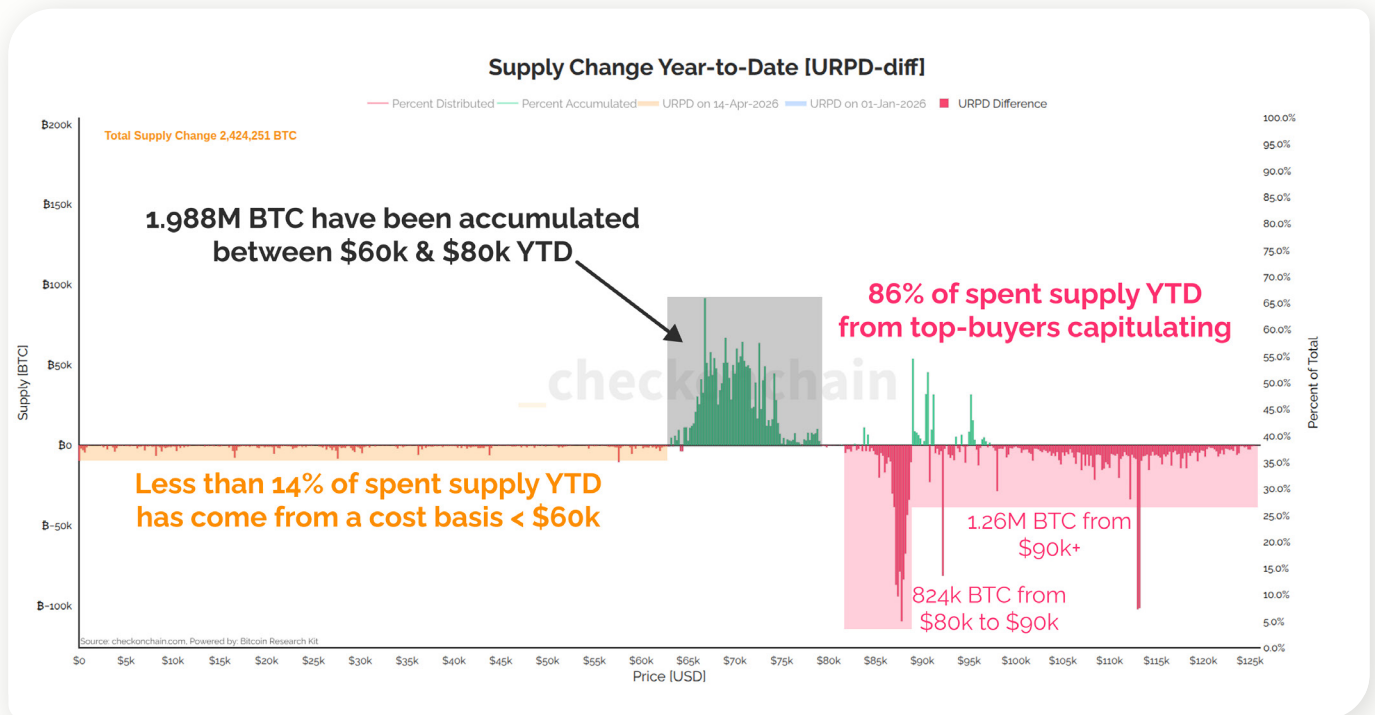
Interestingly, the \$80k level was coincident with the True Market Mean, and also very close to the average inflow cost basis for the US spot ETFs, which was sitting at \$82k. In other words, the first capitulation event of this bear was arrested at the average cost basis for active investors, both in an onchain sense, but also for ETF investors. Between 21-Nov-2025 and early Feb-2026, the Bitcoin price consolidated,

drifting gradually upwards to a local high of \$98k. For anyone familiar with technical analysis, this price structure resembled a classic 'bear flag', which we soon found out was destined to break lower.

On 5th and 6th of Feb-2026, the Bitcoin market experienced the second capitulation event, as the price fell as low as \$60k, and precipitated yet another all-time-record \$2.1B/day realised loss event.

Anecdotally, as professional Bitcoin analysts, we can confirm that the \$60k move lit up our inbox like a Christmas tree, and investors were very scared that day. It's our view, that these two back-to-back loss events released much of the pent up frustration derived from Bitcoin's relative under-performance in 2025. It flushed out many price-sensitive top buyers who'd assumed -50% bears were a thing of the past. We consider the Feb-2026 sell-off in particular to be the 'price-pain' capitulation of this cycle, and equivalent to Jun-2022 in terms of the regime shift in investor mindset.

Historically, 'price-pain' capitulation events signaled that a majority of the downside price action of the bear was now in the rear view mirror. Past bears have seen the remainder of the sentence paid for through a combination of somewhat leaky price, but more-so via a painfully boring, multi-month period of 'time-pain' chopolidation.



Follow the (smart) money.

There is signal in what people are doing, and also signal in what they are not doing. As we covered in chapter 1, we believe the 2025 bull market was slain by a tremendous volume of spot sell-side pressure, specifically from tenured investors who had held coins for multiple years. The profit taking volumes from these investors has fallen off a cliff since the Nov-2025 sell-off to \$80k, and has now returned to very low levels, last seen in late-2022 and throughout 2023.

Further to this, 2026 has been a particularly busy year, with the world grappling with headline after headline pertaining to private credit, AI related job losses, conflict, supply chain disruption, and an oil price spike. Bitcoin prices sold off by a peak of -30% YTD and plumbed a new bear market low of \$60k in February.

Despite Bitcoin prices being cut in half, and countless macroeconomic and geopolitical headwinds, investors holding coins at a cost basis below \$60k have been largely inactive, representing less than 14% of supply changing hands YTD.

