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Ethereum in Danger of 25% Collapse as ETH Price Develops Classic Bearish Technical Model

Original:
https://www.btcc.com/en-US/academy/research-analysis/ethereum-in-danger-of-25-drop-as-eth-forms-bearish-technical-model

Despite a rally of over 20% in the last three days, Ethereum is still at risk of falling further.

Ether (ETH), the native token of Ethereum, looks poised to undergo a crash in May as it forms a convincing “bear pennant” structure.

ETH Price up to $1,500?

ETH‘s price has been consolidating since May 11 inside a range defined by two converging trendlines. Its sideways move coincides with a drop in trading volumes, underscoring the possibility that ETH/USD is painting a bear pennant.

Bear pennants are bearish continuation patterns, meaning they resolve after the price breaks below the structure’s lower trendline and then falls by as much as the height of the previous move downside (called the flagpole).

As a result of this technical rule, Ether risks closing below its pennant structure, followed by additional moves to the downside.

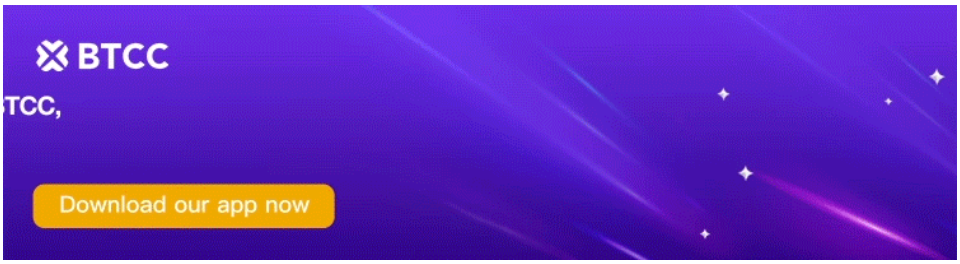
The height of ETH’s flagpole is around $650. Therefore, if the price undergoes breakdown at the pennant’s apex point near $2,030 then the structure’s bearish target will be below $1,500, down over 25% from today’s price.

Interestingly, the bear pennant’s profit target falls into the area that preceded a 250% price rally in the February-November 2021 session. Also, the target is around Ether’s 200-week exponential moving average (200-day EMA; the blue wave), currently near $1,600.

Ideally, the demand zone could prompt Ether traders to accumulate the tokens in anticipation of a sharp upside retracement.

Suppose it happens, then ETH's price interim profit target would likely be the multi-month downward sloping trendline that has served as resistance in a "falling channel" pattern.

ETH has already been rebounding after testing the demand zone (and the falling channel's lower trendline) as support. This could push ETH/USD to reach the channel's upper trendline near $3,000, about 50% above today's price, by June.



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Extended Ethereum Failure Scenario

The worst-case scenario could be ETH breaking below the demand zone, led by macro risks and their impact on the crypto market so far in 2022.

Notably, Ether has declined by over 50% quarter-to-date as investors reduce their exposure to the riskier assets, including Bitcoin (BTC) and tech stocks, in a higher interest rate environment.

As reported, anticipations of additional stock market selloffs could weigh on cryptos, thus hurting Ether, Bitcoin, Cardano (ADA), and others in tandem.

SeekingAlpha's financial blogger BOOX Research remains long-term bullish on Bitcoin, Ethereum and the broader cryptocurrency market, but believes a recovery could take years. Excerpts from its note:

"While some of the corrections from the top may have simply shaken out the 'hot money,'

there is still a risk that a deteriorating macro environment opens the door for even deeper losses."