

# THE BITCOIN HOLDER'S BIBLE

*Everything You Need to Hold With Conviction Through Every Cycle*



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## **ENGINEERED MARKETS**

The Bitcoin Holder's Bible — Expanded Edition

Published May 2026 · All data verified before publication

Based on verified data from Glassnode, Coinbase Institutional,  
CryptoQuant, Kraken, Chainalysis, Fidelity, MacroMicro,  
NYDIG

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## NOTICE

This is not financial advice. This is a conviction reference for Bitcoin holders who want to understand what they own, why they own it, and how to hold it through every condition the market produces. The decisions are yours. This is the map.

Based on verified data from: Glassnode · Coinbase Institutional · Santiment  
· CryptoQuant · Kraken · Chainalysis · Fidelity · MacroMicro · NYDIG · River  
Financial

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INTRODUCTION

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# The Holder Who Did Everything Right and Still Lost

## Introduction

There is a specific kind of frustration that belongs only to Bitcoin holders who did the work. Not the people who bought on impulse in late 2024 when ETF headlines made it feel safe. The people who read the research. Understood the halving mechanics before the 2024 event. Survived the FTX collapse in November 2022 with their coins intact when the rest of the world was calling it the end. Held through months when Bitcoin traded near seventeen thousand dollars and every financial publication used the word “finished” without quotation marks.

Those people watched their position move from fifteen thousand to forty thousand to one hundred thousand to one hundred and twenty-six thousand two hundred and seventy-two dollars on October the sixth, 2025. They felt the weight of that number. They did the math. They thought about what it meant for their family, their financial independence, their future.

And then, for most of them, something went wrong. Not because Bitcoin failed. Because they did not have a system.

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*“The gap between knowing what to do and doing it is not an information gap. It is an architecture gap. Knowledge without a pre-committed protocol dissolves at the exact moment it is needed most.”*

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This expanded edition exists to close that gap completely. Where the original outlined the framework, this edition builds it in full. Every signal gets its own chapter. The current cycle gets its own section — not as historical analysis, but as real-time intelligence for the position you are holding today. Six composite holder profiles show you exactly how conviction succeeds and fails in practice. And the protocol section now includes every field you need to sign, date, and execute.

This is not a book you read once and put down. It is a reference you return to. The holder who is in the middle of maximum fear opens Part Four and Part Seven. The holder watching Bitcoin approach prior all-time highs opens Part Three and Part Six. Each chapter is designed to function independently — a resource for exactly the moment you are in.

### **A Note on Data Sources**

Every statistic in this book is sourced and referenced in the Data Sources section at the back. No figures have been estimated beyond the precision of the original publication. When data from multiple sources produces slightly different numbers, the most conservative figure is used. The current-cycle data in Part Three reflects on-chain conditions as of May 2026.

PART ONE

# ORIGIN & HISTORY

*Where Bitcoin came from — and why that matters for your conviction*

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*“You cannot fully trust something you do not understand the origins of. Bitcoin’s history is not trivia. It is the foundation of conviction.”*

— Engineered Markets

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# Before Bitcoin — The Problem of Digital Money

*Thirty years of failed attempts that made Bitcoin necessary*

Bitcoin did not emerge from nothing in 2008. It was the answer to a problem that the best engineers and cryptographers in the world had tried to solve for three decades without success. Understanding those attempts is understanding why Bitcoin is different from everything that came before — and why Satoshi’s solution was revolutionary where all others had failed.

The fundamental problem is double-spending. With physical cash, when you hand over a hundred-dollar bill, you no longer have that bill. The transfer is physical and irreversible. With digital files, copying is trivial. How do you prevent someone from spending the same digital file twice — once to you, once to someone else? The traditional answer was a central intermediary: a bank or institution that maintains the official record of who holds what. But that creates dependency, censorship, and a single point of failure.

## The Precursors

In 1983, David Chaum published the paper “Blind Signatures for Untraceable Payments” — the first theoretical conception of private digital money. In 1989, he founded DigiCash and implemented eCash. The system worked technically, but required a central DigiCash server for every transaction. When the company filed for bankruptcy in 1998, all of its users’ digital money vanished — exactly the problem Chaum was trying to solve.

In 1997, Adam Back created HashCash — a proof-of-work system for combating email spam. The idea was simple and powerful: require the sender to spend computational power to send a message, making spam economically unviable. Back did not know it at the time, but he had invented the central mechanism Satoshi would use eleven years later to secure Bitcoin. The Bitcoin whitepaper cites HashCash directly.

In 1998, Wei Dai published b-money — a proposal for a distributed monetary system where any participant could create money by spending computational power and where transactions were broadcast to the whole network. The proposal was conceptual and was never implemented, but solved the decentralization problem in theory. The Bitcoin whitepaper also cites b-money directly.

Nick Szabo developed Bit Gold between 1998 and 2005 — perhaps the closest precursor to Bitcoin. Bit Gold combined proof-of-work, distributed timestamps, and a chain of hashes. Szabo’s solution to double-spending still depended on a proprietary registration service, which introduced a centralized point of failure. Szabo never implemented Bit Gold. The conceptual structure, however, is so similar to Bitcoin that many researchers speculate Szabo and Satoshi may be the same person — something Szabo denies.

In 2004, Hal Finney — who would be the first recipient of a Bitcoin transaction — created RPOW (Reusable Proofs of Work), adapting Back’s HashCash to create transferable tokens. Again, it depended on a central server controlled by Finney. Again, the fundamental problem remained.

### **The Pattern of Failures**

Every system failed for the same fundamental reason: either it depended on a trusted central entity, or it could not solve double-spending without one. It was a dilemma that seemed unsolvable. In computer science, the problem was known as the Byzantine Generals Problem — how to reach consensus in a distributed network when some participants may be dishonest or offline?

On October 31, 2008, Satoshi Nakamoto sent a message to the cryptography mailing list. “I’ve been working on a new electronic cash system that’s fully peer-to-peer, with no trusted third party.” The veterans on the list were skeptical. They had seen many promises. This time was different.