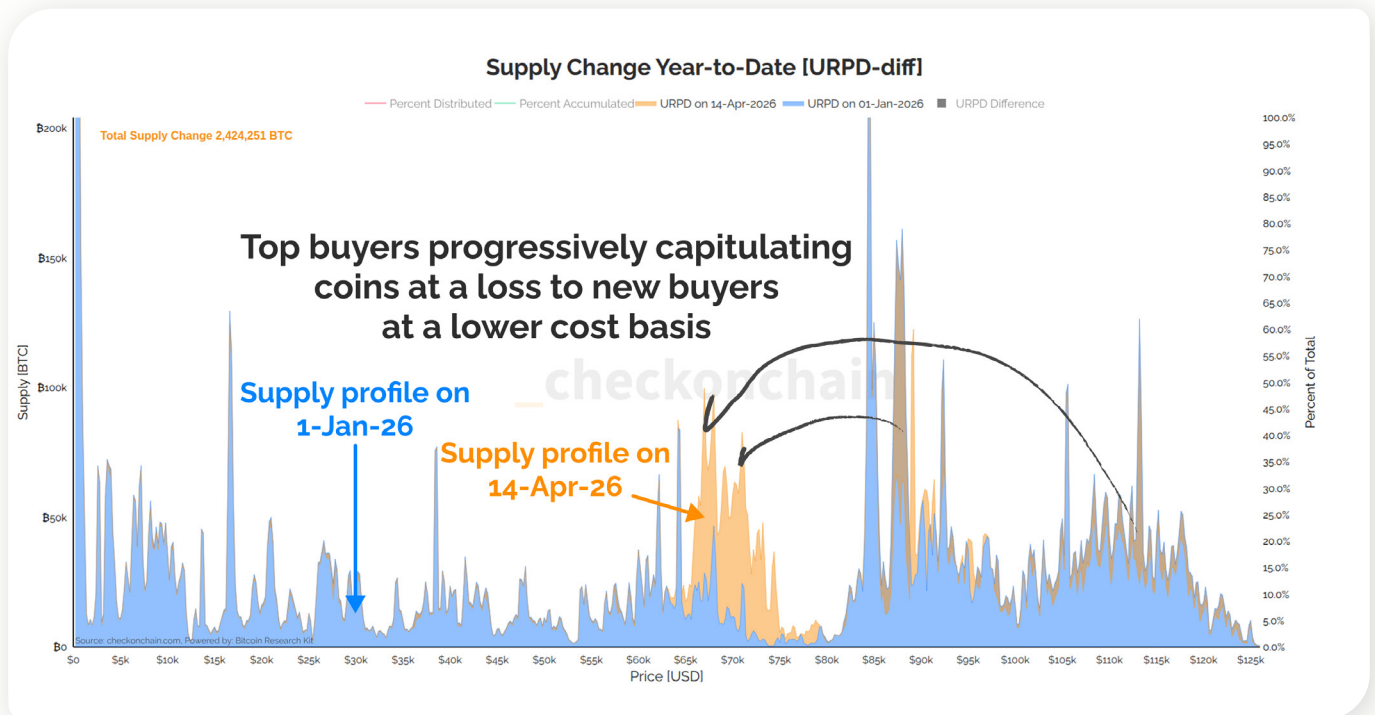
It is our opinion, that this dramatic tailing off of sell-side from investors who are deeply 'in-the-money', sends a clear signal that they no longer believe distributing their holdings is a wise decision.

Once the market reached \$80k in Nov-2025, they shifted from 'time to sell' mode, into, at minimum, 'time to wait and see'. Conversely, the remaining 86% of coins which are on the move this year, were originally acquired at prices above \$80k. Around 2.0M BTC which were accumulated above \$80k in 2025, have rotated to a new cost basis in 2026. These are primarily investors who have made the decision to capitulate and crystallise their losses in response to the full suite of motivating fear-factors in 2026.

A remarkable 1.988M BTC have migrated to a new cost basis between \$60k and \$80k YTD. This represents an upper-bound estimate of the volume of coins sold by one investor, and equally accumulated by another in recent months.

In our eyes, this setup starts to look like a cohesive, and consistent picture, which is very much in line with the investor behaviour we've seen in previous late stage bear markets. The smart money unload their profitable coins near the top, stop selling as prices fall, and start to re-accumulate after prices have fallen to attractive levels.

At the same time, the financial pressure of the bear motivates more and more top buyers to cut their losses, and exit stage left. When they can't handle the heat in the kitchen, they transfer their coins to someone who can. The circle of life.



Hammering out a resilient floor.

We've now established the three significant transitions that investor behaviour has gone through during this bear market:

1. **Oct to Nov 2025:** profitable investors sold in tremendous size, and a top-heavy supply structure developed, with 65% of the Realised Cap held above \$90k.
2. **Nov-2025 at \$80k until early Feb-2026:** Experienced investors were now aware that Bitcoin was in a bear market, whilst many others still assumed it was just another bull market dip. Profitable investors slowed their spending to a trickle at \$80k, sending a signal they no longer believed prices were favourable for sales.
3. **Feb-2026 onward:** Sell-side pressures are now dominated by the capitulation of top buyer losses, which consistently exceed \$500M/day. Profitable coins remain very dormant, and over 1.988M BTC have moved to a new cost basis below \$80k.

The break of the True Market Mean (\$80k) in Feb-2026 precipitated the second massive capitulation event of the bear, and sparked significant fear among investors. We believe this aligns with our thesis that this onchain price model is indeed the 'pain-threshold' for the majority.

