



## CONFIDENTIAL PARTNER MEMO

### Crypto Market Update & Positioning

**Date:** Sept 26, 2025

**Audience:** Crownstone program clients

**Prepared by:** Crownstone Investment Team

#### Executive Summary

Over the last 2-3 weeks, digital assets experienced a sharp drawdown following an attempted breakout to new all-time highs (ATHs). Our program entered heavy long exposure in mid-August and added during the mid-September pullback as price action and flow data suggested a high-probability push through ATHs (peak print around \$117,900 BTC on Sept 17).

Since then, price failed to extend, weekly momentum rolled over, and event risk rose sharply (U.S. government-shutdown brinkmanship and a surprise FTX creditor distribution schedule for Sept 30).

In response, and per our risk policy, we have fully hedged the portfolio's directional exposure (netting to neutral/slightly short beta) while we await confirmation: either a breakdown through key weekly supports (bearish path) or a reclaim of trend/momentum (bullish negation).

Base case (near term): Probabilities skew down unless a credible shutdown resolution and renewed ETF inflows arrive quickly. We outline both paths and our triggers below.

#### What Happened – Timeline & Rationale

##### Mid-August to Early September

BTC/ETH trend structure improved; higher highs/higher lows on daily and weekly timeframes.

Spot ETF inflows were strong, breadth stable; on-chain metrics did not yet show late-cycle blow-off extremes.

**Action:** Initiated heavy long exposure.

#### Mid-September (pre-Sept 17)

After a brief correction, BTC ripped back toward ATHs and printed \$117.9k.

Momentum and tape suggested an EV-positive setup for an ATH breach: risk/reward favored continued upside with ETF demand as a backstop.

**Action:** Added on weakness with expectation of a clean breakout.

#### Post-Sept 17 – Present

Breakout failed. Weekly RSI produced lower highs while price carved marginal higher highs; a classic bearish divergence.

Crypto underperformed stocks and gold (both making higher monthly highs), signaling relative-strength deterioration.

Exogenous shocks emerged:

- (a) Government shutdown brinkmanship escalated beyond typical rhetoric (agency “layoff plan” guidance).
- (b) FTX announced a Sept 30 distribution (\$1.6B), creating a dated supply overhang and pre-hedging pressure in BTC/ETH.

Spot ETF flows turned choppy to negative on several recent sessions, removing the clear “bid of last resort”.

**Action:** We shifted from long to fully hedged (delta-neutral to slight short) per the risk framework.

### **Why Drawdown Hit Hard – What’s Different This Time**

#### **1. Position & Divergence**

Weekly RSI divergence (price up, momentum down) flagged distribution risk.

BTC stalled near ATHs while equities/gold advanced; crypto became idiosyncratically weak.

## **2. Policy & Plumbing Sensitivity**

Shutdowns are often ignored by stocks (economic impact small, Continuing Resolutions common).

Crypto is more sensitive because shutdowns freeze or slow critical agencies (SEC/CFTC), disrupt filings/reviews/approvals, and cloud ETF/issuer operations. Liquidity is thinner and leverage higher; faster repricing occurs.

## **3. FTX Distribution Overhang (Sept 30)**

Known-date creditor distributions tend to be front-run via hedging in the most liquid pairs (BTC/ETH).

Even if net supply is manageable, anticipatory selling and negative sentiment can amplify moves.

## **4. ETF Flow Shift**

After strong mid-Sept inflows, we saw clusters of outflow days into the drawdown. In prior weeks, inflow clusters coincide with rebounds; outflow clusters preceded extensions lower.

## **5. Alts & “Altseason” Misreads**

Some alts showed short-term resilience versus BTC, but majors remain far from prior ATHs. Breadth outperformance without USD Breakouts is more consistent with rotation within weakness than a new risk-on leg.

## **Current Technical State – Key Lines in the Sand**

### **Bitcoin (BTC)**

20-week EMA: \$111k.

Major shelf: \$107,700 (mid/late Aug support)

If \$107.7k breaks on a weekly close: High probability of \$105k to \$102k to \$98-95k sequence (approx.. 20% from ATH), with tail risk to \$92-85k if flows deteriorate.

Bullish invalidation: Daily reclaim \$112-113k, then weekly close above the 20W EMA, and RSI in the 60-70 range.

### **Ethereum (ETH)**

Pivot supports: \$3,740 then \$3,500 / \$3,200

Reclaim zone: \$3,980 - \$ 4,020 (failed-break threshold)

ETH tends to underperform BTC on down legs due to hedging / basis dynamics.