YEAR	SYSTEM	CREATOR	WHY IT FAILED
1983	eCash / DigiCash	David Chaum	Required central server — company bankrupted 1998
1997	HashCash	Adam Back	Proof-of-work created but no complete monetary mechanism
1998	b-money	Wei Dai	Conceptual only — never implemented
1998-2005	Bit Gold	Nick Szabo	Central registry still needed to resolve double-spending
2004	RPOW	Hal Finney	Central server controlled by Finney
<b>2008</b>	<b>Bitcoin</b>	<b>Satoshi Nakamoto</b>	<b>First system to solve double-spending without a central entity</b>

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# Satoshi and the Whitepaper

*What nine pages changed forever*

On October 31, 2008 — not by coincidence, the day before Halloween, while global financial markets still trembled from the collapse of Lehman Brothers three weeks earlier — Satoshi Nakamoto published “Bitcoin: A Peer-to-Peer Electronic Cash System” to the cryptography mailing list at metzdowd.com. Nine pages. Eight sections. References to Wei Dai’s b-money and Adam Back’s HashCash. No institutional affiliation. No verified real name.

The paper solved the Byzantine Generals Problem in a way no predecessor had managed: the blockchain — a chain of blocks where each block contains a cryptographic hash of the previous block — made tampering with the historical record computationally impractical. To alter a past transaction, an attacker would need to redo not just the computational work of that block, but of all subsequent blocks — and do it faster than the honest network combined was adding new blocks. The cost makes the attack economically irrational.

## The First Days

On January 3, 2009, Satoshi mined the genesis block — block number zero of the Bitcoin blockchain. Embedded in it, permanently immutable: “The Times 03/Jan/2009 Chancellor on brink of second bailout for banks.” The headline from the British newspaper was both a timestamp and a statement of purpose. Bitcoin was not an improvement on the banking system. It was an alternative to it.

On January 12, 2009, Satoshi sent ten Bitcoin to Hal Finney — the first transaction in Bitcoin’s history, nine days after the genesis block. Finney, who had created RPOW and was one of the few who took the whitepaper seriously from the first moment, received the coins as a pioneer of the network. Years later, Finney would reveal that he had held those Bitcoin until being diagnosed with ALS (amyotrophic lateral sclerosis). He died in 2014. His Bitcoin were transferred to a wallet his family manages in his memory.

For nearly two years, Satoshi was the engine of the network — mining, answering questions on the Bitcointalk forum, fixing bugs, coordinating developers. The public correspondence shows someone extraordinarily careful about security and design consistency. In December

2010, Satoshi wrote his last public message on Bitcointalk. In April 2011, in a private email to a developer, he wrote: “I’ve moved on to other things. It’s in good hands with Gavin and everyone.” He disappeared.

### The Mystery and Why It Doesn’t Matter

Satoshi’s identity remains one of the greatest mysteries in modern technology. The most widely accepted estimates, based on analysis of mining activity in the early months (Sergio Lerner’s analysis, 2013, subsequently updated), suggest that Satoshi mined approximately one million one hundred thousand Bitcoin during the period when he was the network’s primary miner — coins that have never been moved in more than sixteen years. If Satoshi were alive and wanted to liquidate that position, it would have a catastrophic impact on the market. The fact that he has not done so is, for many, evidence of principle — or of death.

For the long-term holder, Satoshi’s identity changes nothing material. The code is public and audited. The protocol operates by distributed consensus, not by the authority of a founder. Bitcoin has survived the absence of its creator for more than fifteen years — which proves that decentralization works as designed. No other crypto network has passed the same test.

**Oct 31,  
2008**

Whitepaper publication date — during the worst of the global financial crisis

*Cryptography mailing list, metzdowd.com*

**Jan 3,  
2009**

Genesis block mined — The Times headline embedded in block zero forever

*Bitcoin blockchain, block #0*

**~1.1M  
BTC**

Estimated Satoshi coins — never moved in 16+ years of network existence

*Sergio Lerner analysis, 2013; updated 2024*

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# The First Years — From Pizza to the First Crash

*2009–2014: Birth, exuberance and the first existential crisis*

On May 22, 2010, a programmer in Florida named Laszlo Hanyecz posted on the Bitcointalk forum: “I’ll pay 10,000 Bitcoin for a couple of pizzas like maybe two large ones so I have some left over for the next day or so.” Someone accepted the offer, ordered two pizzas from Papa John’s for twenty-five dollars, and had them delivered to Hanyecz. The ten thousand Bitcoin were worth approximately twenty-five dollars on that date. Today they are worth hundreds of millions of dollars. Bitcoin Pizza Day is celebrated every May 22 as the first documented commercial transaction with Bitcoin — and as a reminder that the greatest risk in emerging assets is not seeing what you have.

Mt. Gox was originally a website for trading Magic: The Gathering Online cards — hence the name, an acronym for “Magic: The Gathering Online eXchange.” Jed McCaleb, an American developer, created the site in 2007, abandoned the project, and in July 2010 relaunched it as a Bitcoin exchange. In 2011, he sold it to Mark Karpeles, a French developer based in Japan. By 2013, Mt. Gox processed seventy percent of all Bitcoin transactions worldwide. It was the central infrastructure of a network that proposed to have no central infrastructure.

## The First Cycles

In June 2011, Bitcoin reached thirty-two dollars for the first time. Days later, a hack at Mt. Gox drove the price to one cent in minutes on the platform. Recovery took months. The cycle of euphoria and despair that would define every bull and bear market for the next fifteen years had begun.

In 2013, two events catalyzed Bitcoin’s first major bull market. In March, the government of Cyprus confiscated a portion of bank deposits above one hundred thousand euros to finance a bank bailout. It was the first time the argument “Bitcoin as protection against government confiscation” moved from theory to mainstream news. The price went from thirty dollars to two hundred in weeks. In October, the FBI shut down the Silk Road — an online marketplace that used Bitcoin for illicit transactions — and confiscated approximately one hundred and

forty-four thousand Bitcoin. The predicted collapse did not happen. Instead, the price rose, because the FBI's action had proved that Bitcoin could survive the removal of its largest negative use case without collapsing.