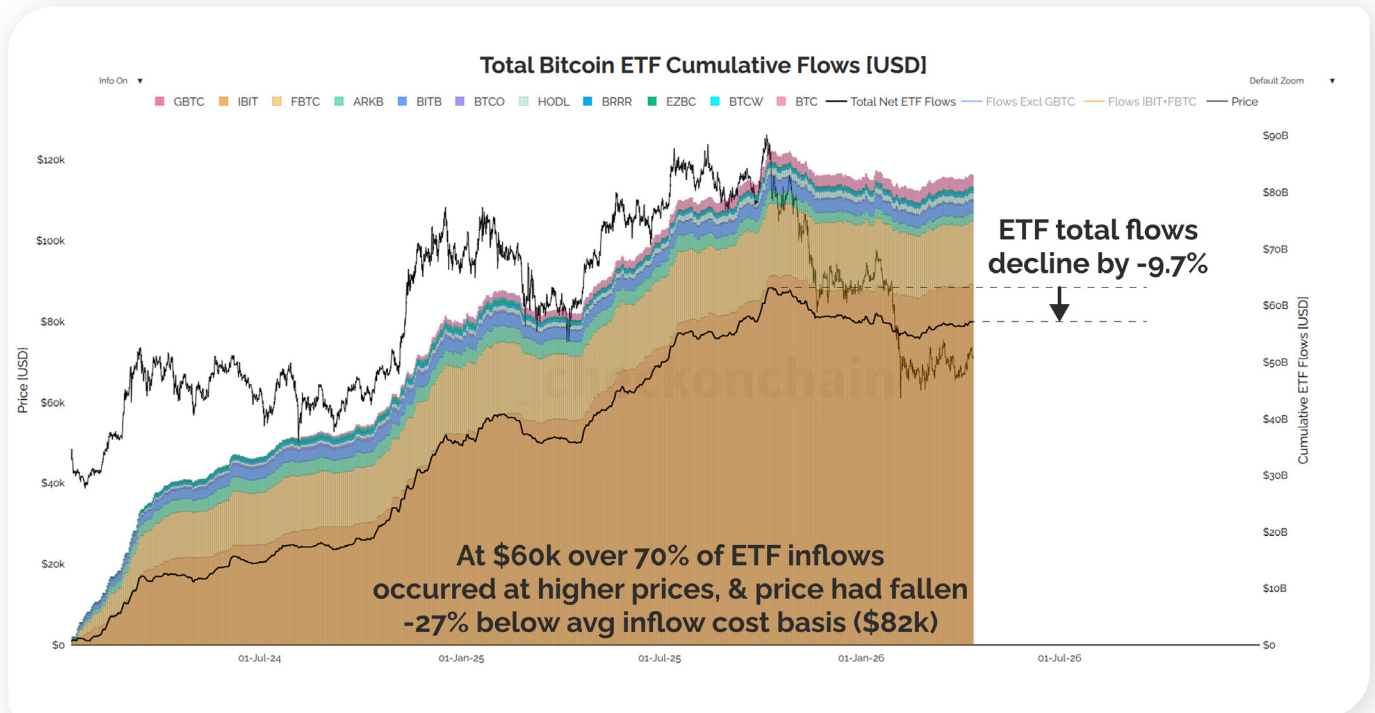
The chart above compares the BTC supply profile from 1-Jan-2026 (blue), and at the time of writing in mid-April (orange). The overlap between the two (dark orange) represents the 'supply change' that has occurred year-to-date. We find tools like this quite useful for visualising the mechanics of bear markets, showing how top buyers transfer their expensive coins, down to new buyers at cheaper prices.

Bear markets do not bottom on good-vibes. They bottom when a sufficient volume of top buyers have exited the market, and when it reaches seller exhaustion. At the same time, high conviction, patient, and long-term minded investors gradually accumulate and absorb the sold supply, putting a robust demand floor in place.

Having studied prior bear market floors in some detail, our research shows that when approximately ~25% of the Realised Cap has a cost basis concentrated in the bottom formation price range, it's likely a resilient floor is in place.

This rotation of coins from top buyers at expensive prices, to HODLers at cheap prices is the mechanism by which bear market floors are built.

As of mid-April-2026, around 23.7% of the Realised Cap is located between \$54k (the Realised Price) and \$75k (the current price range high). Not quite 25%...but not far off either.



The extraordinary ETFs HODL on.

This is the first Bitcoin bear market that many newly minted Bitcoin ETF holders have navigated. When the ETFs were first launched in Jan-2024, a favoured TradFi analyst critique was that the ETFs were simply an 'orange poker chip', and they would be sold at the first hint of market distress.

Well, this bear market has seen prices drawdown -52%, fall below the average ETF inflow cost basis of \$82k, and positioned more than 70% of ETF inflows at a price which we'd now consider to be expensive. This seems to be a reasonable approximation of 'market distress' to us.