### **Cross-Signals**

RSI regime: Weekly <50 would confirm a momentum regime flip (bear range).

Flows: Multiple consecutive positive ETF days support recovery; multiple red days confirm distribution.

Basis/Funding: This cycle's funding has been "pinned" near a small positive baseline; use perp-spot basis and open interest rather than funding flips as capitulation tells.

## **Scenario Map (Next 2-3 Weeks) & Our Playbook**

### **A) Shutdown avoided via last minute CR (base-lean)**

Tape reaction: Fast relief squeeze in BTC/ETH (+3-6%); follow-through depends on flows.

If ETF inflows resume: Retest \$112-115k; momentum rebuild possible.

If flows remain mixed: Rally likely stalls at resistance; range persists.

Our stance: Maintain hedges into headline; trim hedges into strength only if daily closes reclaim \$112-113k and we see back-to-back green ETF prints. Otherwise, re-sell strength.

### **B) Actual shutdown begins**

Tape reaction: Continuation lower; BTC targets \$105k-\$100k, ETH underperforms. If flows also print red, extension to \$95k (-20% from ATH) becomes likely.

Our stance: Maintain short bias; increase on a daily/weekly close < \$107.7k or a failed reclaim of the 20W EMA. Scale covers at \$105k/\$102k/\$98-95k.

### **C) Surprise multi-week funding deal (true resolution)**

Tape reaction: Sentiment flips; swift push toward ATH retest.

Our stance: Remove hedges, rotate back to net long only after weekly close above 20W EMA and confirmation from flows/RSI.

## **Why Stocks/Gold Didn't Dump Like Crypto**

Macro impact of shutdowns is usually contained; equities discount quick CRs.

Gold is driven by real yields/geopolitical demand; the shutdown narrative is a weaker driver.

Crypto is uniquely exposed to: regulatory throughput, ETF/issuer operations, 24/7 leverage/liquidations, and sentiment reflexivity.

## **FTX Distribution – Why the Timing Matters**

The Sept 30 creditor payout (\$1.6B) acts like an unlock date. Markets front-run it via hedging/selling in the most liquid instruments.

Landing on the same day as potential shutdown headlines concentrates risk temporally; either event alone is manageable, together they amplify volatility and risk premia.

If ETF demand is robust into/after Sept 30, the market can absorb it; if not, it becomes a catalyst for the next leg.

## **Current Positioning & Risk Management**

Program is fully hedged (delta-neutral to slight short beta) in line with Crownstone Risk Manual.

Objectives:

1. Avoid ruin through event risk.
2. Participate in downside id breakdown confirms.
3. Re-risk efficiently if trend / momentum is reclaimed.

Funding this cycle is not a reliable tell; we prioritize per-to-spot basis, open interest de-risking, and ETF flow clusters.

## **Triggers – When We Re-Long vs Go Fully Short**

Re-Long / Remove Hedges (*all required, not just one*)

1. BTC daily close > \$112k-113k and weekly close > 20W EMA (\$109k-\$111k).
2. Weekly RSI > 55-60 (bull-range re-entry).
3. Consecutive positive ETF days (ideally multi-issuer participation).
4. Spot premium vs. perps on up-moves; OI rebuild without crowded long skew.

Press Shorts / Stay Hedged

1. Daily/weekly close < \$107,700 or failed reclaim of 20W EMA after brief bounce.
2. Weekly RSI < 50 (bear-range confirmation).
3. Clustered ETF outflows (2-3+ consecutive sessions).
4. Perps at/under spot with OI rising on down-moves.

Targets & Risk Bands (BTC)

First supports: \$105k - \$102k

Primary bear target : \$98k-\$95k (-20% from ATH).

Tail: \$92k-\$85k if shutdown persists and flows deteriorate.



Invalidation: Swift reclaim and hold above \$112k-113k with strong flows.

#### ETH Reference Bands

Downside: \$3,640 to \$3,500 to \$3,200.

Reclaim/Invalidation: \$3,980 to \$4,020.

### **Communication & Next Steps**

We will update clients promptly upon:

1. A confirmed shutdown or a credible CR/deal;
2. A weekly close through key levels noted;
3. A material change in ETF flow regime (multi-session shift).

Until then, we remain fully hedged and opportunistic; we will add on breakdown confirmation and re-risk long only on validated trend/momentum/flow signals.

### **Disclosures**

This memo is for information purposes for Crownstone clients. It is not individualized investment advice. Digital assets are volatile; past performance is not indicative of future results. All levels are approximate and may change with market conditions.