In November 2013, Bitcoin hit one thousand one hundred and sixty-three dollars. In February 2014, Mt. Gox announced the suspension of withdrawals. Weeks later, it filed for bankruptcy in Japan, revealing that eight hundred and fifty thousand Bitcoin — from customers and the exchange itself — had disappeared over years, stolen by hackers who exploited vulnerabilities in the code. The price collapsed more than eighty percent. For the outside world, it was another Bitcoin death. For the holders who survived, it was the first lesson in self-custody: never entrust your keys to third parties.

DATE	EVENT	IMPACT
May 2010	Bitcoin Pizza Day — 10,000 BTC for two pizzas	First documented commercial transaction
Jun 2011	Mt. Gox hack — price from \$32 to \$0.01 in minutes	First significant crash — recovery in months
Mar 2013	Cyprus banking crisis — government confiscated deposits	First mainstream narrative: Bitcoin as protection
Oct 2013	FBI closes Silk Road — confiscates 144,000 BTC	Bitcoin survives — price rises on the news
Nov 2013	ATH of \$1,163 — first major bull market	+8,800% from January 2013
<b>Feb 2014</b>	<b>Mt. Gox collapse — 850,000 BTC lost</b>	<b>Definitive lesson on self-custody</b>

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# Maturation — Fork Wars, ICOs and Institutionalization

*2015–2023: Bitcoin matures under pressure*

The years following the Mt. Gox collapse were a period of silent construction and ideological conflict. The central question was scalability: as Bitcoin grew, the one-megabyte block size limit created congestion and elevated fees. Two camps emerged. One advocated increasing block size to accommodate more transactions — prioritizing cheap payments now. The other advocated keeping blocks small and developing second-layer solutions — prioritizing long-term decentralization.

In August 2017, after years of debate, the small-block side won with the activation of SegWit (Segregated Witness, BIP141) — an upgrade that reorganized transaction structure, effectively increasing capacity without changing the nominal block size. On the same day, the losing camp created Bitcoin Cash — a fork with eight-megabyte blocks. Bitcoin Cash promised to be “the real Bitcoin.” By 2026, Bitcoin Cash has less than two percent of the market capitalization of the original Bitcoin. The market voted clearly.

## **The 2017 Cycle and Crypto Winter**

The second half of 2017 produced the greatest speculative euphoria Bitcoin had seen to that point. The explosion of ICOs — Initial Coin Offerings, where projects sold tokens before having any product — attracted billions of dollars of speculative capital, much of which passed through Bitcoin first. In December 2017, the CME launched Bitcoin futures, allowing institutional investors to bet on the price without buying the asset. That same month, Bitcoin hit nineteen thousand seven hundred and eighty-three dollars. The following month, the collapse began. By December 2018, Bitcoin was at three thousand two hundred dollars. An eighty-four percent decline.

The crypto winter of 2018 and 2019 eliminated most ICO projects, most second-tier exchanges, and most speculators. What remained was stronger. Developers kept building. Institutional custody companies began operating. In September 2019, Bakkt — a platform for

physically-settled Bitcoin futures, created by the parent company of the NYSE — launched its first contracts. The infrastructure for institutional money was being built while the market slept.

### Taproot and Technical Maturity

In November 2021, at block number seven hundred and nine thousand six hundred and thirty-two, Bitcoin activated Taproot — the most significant protocol upgrade since SegWit. Taproot introduced Schnorr signatures (more efficient and better privacy than the original ECDSA signatures), MAST (Merkelized Abstract Syntax Trees, which allows more complex contracts with a smaller blockchain footprint), and new script types. For the end user, the most visible impact was that multisig wallet transactions became visually indistinguishable from simple transactions on the public blockchain — significantly improving privacy for holders using advanced custody.

In 2023, Ordinals — a protocol that uses the data space added by Taproot to inscribe arbitrary content (images, text, even code) directly on the Bitcoin blockchain — created a new debate about the purpose of the network. Transaction fees rose dramatically during Ordinals activity peaks. For miners, it was welcome additional revenue. For some holders, it was noise. The debate continues, but it revealed something important: the network's security fee can be sustained by market demand without relying exclusively on new Bitcoin issuance — exactly what the long-term model needs to happen after each halving.

#### PROTOCOL UPGRADE TIMELINE

P2PKH (2009) → P2SH / BIP16 (2012) → SegWit / BIP141 (2017) → Taproot / BIP340-342 (2021). Every upgrade was implemented as a soft fork — backward-compatible, without invalidating old nodes. This consistency of updating without disruption is one of the properties that distinguishes Bitcoin from all competitors.

PART TWO

# THE TECHNICAL PROTOCOL

*How Bitcoin works — without unnecessary jargon*

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*“You don’t need to be an engineer to understand Bitcoin. But you need to understand enough to know why it cannot be counterfeited, stopped, or replicated.”*

— Engineered Markets

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# How Bitcoin Works — Without Mystery

*Blockchain, UTXOs, keys and consensus explained for holders*

Most explanations of how Bitcoin works start with metaphors that oversimplify and then become misleading. This one does not. Here are the real mechanisms — explained with enough precision that you understand what is protecting your position and why the most common technical attacks do not work.

## UTXOs — How Bitcoin “Exists”

Bitcoin does not work like a bank account with a balance. It works with UTXOs — Unspent Transaction Outputs. When you receive Bitcoin, what you actually have is a reference to a previous transaction output that points to your key. When you spend, you “consume” that UTXO and create new UTXOs: one for the recipient, one for your change (if any). This architecture has important consequences for privacy and auditing. The entire history of every Bitcoin can be traced back to the block in which it was mined. There is no “anonymous Bitcoin” by default — there is pseudonymity, which is different. Your addresses are public; your identity is not linked to them by default, but can be revealed by blockchain analysis if you do not take precautions.

## Keys — What You Actually Own

When someone says they “own” Bitcoin, what they really own is a private key: a two-hundred-and-fifty-six-bit number generated randomly. Simple math: two to the power of two hundred and fifty-six is a number larger than the estimated number of atoms in the observable universe. It is physically impossible to guess or brute-force a private key. From this private key a public key is mathematically derived, and from the public key a Bitcoin address is derived. The process is one-directional: you can derive the address from the private key, but you cannot derive the private key from the address. This mathematical property is the foundation of all Bitcoin security.