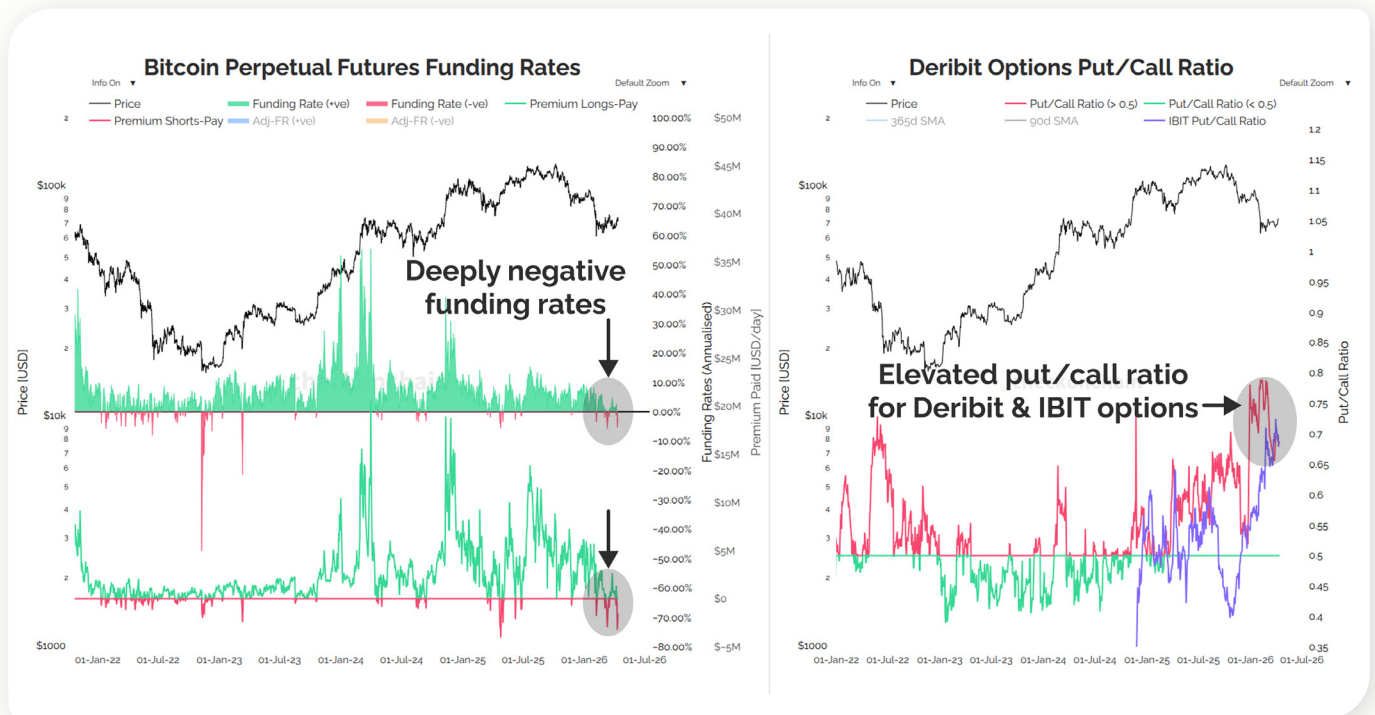
Given how dramatic the decline has been, one would expect ETF outflows to be equally significant, as the orange poker chips are cashed in, and losses are cut. Make no mistake, outflows from the US spot ETFs have been large, with a total net outflow of \$5.8B since the Oct-2025 ATH.

Whilst \$5.8B worth of ETF outflows are certainly a large sum, it also represents just 9.7% of the total \$63.1B which has flowed in so far. In Bitcoin denominated terms, the aggregate AUM of the ETFs declined by only 4.1% since the ATH.

Whilst there is no defined mathematical relationship between 'price down equals flows out', subjectively, we expected much larger ETF outflows given this magnitude of 'market distress'. To our eye, it would appear that many of the ETF investors are fairly price insensitive, either because their portfolio position isn't large enough to move the needle, or perhaps they are in fact, HODLers.

We dedicated an entire chapter to the *Extraordinary ETFs* in the first edition of this report, and believe that this bear market has only reinforced that headline summary. Deeper analysis of the \$5.8B in net outflows even shows an almost perfect correlation with a decline in CME futures open interest, particularly in late Dec-2025. It is our view that most of these outflows were not even due to investors selling their chips for fundamental reasons. Instead, it looks like hedge funds unwinding a cash-and-carry basis trade to window-dress their PnL statements at the end of 2025.

The ETFs are extraordinary in our view, and are sending a signal that the holders are even more constructive than many of the Long-Term Holders we observe onchain. The Bitcoin held in brokerage accounts appear to be just as hardy as the HODLers with coins in cold storage.



The bears really hate this rally.

As Bitcoin markets mature, they become an increasingly dynamic system, with prices influenced via a variety of complex interactions between spot, onchain, ETF, futures and options sectors. The investor cohorts that trade across these instruments also differ, with a clear example being the difference between a leveraged speculator holding a perpetual futures position, and a HODLER with 5yr old coins in a cold wallet.

Much of our analysis so far has focused on the onchain side of the equation, and in particular the behaviour of Long-Term Holders. We can bolster this argument with analysis of how traders are positioned in derivatives markets, assessing both futures and options market data.

Derivative metrics like futures funding rates, and options put/call ratios are great contrarian indicators in our experience. It shows when speculators start gambling on fire insurance after the house is already a pile of smoldering ashes.

Funding rates have been positive throughout the majority of this bear market decline, with liquidation volumes showing most speculators have been trying to catch the falling knife.

Only after the market reached \$60k, and after conflict in the Middle East had reached boiling point, did speculators decide now was the right time to go short.

Funding rates have been persistently, and deeply negative since the start of March-2026. At the same time, the Put/Call ratio for both Deribit and IBIT options has been heavily increasingly skewed towards put options.

Our read on this, is that the speculators who should have shorted Bitcoin approximately six months ago at \$126k...and have liquidated their accounts multiple times going long since...have finally decided it's time to go short.

