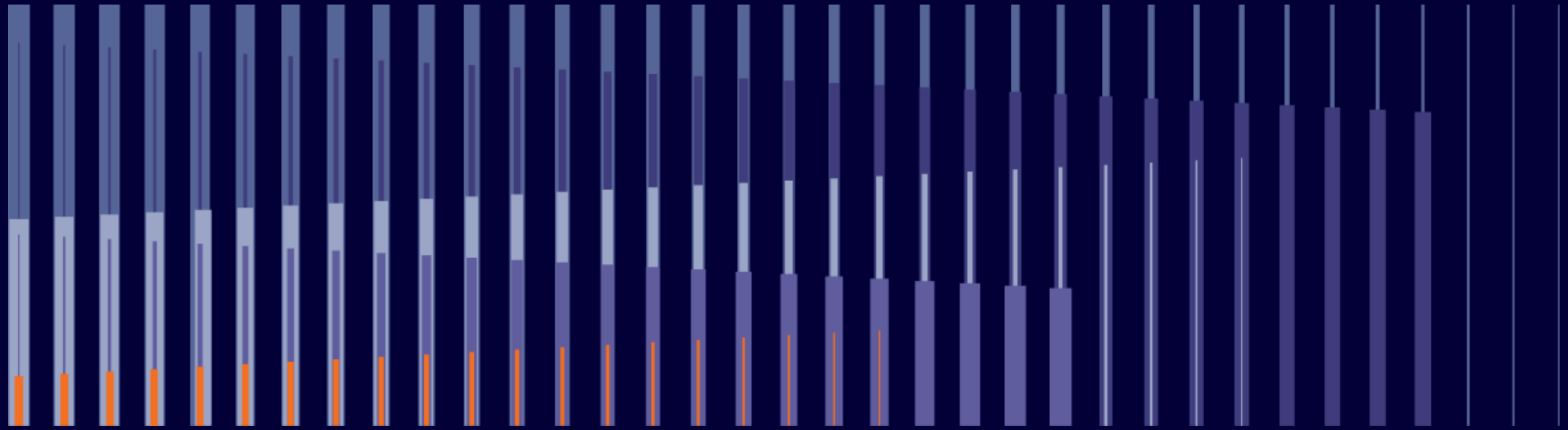
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Official Report

The Cyclical Nature of the Digital Assets Market



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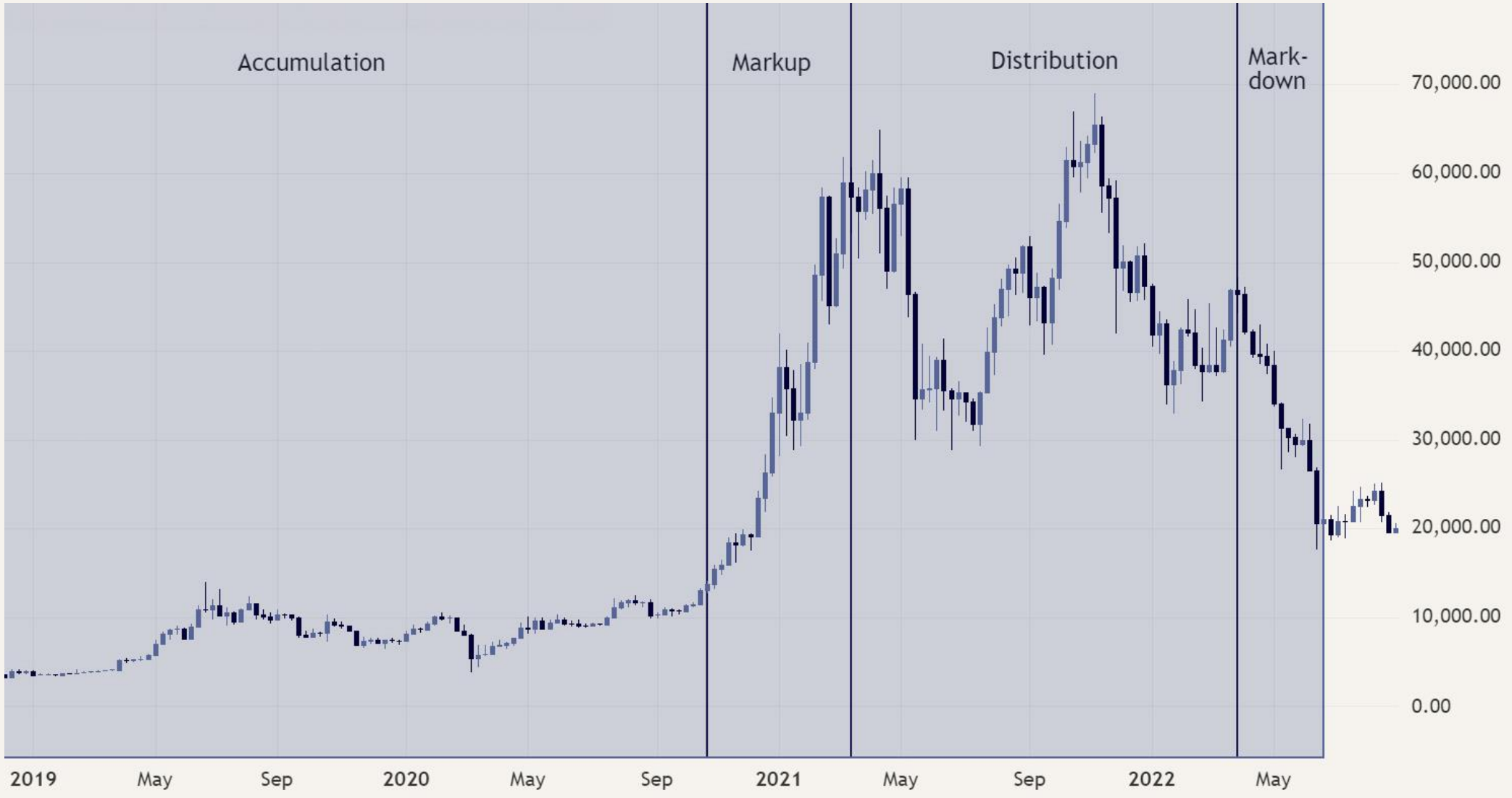
BITCOIN LEADS THE WAY