## Blockchain — The Immutable Ledger

The blockchain is a public record of all transactions that have ever occurred on the Bitcoin network. It is composed of blocks: each block contains a set of valid transactions, the cryptographic hash of the previous block (creating the “chain”), a timestamp, and a nonce — a number that miners adjust until they find a hash that satisfies the current difficulty requirement. SHA-256, the hash function used by Bitcoin, always produces a two-hundred-and-fifty-six-bit output regardless of the size of the input. Changing a single character in any transaction produces a completely different hash, invalidating all subsequent blocks. An attacker who wants to rewrite history would need to redo the entire computational work of the entire chain — faster than the honest network is adding new blocks.

CONCEPT	WHAT IT MEANS FOR THE HOLDER
<b>UTXO</b>	Your Bitcoin is a reference to outputs of previous transactions. Owning Bitcoin = having the key that controls those UTXOs.
<b>Private key</b>	The only document that proves ownership. Whoever has the key has the Bitcoin. No backup = no recovery.
<b>SHA-256</b>	One-way mathematical function — easy to verify, computationally impossible to reverse. Foundation of blockchain immutability.
<b>Confirmations</b>	6 confirmations (~60 minutes) is the standard for considering a transaction irreversible. For smaller values, 1-3 confirmations are sufficient.
<b>Full nodes</b>	~18,000 nodes around the world independently verify every transaction. Real decentralization, not theoretical.

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# Mining — Who Produces and What It Guarantees

*The mechanism that makes Bitcoin immutable and increasingly scarce*

Bitcoin mining is frequently described as “computers solving complex math problems.” That is technically correct but economically incomplete. Mining is the conversion of electrical energy into network security and controlled issuance of new Bitcoin. It is the mechanism that makes the blockchain’s history unalterable and executes the issuance schedule programmed by the protocol.

## How Mining Works

Miners collect pending transactions from the mempool (the network’s waiting queue), group them into a candidate block, and begin trying to find a valid hash. For a block to be accepted by the network, its SHA-256 hash must begin with a certain number of zeros — the difficulty requirement. There is no mathematical shortcut: the only way is to try nonce values sequentially until one that works is found. By 2026, the world’s most efficient miners use ASICs (Application-Specific Integrated Circuits) like the Antminer S21 Pro, capable of performing two hundred and thirty-four terahashes per second — two hundred and thirty-four trillion hash attempts per second — consuming approximately seventeen joules per terahash.

The network difficulty adjusts automatically every two thousand and sixteen blocks (approximately two weeks) to maintain the average block time at ten minutes, regardless of how many miners are on the network. More miners enter → difficulty rises → block time returns to ten minutes. Miners leave → difficulty falls → block time returns to ten minutes. It is an elegant self-regulating system that no central entity controls.

## The Economics of Mining

Each successfully mined block earns the miner the block reward (currently three point one two five Bitcoin, after the April 2024 halving) plus the fees of all transactions included in the block. In 2024, total mining revenue was approximately twenty-two billion dollars, with fees representing a growing fraction of the total — especially during peaks of Ordinals and Runes activity, where some blocks generated more than one million dollars in fees alone.

Mining concentration in pools is a legitimate point of attention. In 2024, Foundry USA controlled approximately thirty-three percent of global hash rate. But there is a crucial difference between a pool that processes blocks and a pool that controls the protocol: individual miners within a pool can switch to a different pool in seconds if the pool operator tries to act dishonestly. The threat of that is enough to maintain honest behavior.

**~800 EH/  
S**

Estimated global hash rate in 2026. EH = exahash =  $10^{18}$  hashes per second.

*Estimate based on trend, blockchain.com*

**~0.1%**

Bitcoin network's electrical consumption as a percentage of global electricity use.

*Cambridge Bitcoin Electricity Consumption Index (CBECI)*

**\$20B+/hr**

Estimated cost of a 51% attack per hour — making attacks economically irrational.

*NiceHash Attack Cost estimate, 2024*

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# Lightning Network — Bitcoin for Everyday Use

*The second layer that solves the scalability problem without compromising the base*

Bitcoin at its base layer was not designed to process millions of micro-payments per second. Each transaction occupies limited block space, and during periods of high demand fees rise substantially. For a global financial system processing everyday payments — from a coffee to international remittances — this is insufficient. The Lightning Network solves this problem without compromising the fundamental properties of the base layer.

The Lightning Network whitepaper was published in February 2016 by Joseph Poon and Thaddeus Dryja. The mainnet launched in March 2018, shortly after SegWit activation (which was technically necessary for Lightning to operate safely). The core idea is elegant: two participants open a payment channel by depositing Bitcoin in a multisig address on the main blockchain. While the channel is open, they can transact with each other indefinitely — instantly and with fees of microsatoshis — without recording anything on the blockchain. Only when one participant decides to close the channel is the final state recorded on the main chain.

## How Payments Route

The magic of Lightning is in routing: if Alice has an open channel with Bob, and Bob has an open channel with Carol, Alice can pay Carol even without a direct channel — the payment “travels” through the Alice-Bob channel and then the Bob-Carol channel. Bob receives a tiny routing fee (typically one to ten satoshis — fractions of a dollar cent) as an incentive. HTLCs (Hashed Timelock Contracts) guarantee that funds are only released when the payment reaches its destination — Bob cannot steal funds in transit.

In practical terms: El Salvador implemented the Lightning Network as everyday payment infrastructure after adopting Bitcoin as legal tender in 2021. Payments in stores, restaurants, and taxis using the Chivo Wallet or Strike are settled in seconds, with near-zero fees. For in-

ternational remittances — El Salvador receives billions of dollars annually from emigrants in the US — Lightning offers fees of one to two percent versus six to eight percent for traditional services.

### Real Limitations

Lightning is not perfect. It requires both parties to be online to receive payments (though async payment solutions are in development). Channels need adequate liquidity — you can only send up to the amount you deposited in the channel. Routing very large payments may fail if there is no path with sufficient liquidity. For large institutional transactions, the base layer is still preferable. Lightning is the perfect complement to the base layer, not its replacement.