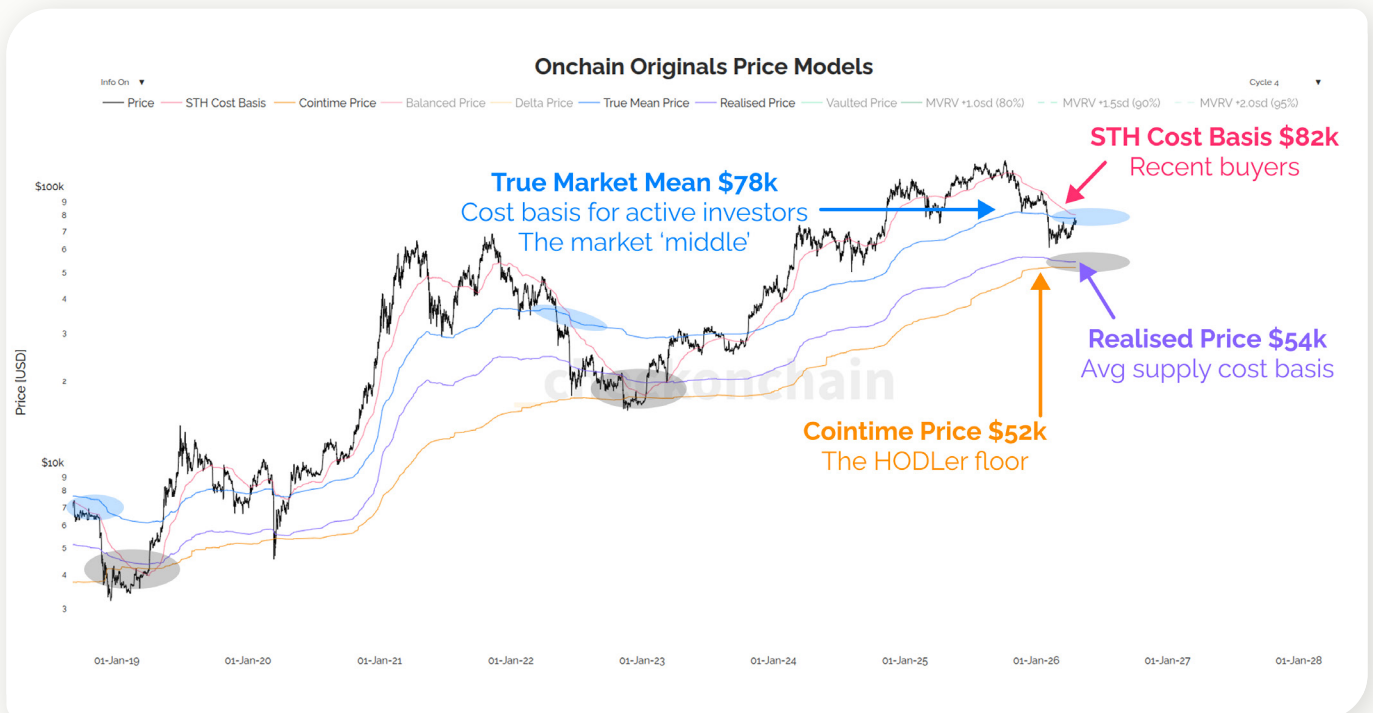
Of course, derivatives position tends to move quickly, and with the market winds. However we find this shift in speculator sentiment to be quite the contrast to the behaviour we see among onchain Long-Term Holders. One camp is shorting the bottom, the other, as best as we can tell, is signalling they like these prices (to the tune of circa 1.988M BTC).

How
low?

Stop worrying about the bottom tick.

Just put the odds in your favour.

04. Welcome to Deep Value



The HODLers of Last Resort.

In the preceding chapters, we explored our perspective for why the 2025 bull market reached its end, why investor fear cut Bitcoin prices in half, and precipitated two back-to-back capitulation events. By the time the market reached \$60k, our observational ears had pricked up, and we sensed that we'd just experienced a meaningful shift in investor sentiment.

We believe the tide of downside momentum had now reached its crescendo, and our expectation was for several months of chop and consolidation and leaky price action. Our view is Bitcoin had now entered the 'time-pain' phase of the bear market.

The time-pain chapter of a bear historically involved 6 to 12 months of painful range-bound price action, which slowly but surely shakes all remaining sellers out.

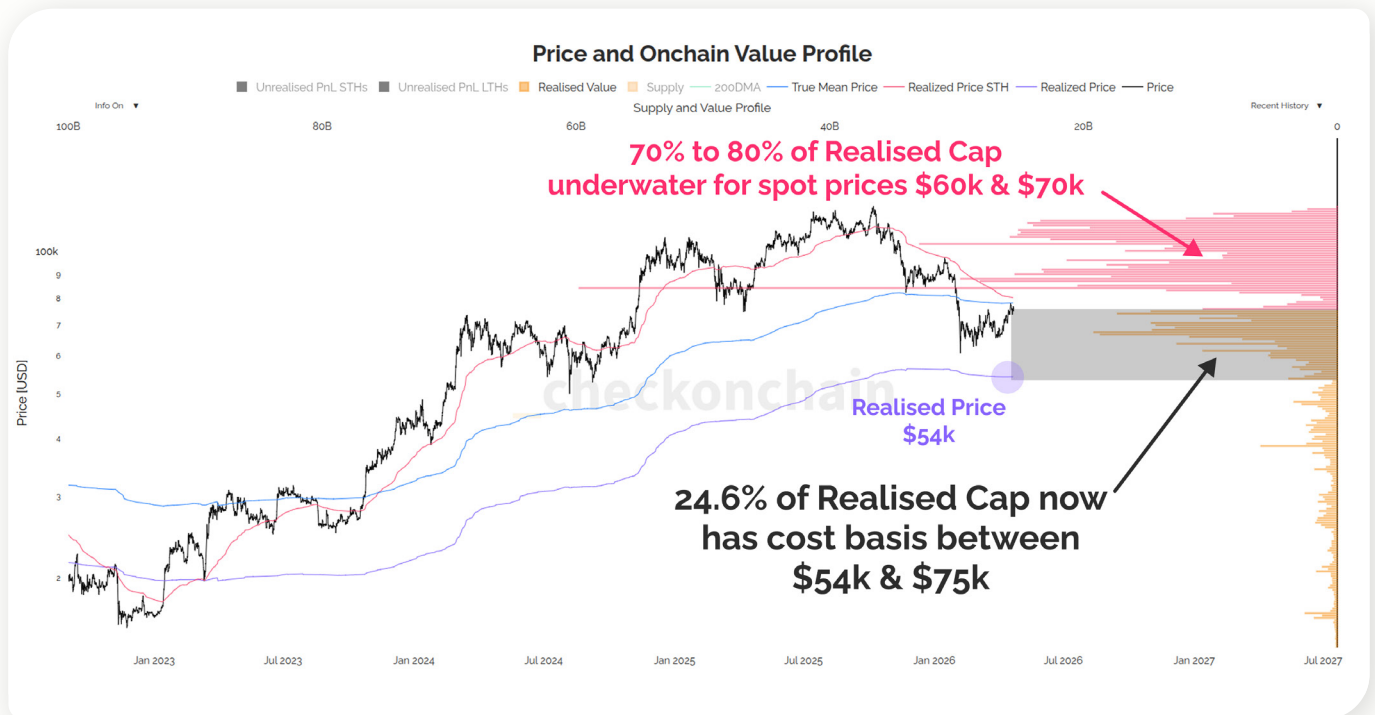
No speculators or tourists remain at the end of this phase of the bear, and all who remain are the pool of high conviction, price insensitive HODLers of Last Resort. The only people who buy an asset which is this hated, and plastered with so many bearish headlines, are people who understand what Bitcoin actually is.