Since Bitcoin's inception, it follows a four-year cycle, and as the flagship of the industry, the digital assets market follows suit.

As an investor, understanding this cycle will allow you to navigate the market more effectively during its upswings and corrections. This cycle can be divided into four phases: Accumulation, Markup, Distribution, and Markdown.

We will dive deeper into these different phases describing their characteristics and how they unfold.

DIFFERENT PHASES OF BITCOIN



ACCUMULATION PHASE

The first phase is the accumulation phase, which is characterized by low investor interest and trading volume. Due to this, overall sentiment is negative or skeptical, causing only seasoned investors and smart money to be active, as these investors slowly accumulate, Bitcoin's price experiences a gradual ascent.

Nevertheless, the market still experiences small corrections as the market fluctuates between certain price levels. This price action is not enough to gain significant interest from other investors. This is the optimal moment to position yourself in the market and accumulate assets. The overall market experiences an accumulation phase as well due to following Bitcoin's trajectory.

MARKUP PHASE

As the Bitcoin Halving closes in, the market undergoes a transformation, as it enters the "markup phase."

The market transitions from moving sideways to an upward trajectory and sentiment evolves into optimism and marks the beginning of a bull run. However, even though there is an upward trajectory, corrections still happen. For example, in the 2021 cycle, as we moved towards new all-time-highs, there were over six big corrections.

Furthermore, even though Bitcoin experiences tremendous growth, altcoins such as Ethereum also gain momentum and will slowly start outperforming Bitcoin.

These corrections are healthy as they liquidate over-leveraged positions and create breathing room for further upward momentum. No asset class can go straight up and if it does, the harder the fall. So, although it's unfortunate in the short-term, in the long-run these corrections are just a ripple.

CORRECTIONS TOWARDS ATH

As seen in the illustration, Bitcoin experienced over six corrections as it moved towards its all-time high.

Unfortunately, these corrections are inevitable as it keeps the market healthy and flushes out over-leveraged positions.



DISTRIBUTION PHASE

After the market has peaked, the distribution phase kicks off. During this phase, a delicate balance is struck between buyers and sellers.

Professional investors begin to take profits while others remain optimistic that the bull run can continue. Price movements start to oscillate within defined levels, unable to break free from either support or resistance. This period is defined by various months of high volatility, creating significant gains and losses.

As the prices of the assets begin to stagnate, sentiment begins to shift from positive to uncertain, increasingly more investors think that the bull market is over. At the end of this phase, the market starts its downward trajectory.

MARKDOWN PHASE

The market then enters its prolonged period of downward movement, commonly referred to as the markdown phase or bear market. Almost no new investors enter the market, resulting in a decreased demand for assets while the supply remains constant or grows. Consequently, prices take a hit and start to plummet.

As more investors offload their positions, prices experience a rapid decline, leading to negativity and fear. Investors observing from the sidelines lose interest and the chances of new capital entering the market drop. Prices will continue to decline until investors think the worst part is over and start acquiring again. At this point, investor sentiment gradually shifts, leading to a cautious accumulation of assets, and the market cycle restarts.

LIQUIDITY SHIFTS IN MARKET

Phase 1: Bitcoin

Liquidity flows into Bitcoin causing price surges

Phase Overlap

- Liquidity flows into Ethereum but it struggles to keep up with Bitcoin
- Ethereum goes back and forth with Bitcoin and starts outperforming it

Phase 2: Ethereum

Ethereum is outperforming Bitcoin

Phase Overlap

- Liquidity starts to trickle into large market capitalizations

Phase 3: Large Caps

ETH has been outperforming BTC and larger market capitalizations experience significant price increases

Phase Overlap

- Regardless of market capitalizations, some small and micro market capitalizations are starting to surge

Phase 4: Altseason

- Large market capitalizations have surged, outperformed Bitcoin, and will soon start to decline
- Micro, small, and medium market capitalizations all experience significant rallies,
- The market is at peak optimism and euphoria, signaling the peak of the market.

WHEN IN DOUBT, ZOOM OUT

Investing in digital assets, like traditional markets, requires a long-term horizon. This can be challenging due to the higher volatility of digital assets compared to other asset classes. However, short-term fluctuations and corrections become less significant over longer time frames. In the digital assets market, there's a saying: "***When in doubt, zoom out***," emphasizing the importance of a long-term vision.

Just like in traditional markets, there will be periods of sharp corrections. However, if you believe in the industry's growth, these corrections will eventually recover, and the overall growth will continue.

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