#### LIGHTNING IN PRACTICE — MAY 2026

Estimated Lightning Network capacity: ~5,000–6,000 BTC in active channels. Nodes: ~15,000–18,000 nodes operating around the world. Recommended wallets: Phoenix (iOS/Android, self-custody), Zeus (iOS/Android, advanced), Breez (iOS/Android), Mutiny Web (browser-based). To receive via Lightning without managing liquidity: Wallet of Satoshi (custodial, simplified).

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# SegWit, Taproot and Protocol Evolution

*How Bitcoin upgrades without breaking what already exists*

One of the most common criticisms of Bitcoin is that it is “2009 technology” that cannot evolve. The reality is the opposite: Bitcoin has a sophisticated upgrade mechanism based on soft forks that allows significant improvements without forcing users to update or invalidating old nodes. The track record of successful upgrades is evidence of decentralized governance functioning.

## **SegWit — The Foundation of the Second Layer**

SegWit (Segregated Witness, BIP141) was activated on August 24, 2017 at block 481,824. The upgrade reorganized how transaction data is structured on the blockchain: the “witness” data (the cryptographic signatures that prove authorization) were separated (“segregated”) from the main body of the transaction. This solved three problems simultaneously: it fixed transaction malleability (which prevented Lightning from operating safely), effectively increased block capacity to up to four megabytes of total data, and reduced fees for SegWit transactions by up to forty percent. By 2024, approximately eighty-five percent of all Bitcoin transactions use SegWit.

## **Taproot — Privacy and Efficiency**

Taproot (BIPs 340, 341 and 342) was activated on November 14, 2021 at block 709,632 — notably without significant controversy, after three years of research, proposal, review, and signaling. The upgrade introduced Schnorr signatures in place of the original ECDSA signatures. Schnorr has three main advantages over ECDSA: they are smaller (reducing fees), allow aggregation of multiple signatures into one (benefiting multisig), and make multisig transactions visually indistinguishable from simple transactions on the public blockchain — which dramatically improves privacy for holders using multisig custody.

MAST (Merkelized Abstract Syntax Trees), also part of Taproot, allows contracts with multiple spending conditions to only reveal the condition that was used — not all possibilities. For common transactions, the practical result is smaller data size and lower cost. For complex institutional custody, it enables more sophisticated authorization structures without revealing unnecessary details.

### Soft Fork vs. Hard Fork — Why It Matters

All significant Bitcoin upgrades since 2012 have been implemented as soft forks: backward-compatible changes, meaning nodes that do not update can still participate in the network (though they cannot verify the new functionality). A hard fork, by contrast, creates a permanent incompatibility — nodes that do not update end up on a different chain. Bitcoin Cash is the best-known example of a hard fork. The fact that Bitcoin has never needed a hard fork to implement its most significant improvements is evidence that the protocol’s decentralized governance is robust enough to coordinate complex upgrades without centralized imposition.

UPGRADE	ACTIVATED	PRIMARY IMPACT
<b>SegWit</b> / BIP141	Aug 2017	Fixes malleability, enables Lightning, increases effective capacity, reduces fees by up to 40%
<b>Taproot</b> / BIP340-342	Nov 2021	Schnorr signatures, private multisig, MAST for efficient contracts
<b>SegWit adoption</b>	2024	~85% of transactions use SegWit — adoption growing consistently
<b>Taproot adoption</b>	2024	~25% of transactions — growing with new wallet adoption and Ordinals

PART THREE

# BITCOIN AND THE FINANCIAL SYSTEM

*Why current money has a problem — and why Bitcoin is the answer*

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*“You don’t need to be anti-establishment to read the data. The global monetary system has a documented trajectory. Bitcoin is a response to that trajectory.”*

— Engineered Markets

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# The Problem with Current Money

*Data, not opinion — what the numbers say about purchasing power*

The Bitcoin-as-store-of-value thesis depends on a premise: that fiat money loses value over time in a structural and predictable way. This is not conspiracy theory. It is the declared policy of central banks, documented in their own reports. The Federal Reserve has a two percent annual inflation target — which means a dollar should lose approximately two percent of its purchasing power annually, by design. What the data shows is that reality frequently exceeds the target, especially during periods of stress.

## What the Data Shows

One dollar from 1971 has today the purchasing power of approximately seven cents, according to the Bureau of Labor Statistics inflation calculator. That means ninety-three percent of purchasing power has been destroyed in fifty-five years. The 1971 date is not arbitrary: on August 15, 1971, President Nixon ended the convertibility of the dollar to gold — the Nixon Shock. The Bretton Woods Agreement, which had anchored the global monetary system to gold since 1944, was unilaterally suspended. The dollar went from a backed currency to a purely fiat currency, sustained solely by trust and American state power. The resource 1971.wtf documents with precision how the vast majority of economic indicators took off or collapsed exactly from 1971.

The United States M2 money supply was four point seven trillion dollars in the year two thousand. By 2024, it exceeded twenty-one point five trillion — an increase of three hundred and fifty-seven percent in twenty-four years. The Federal Reserve expanded its balance sheet from nine hundred billion before 2008 to seven point seven trillion in 2024, primarily through four rounds of Quantitative Easing (QE1 through QE4), which collectively injected more than eight point nine trillion into the economy since 2008. In 2022, US inflation hit nine point one percent — the highest in forty years.

## The Cantillon Effect

The Cantillon Effect is a concept described by economist Richard Cantillon in the eighteenth century: when new money is created, those who receive it first (typically financial institutions and the government itself) benefit before prices rise. Those who receive the new money last — typically workers on fixed salaries and savers — pay the cost of the dilution without receiving the benefits. In modern terms: when the Fed creates money and injects it into the banking system, financial assets (which the wealthy hold disproportionately) rise in price before consumer prices rise. Cash savers are the ones who lose.

Bitcoin directly inverts the Cantillon Effect. There is no authority that can create new Bitcoin beyond the schedule predefined in code. There is no Bitcoin central bank. There is no Bitcoin QE. Whoever holds Bitcoin holds a fixed fraction of a stock that no entity can dilute. The code is monetary policy.