For 95% of the market cycle, the onchain Short-Term Holder cohort is rightly thought of as describing the 'hot ball of money'. Where price trades relative to their cost basis is a great level for tracking shifts in the market regime. However, in that remaining 5% of the cycle, specifically at bear market lows, Short-Term Holders are actually the hardcore HODLers who accumulate Bitcoin when nobody else is willing to.

At bear market floors, the STH cost basis and the Realised Price converge, signaling we've reached a homogeneous investor base of HODLers only.

Given we view the True Market Mean as a corrected implementation of market wide cost basis, we argue this convergence is currently underway around \$80k. On the lower bound, we have the Realised price at \$54k, and the Cointime Price at \$52k, both representing deeply undervalued levels which are very appealing for old hands.

It is our view that the \$80k to \$85k region is the principle resistance level which delineates this bear from the next bull. We also see the \$52k to \$54k region as the most likely catchers mitt for the final time-pain capitulation sell-off, should one occur.



Bottoms require coins to change hands.

We have spent a great many hours studying prior Bitcoin cycles, specifically through the lens of investor incentives and actions. Bull markets end when too many people, buy too many coins, at too high of a price. They ignore signs of sell-side pressure, and fall victim to the narratives of there being *'no ceiling'*.

As the price calls below more individual investor cost basis levels, the reality of the Bitcoin bear progressively dawns on people, and the marginal investor behaviour switches from *'buy-the-dip'* mode into one seeking to *'sell-the-rip'*. Top buyers start to cut their losses, dip buyers become local top buyers, and this cycle repeats until the market has cleared at lower altitude prices.

The chart above shows the Bitcoin price overlaid with a profile breakdown of the Realised Cap. Bars show the USD value invested at each cost basis level.

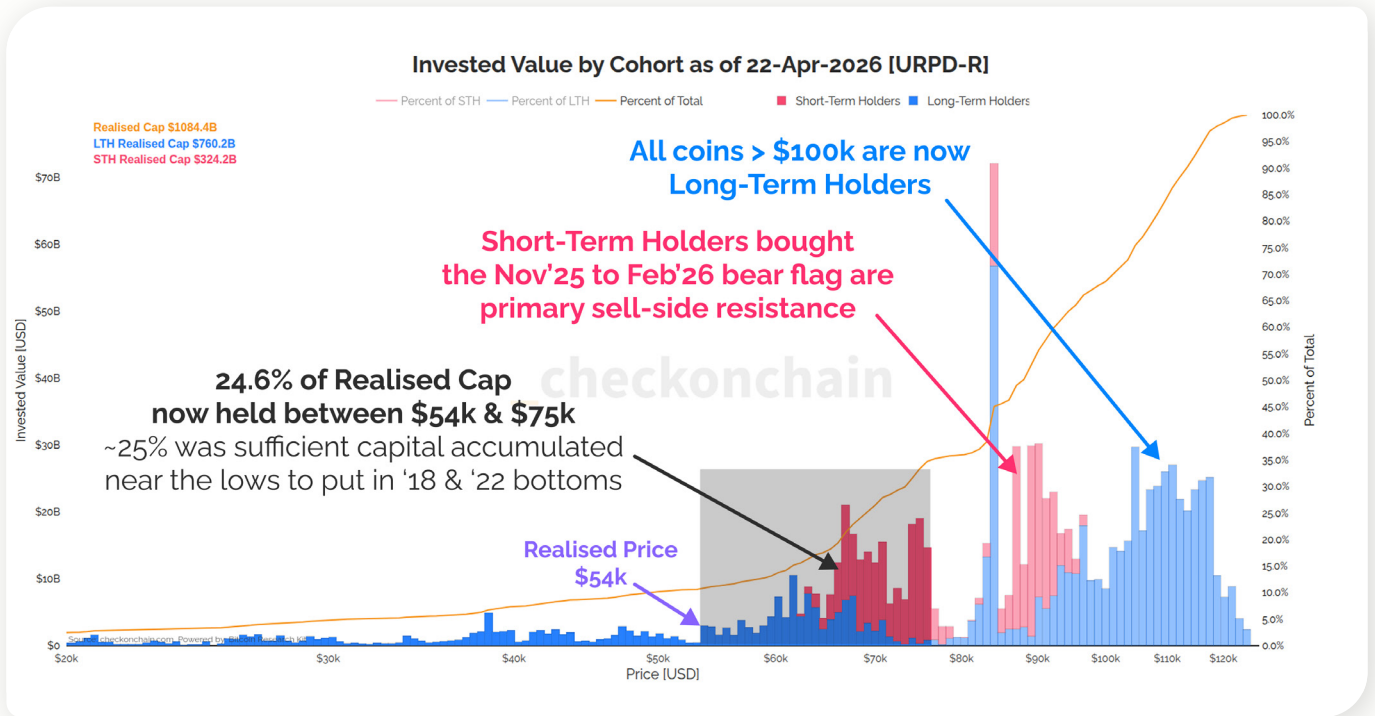
When the price tagged \$60k in February, just over 80% of all the USD capital invested in Bitcoin was underwater. This was the reason we saw a record \$270B in unrealised loss, and the incredible \$900B decline in unrealised profit.

The price-pain capitulation we saw at this time is in direct response to the fear and panic investors felt as a result.

Recall the bar chart we presented from the Oct-2025 ATH, which shows the top-heavy supply structure in chapter 1. That heavy mass of Short-Term Holders who we now know bought the top carried a whole lot of potential sell-side energy, and one by one, they started to crystallise those losses on the way down. The result of top buyers taking the L, is they transfer their coins to a new buyer at a lower, and more favourable cost basis.

Bear markets bottom after prices reach a sufficiently low altitude, and when enough potential sell-side energy has been released. This process gradually turns a top-heavy market, into a bottom heavy one.

We can only know for sure where a bear market finally bottoms in hindsight. In the meantime, the best we can do is measure how much of this capital rotation process has occurred to date, and compare it with bear markets of the past. At the time of writing, around 24.6% of the Realised Cap now has a cost basis between the Realised Price at \$54k, and the range high of \$75k.



Plugging the leak around 25%.

Bear markets are a process of redistributing coins from top buying speculator hands, back towards high conviction HODLers at discounted prices. We asked ourselves what we'd like to see at a bear market floor, and came up with a general checklist:

- Price drawdown of sufficiently magnitude to trigger a major capitulation event.
- Smart money HODLers signalling they are no longer selling to take profit.
- A confluence of several of widely observed oversold indicators firing off.
- Fundamentally derived floor models being within close downside proximity.
- Last remaining speculators flipping noticeably bearish, asking for a short squeeze.
- A sufficiently large volume of top buyer coins selling to HODLers at lower prices.
- An onslaught of bearish headlines, which do not produce markedly lower prices.

In lieu of having a working crystal ball, the best we can do is compare the current market conditions to this checklist, and we have already quantified the first five.

In our study of prior bear market floors, we found a surprising consistency in the distribution of the

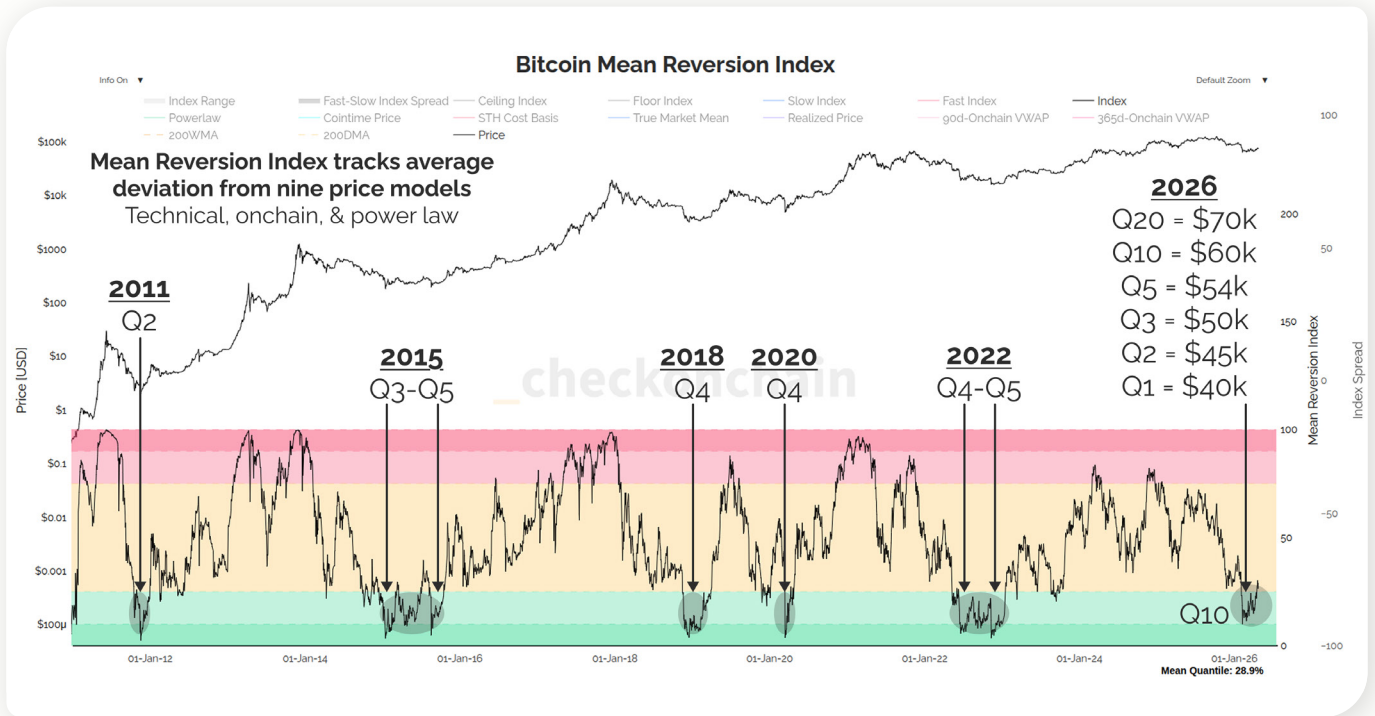
Realised Cap after the low had already been put in. Most notably, both 2018 and 2022 saw ~25% of the Realised Cap held within the 'bottom formation' price range (\$3k to \$5k in 2018, and \$15.6k to \$24.5k in 2022).