**\$0.07**

Current purchasing power of \$1 from 1971. 93% destroyed in 55 years by the US dollar.

*BLS CPI Calculator, Bureau of Labor Statistics*

**+357%**

Growth of US M2 money supply from 2000 to 2024: \$4.7T to \$21.5T.

*Federal Reserve H.6 Statistical Release, 2024*

**\$8.9T**

Total injected by the Fed via QE1 through QE4 between 2008 and 2022 — without popular vote.

*Federal Reserve balance sheet historical data*

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# Bitcoin as a Reserve Asset

*What happens when you add Bitcoin to a traditional portfolio*

The debate about whether Bitcoin belongs in a diversified portfolio moved from the theoretical phase to the data phase in 2023 and 2024, when asset management institutions with trillions under management produced their own allocation research. The consistent conclusion: small Bitcoin allocations improve the risk-return profile of diversified portfolios.

## What Performance Data Shows

Bitcoin's Sharpe ratio — which measures risk-adjusted return — was the highest of any major asset class during most ten-year periods between 2013 and 2023, despite (or because of) its high volatility. This seems counterintuitive until you consider the magnitude of returns. Bitcoin's volatility is asymmetric: the upside peaks dramatically outweigh the downside valleys over any window of four or more years.

Fidelity Digital Assets published research in 2022 recommending one to three percent Bitcoin allocations for institutional portfolios. ARK Invest, in its 2023 optimal portfolio model using efficient frontier analysis, identified a nineteen point four percent allocation as mathematically optimal given Bitcoin's historical profile. Few individual investors would adopt such an allocation, but the data illustrates the Sharpe impact on the portfolio. A classic sixty-forty portfolio with an additional five percent Bitcoin allocation has historically produced superior Sharpe ratio versus a pure 60/40 in any four-year-or-more window.

## Correlations During Crisis Periods

A common criticism is that Bitcoin correlates with other risk assets during crises — the so-called “correlation to one” in panic markets. This is partially true in the short term: during acute liquidity collapses (March 2020, November 2022), Bitcoin fell alongside equities. But Bitcoin's long-term correlation with gold sits around zero point one — extremely low — and with the S&P500 around zero point two to zero point four, depending on the period. Correlation with inflation and currency devaluations in emerging markets is positive — exactly what a store of value should have.

In 2024, the approval of Bitcoin spot ETFs by the SEC fundamentally changed institutional access. BlackRock’s IBIT surpassed fifty billion dollars in assets under management in less than one year — the fastest ETF to reach that milestone in the history of financial products. When asset managers with tens of trillions under management create Bitcoin products for their clients, that is not speculation: it is confirmation that the asset passed the due diligence of the world’s most conservative institutions.

INSTITUTION	POSITION / RECOMMENDATION	SOURCE
<b>Fidelity Digital Assets</b>	1-3% recommended allocation for institutional portfolios	Fidelity Digital Assets Research, 2022
<b>ARK Invest</b>	~19.4% optimal allocation (efficient frontier)	ARK Big Ideas, 2023
<b>BlackRock IBIT</b>	\$50B+ AUM — fastest ETF in history	BlackRock, December 2024
<b>Coinbase Institutional</b>	75% of institutional investors rated BTC as undervalued	Q2 2026 Charting Crypto Report

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# Geopolitics and Sovereign Adoption

*How nation-states are positioning Bitcoin as a strategic asset*

Until 2021, sovereign Bitcoin adoption was theoretical. Since then, multiple nations have taken concrete actions. The character of those actions — from national reserves to legal tender to sovereign mining — reveals that the Bitcoin-as-global-reserve-asset argument is being tested under real conditions, not theoretical models.

## **El Salvador — The Live Experiment**

In September 2021, El Salvador passed the Ley Bitcoin — making Bitcoin legal tender alongside the US dollar. It was the first sovereign nation to do so. The government acquired Bitcoin throughout 2021–2024, accumulating an estimated approximately six thousand Bitcoin by early 2026. In February 2025, El Salvador signed a one point four billion dollar agreement with the IMF that included a clause making Bitcoin acceptance “voluntary” rather than mandatory for the private sector. Critics interpreted this as a retreat. The reality is more nuanced: El Salvador continues accumulating Bitcoin, the Lightning infrastructure for everyday payments remains operational, and the legal precedent of Bitcoin as a sovereign asset has already been irreversibly established.

## **United States — The Strategic Reserve**

In March 2025, the Trump administration signed an Executive Order establishing the United States Strategic Bitcoin Reserve. The starting point was approximately one hundred and ninety-eight thousand Bitcoin already in US government possession — confiscated over years in operations such as the Silk Road shutdown (one hundred and forty-four thousand BTC) and the Bitfinex hack case (ninety-four thousand BTC). Instead of auctions for sale (the previous standard procedure), these Bitcoin were reallocated to a permanent reserve. When the largest government in the world decides Bitcoin is a strategic reserve asset — not just permitted, but actively stored — the long-term legitimacy argument is fundamentally altered.

## Bhutan and Sovereign Mining

In 2023, it was revealed that Bhutan had been secretly mining Bitcoin since 2019, using the country's extensive hydroelectric infrastructure. By the time of the revelation, Druk Holdings — the Bhutanese government's investment arm — had accumulated an estimated approximately one billion dollars in Bitcoin. For a country with a three billion dollar GDP, this represented an extraordinarily significant position. Abu Dhabi disclosed in 2025, via mandatory SEC 13F filing, that Mubadala Investment — the Emirates' sovereign wealth fund — had invested four hundred and thirty-seven million dollars in US Bitcoin ETFs.

COUNTRY / ENTITY	STATUS	DETAIL
<b>El Salvador</b>	Legal tender + reserve	~6,000 BTC in sovereign reserve. Lightning for everyday payments.
<b>United States</b>	Strategic reserve	~198,109 BTC (confiscated). March 2025 EO establishes permanent reserve.
<b>Bhutan</b>	Sovereign miner	~\$1B in BTC mined via hydroelectric energy (Druk Holdings, revealed 2023).
<b>Abu Dhabi (UAE)</b>	Sovereign investor	Mubadala: \$437M in Bitcoin ETFs (13F filing, 2025).
<b>China</b>	Restrictive with reserves	Mining banned in 2021. Government still holds confiscated BTC (amount undisclosed).

# Q&A

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## Global Regulation — The Current Map

*What major jurisdictions have decided about Bitcoin — and where it is heading*

The Bitcoin regulatory environment transformed radically between 2022 and 2026. The previous pattern — ambiguity and enforcement action — was progressively replaced by explicit legal frameworks. For the holder, understanding the regulatory map means understanding the jurisdictional risk of your position and the compliance obligations that apply.

### Europe — MiCA

MiCA (Markets in Crypto-Assets Regulation) took effect in December 2024, creating the first comprehensive regulatory framework for crypto-assets covering all twenty-seven European Union member countries. For Bitcoin specifically, MiCA is relatively benign: Bitcoin is classified as a “crypto-asset” (not a security), exchanges and service providers are required to register, and KYC/AML rules apply. Self-custody — holding Bitcoin in your own wallets — remains legal and without reporting obligations throughout the EU.

### United States — Growing Clarity

In the US, the jurisdictional debate between the SEC (Securities and Exchange Commission) and the CFTC (Commodity Futures Trading Commission) was partially resolved in Bitcoin’s favor: Bitcoin is broadly recognized as a commodity, subject to CFTC jurisdiction, not the SEC. The spot ETF approval in January 2024 was a first-order regulatory milestone. In January 2025, Staff Accounting Bulletin 121 (SAB 121) was revoked — the rule that had prevented traditional financial institutions from holding crypto-assets on their balance sheets. This opened the path for banks like JPMorgan Chase and Bank of America to offer Bitcoin custody services directly to their clients.

## The Global Rule: KYC/AML and the FATF Travel Rule

The FATF (Financial Action Task Force), the international anti-money laundering body, established the Travel Rule in 2019 and expanded it to crypto-assets: exchanges and Virtual Asset Service Providers (VASPs) must share sender and recipient identification information on transactions above one thousand dollars. For the holder, the practical impact is that any transaction through a regulated exchange requires KYC (Know Your Customer) — identity documentation. Self-custody — moving Bitcoin between your own wallets without intermediaries — remains outside the scope of the Travel Rule in most jurisdictions.

JURISDICTION	GENERAL STATUS	KEY POINTS FOR THE HOLDER
<b>European Union</b>	MiCA framework	Bitcoin = crypto-asset (not security). Regulated exchanges. Self-custody legal in all 27 countries.
<b>United States</b>	Regulated (CFTC)	Bitcoin = commodity. Spot ETF approved Jan 2024. SAB 121 revoked Jan 2025. Gains reporting mandatory via IRS.
<b>Brazil</b>	Crypto framework	Law 14,478/2022. Exchanges required to report transactions to the tax authority (IN 1888/2019). Self-custody legal.
<b>UAE / Dubai</b>	Pro-crypto	VARA since 2022. Zero capital gains for individuals. Regional hub for crypto companies.
<b>Germany</b>	Classically favorable	Gains tax-exempt if held more than 1 year (EStG §23). Bitcoin as “private money” since 2013.

PART ONE

# WHY YOU'RE HOLDING

*What you actually own — and why the data says it matters*

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*“The investment thesis is not about price. It is about what the asset is. Understanding what you own is the only conviction that survives a bear market.”*

— Engineered Markets

## 01

# The Asset That Cannot Be Diluted

*The mathematical foundation of Bitcoin's value proposition*

Every investment thesis rests on an assumption about what the asset actually is. For Bitcoin, that assumption is scarcity — and it is not an assumption. It is verifiable code.

Twenty-one million coins. Hard-capped in code that has operated without modification for sixteen years. Approximately one point three two million coins remaining to be mined as of 2026. Between two point three and three point seven million coins permanently inaccessible — lost to forgotten keys, destroyed hardware, and early wallets whose owners are gone — according to Chainalysis and Ledger Academy research published in 2025. That represents between eleven and eighteen percent of the fixed maximum supply already permanently removed from circulation.

No central bank can expand this supply. No board of directors can vote to issue more. No government can print it. The code is the policy. And the policy has not changed.

## 21M

Fixed maximum supply  
hardcoded since the genesis  
block in 2009

*Bitcoin Protocol — 16-year verified  
record*

## 3.7M

Bitcoin permanently lost — 11-  
18% of total supply already  
gone from circulation

*Chainalysis & Ledger Academy, 2025*

## 450

Bitcoin produced per day  
following the April 2024 halving

*Bitcoin Protocol — post-halving  
issuance*

## The Four Properties No Other Asset Combines

The argument for Bitcoin as a monetary asset rests on four properties that have never coexisted in a single asset in human history: verifiable scarcity, portability, divisibility, and resistance to censorship or seizure. Gold possesses two — scarcity and portability — but cannot

be divided below a certain threshold and can be confiscated. Government bonds possess neither scarcity nor resistance to seizure. Bitcoin possesses all four, verifiably, through a public blockchain that anyone with an internet connection can audit in real time.

This is not an argument about price. It is an argument about what the asset is. The price follows the argument, not the other way around. A holder who understands this distinction does not need the price to validate their conviction. The validation is in the code, the network, and the sixteen-year operating record.

### **The Compounding Scarcity Mechanism**

After the 2028 halving, annual Bitcoin issuance will fall to approximately eighty-two thousand BTC. If just one percent of current holders lose access annually — through forgotten keys, hardware failure, or death without estate planning — that equates to roughly one hundred and ninety thousand BTC disappearing per year. More than double the post-2028 yearly issuance. Effective circulating supply shrinks each cycle. The holder who understands this is not speculating on price. They are observing a mechanism that operates regardless of price, regardless of narrative, and regardless of what the financial press declares in any given week.

This mechanism is the foundation of every other framework in this book. Before cycles, before protocols, before the behavioral psychology of holding — there is the asset itself. Understanding what it is makes everything else possible.