Before the Feb-2026 sell-off, approximately 10% of the Realised Cap was held by Long-Term Holders between \$54k and \$75k, all accumulated in 2024. As we have established already, this price range is what we currently deem to be the most credible candidate for this bear cycles 'bottom formation' price range.

Since tagging \$60k on 6-Feb, we have seen the volume of capital held within this price range swell by approximately \$158B, drive by top buyers capitulating losses, and transferring coins to those crazy folk who buy when 'it's all over'.

All of the coins that still have a cost basis above \$100k are now classified as Long-Term Holders. Speaking from personal experience, a lot of these coins are owned by people who don't care that it's a bear, and plan to HODL (and accumulate) through it.

We now have 24.6% of the Realised Cap held within this candidate bottom formation price range. Between the time these words were penned, and the time you read this report, we'll go out on a limb and say we will have passed that ~25% threshold which arrested the fall of both the 2018 and 2022 bear markets.



Putting the odds in our favour.

Only amateur analysts pretend they can predict the future. It takes a variety of expensive lessons in markets to learn that the right way to think about markets is using a probability framework. In our case, we have largely illustrated a fundamental case for why we believe this bear market is well into its old age.

We also believe that markets are mean reverting, and the more the price deviates above or below that mean, the odds of it returning towards the centre increase. The key question is picking the right mean, and there are plenty of suitable candidates.

The chart above is our Mean Reversion Index, which takes the average of nine means that believe enact gravity on the Bitcoin price. It includes models derived from both technical, onchain, and trend based analysis methods.

- **Technical averages:** 200-day and 200-week moving average, representing widely utilised fast and slow anchors derived solely from price.
- **Onchain cost basis:** Cointime Price, Realised Price, True Market Mean, and STH cost basis. These models range from time-and-volume weighted floors (Cointime price), to direct measures of investor cost bases. When the price is high relative to these anchors, investors take

profit and raise the cost basis, and conversely for losses when the price declines.

- **Onchain VWAPs:** The 90-day and 365-day onchain volume weighted average prices, seeking to track the hot, and not-so-hot ball of volume-weighted-money.
- **Power-law Trend:** Whilst we are not firm believers in the Power Law trend, we acknowledge Bitcoin has largely followed it to date, particularly in bear markets.

Using nine means, of both fast and slow varieties, we derive a single index which tracks the mean reversion probabilities through time, measured in quantiles. A reading of 'Q20', it means 20% prior days are lower on a relative basis.

The prevailing \$60k low reached a Q10 event, which we translate to being a 90% chance of being THE bottom. In 2018, 2020, and 2022, the final bottom wick of those bears was reached around Q4, which is equivalent to the Realised Price at \$54k today.

We are also aware of many bears expecting an eventual low of \$30k to \$40k. The may well be right, and hats off to them if they are. However, from our perspective, that would be a Q1 to Q2 event, with the historical equivalent being \$2 Bitcoin in 2011. We'd love to buy Bitcoin at \$2, but we're not holding our breath for it.



**To our eye,
we have a
confluence of
oversold factors.**

**These are
typically seen
only in the later
stages of Bitcoin
bear markets.**

Concluding Thoughts

We love analysing the Bitcoin market, as I hope is evident in this report. We find the story inlaid within the data to be endlessly intriguing, and see it as a lens into the fear and greed investors experience throughout the cycle. We try to map our own experience of buying tops, selling bottoms, and eventually learning our lesson to the behaviour of the crowd who are each somewhere along that spectrum of experience.

The conditions of every market cycle is different, but this is balanced by a great constant; the emotional response of humans when exposed to fear and greed. Navigating any investing market requires constant self-reflection, and maintenance of our internal biases that drive us to seek out and find the narrative we want to see.

We find the synthesis of data sourced from the variety of data sources we have for Bitcoin to be a potent antidote to our own biases, and helps us filter signal from noise.

We accepted that we can't predict the future long ago, and the best we can do is look for a confluence of factors which tilt the odds in our favour. In this report, we illustrated the heavy sell-side pressure which killed the 2025 bull, and the subsequent fear-factor which has since gripped the buyers.

Our prevailing thesis was any price decline below the True Market Mean at \$80k, would be sufficiently deep that it would be a catalyst for a significant capitulation event. We believe it was. From first principles, our view is that even through prior bear markets bottomed below the Realised Price (\$54k), it should cede that role to the True Market Mean as Bitcoin grows in size.

This is bolstered by the floor model of Cointime Price trading nearby at \$52k, and our Mean Reversion Index signalling a Q4 event at those levels.

To our eye, we have a confluence of oversold factors, typically seen in the latest stages of Bitcoin bear markets, coalescing in the \$54k to \$75k price range.

Most importantly, we needed to see a sufficient volume of coins change hands, from top buyers to HODLers. We measure a sufficiently bottom forming accumulation plug to be ~25% of the Realised Cap, which we saw after both the 2018 and 2022 bottom wicks were in. By the time this report is live, we will have past that threshold.

We're also very happy to acknowledge that we can be tremendously wrong in our assessment. It won't be the first time, and it certainly won't be the last. The best we can do is weight up the data-based evidence, and form a conclusion based on our experience and expertise.

Thus far, we've been unable to convince ourselves against the idea that the bottom formation process of the 2026 bear started with the price-pain capitulation event on 6-Feb-2026.

We expect the \$80k region to be formidable resistance, and it likely won't be taken on the first attempt. We do see it as the delineation line between this bear, and the next bull. We expect chopsolidation below the True Market Mean (\$78k), and above the Realised Price (\$54k) until we do.

We hope you enjoyed reading our prevailing bear market thesis in this second edition of The Bitcoin Checkpoint. We also hope you learned something new along the way.

Now we wait to see how it ages.

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