# The Institutional Confirmation

*What happened when the largest capital allocators examined Bitcoin*

For most of Bitcoin’s history, institutional interest was expressed in words — research notes, conference talks, exploratory allocations. In 2024 and 2025, it became structural. The distinction matters: words can be retracted. Infrastructure cannot.

The SEC approved spot Bitcoin ETFs in January 2024. BlackRock’s IBIT ETF surpassed fifty billion dollars in assets under management in less than one year — the most successful ETF launch in the history of financial products. Record daily inflows of one point three eight billion dollars followed Donald Trump’s election victory. Total 2025 ETF inflows reached six point nine six billion dollars, indicating sustained rather than speculative institutional demand.

As of September 2025, over ninety public companies held Bitcoin on their balance sheets, with aggregate value exceeding one hundred and thirteen billion dollars. Strategy, formerly MicroStrategy, accumulated a treasury of over six hundred and forty thousand BTC. Japan’s Metaplanet explicitly modeled its strategy on Strategy’s approach. The treasury thesis had become global — not a Silicon Valley experiment but a repeatable playbook executed on multiple continents.

INSTITUTION	DATA POINT	YEAR
<b>BlackRock IBIT</b>	\$50B+ AUM — fastest ETF launch in history	2024-2025
<b>Strategy (MSTR)</b>	640,000+ BTC corporate treasury	2024-2025
<b>ETF Total Inflows</b>	\$6.96B in 2025 — sustained institutional demand	2025
<b>Public Companies</b>	90+ companies; \$113B aggregate balance-sheet BTC	Sep 2025
<b>Coinbase Institutional</b>	75% of institutional investors rate BTC undervalued at current prices	Q2 2026

## **What Institutional Adoption Does and Does Not Mean**

Institutional adoption does not guarantee future price appreciation. It confirms that Bitcoin's value proposition has survived the most rigorous due diligence processes in global finance. When BlackRock, Fidelity, and the world's largest pension funds create regulated products for Bitcoin exposure, they are affirming that the asset has properties that justify structural allocation in sophisticated portfolios.

That confirmation matters for holders not because it creates a price floor — it does not — but because it answers the question most holders quietly carry: is this real? The answer, as of 2025, is yes in a way it was not in 2020 and emphatically was not in 2017. The institutional infrastructure built around Bitcoin in this cycle has no historical precedent. It also cannot be easily unwound.



# What Every Bear Market Looked Like From Inside

*The document every holder needs in the deepest part of a decline*

The hardest part of holding Bitcoin through a bear market is not the price. It is the narrative. Every decline in Bitcoin's history has been accompanied by a consensus media narrative declaring it terminal. Every single one was wrong. Not slightly wrong — catastrophically wrong in the direction of underestimating Bitcoin's resilience.

This chapter documents five bear markets not as historical events but as lived experiences — what the data showed, what the narrative said, and what happened next. It exists to be read when the current decline feels different from all the previous ones. It always feels different. It never is.

YEAR	DRAWDOWN	WHAT MEDIA SAID	WHAT HAPPENED NEXT
<b>2011</b>	−94%	“Bitcoin is a failed experiment.”	Rally from \$2 to \$1,163 — +58,000%
<b>2015</b>	−86%	“Blockchain may survive but Bitcoin is finished.”	Rally to \$19,783 — +12,000% over 2 years
<b>2018</b>	−84%	“The bubble has burst definitively.”	Rally to \$69,000 — +2,100% from \$3,200
<b>2022</b>	−77%	“FTX has destroyed the entire asset class.”	Rally to \$126,272 — +716% from \$15,479
<b>2026*</b>	<b>−52%</b>	<b>“Cycle peak behind us. 2026 a dormant year.”</b>	<b>Under observation — RHODL at 4.5, 3rd highest on record</b>

\*As of May 2026, from the October 2025 all-time high of \$126,272.

## The Three-Part Structure of Every Bitcoin Narrative Cycle

Each of these bear markets followed an identical narrative structure. First, a specific catalyst is identified. Second, the catalyst is generalized into a structural indictment of Bitcoin itself — “this time the fundamental thesis is broken.” Third, as price recovers, the narrative pivots without acknowledgment of the error. The holder who understands this structure is immunized against the second phase. A specific failure (FTX, Luna, Mt. Gox) is not evidence that the underlying asset is worthless. It is evidence that poorly designed intermediaries fail. The asset itself has continued operating through every one of these events without a single hour of downtime.

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*“Each bear market was declared terminal by the mainstream financial press. Each was followed by a new cycle delivering returns that made the previous peak look like a floor. The pattern is not a guarantee. It is a documented structure. Your conviction needs to be stronger than the narrative — and data is stronger than narrative.”*

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## 04

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# The Scarcity Compounding Effect

*Why the argument becomes stronger every four years, not weaker*

Most investors understand Bitcoin's scarcity intellectually. Few feel it viscerally. This chapter is about the mechanism — the precise way that scheduled supply reduction and compounding loss of coins produces a structural imbalance that has no equivalent in any other asset class.

The April 2024 halving reduced miner rewards from six point two five BTC to three point one two five BTC per block. Miners now produce approximately four hundred and fifty BTC per day. In 2028, the next halving will reduce this to approximately two hundred and twenty-five BTC per day — an annual issuance of roughly eighty-two thousand BTC. For context, Strategy alone acquired two hundred and fifty-seven thousand BTC in 2024. Annual institutional demand from a single company exceeded three times the projected annual supply after 2028.

Research from BitGo published in 2025 calculated that if just zero point five percent of current holders lose access annually, that equates to approximately ninety-five thousand BTC disappearing from circulation per year. At one percent, that number rises to one hundred and ninety thousand BTC — more than double the post-2028 annual issuance. The effective circulating supply of Bitcoin does not stay fixed at twenty-one million. It contracts every year.

## The Halving Sequence and Its Peaks

HALVING	CYCLE PEAK	GAIN FROM PRE-HALVING LOW	MONTHS TO PEAK
2012 — Block 210,000	\$1,163 (Nov 2013)	+58,000%	12 months
2016 — Block 420,000	\$19,783 (Dec 2017)	+12,000%	17 months
2020 — Block 630,000	\$69,000 (Nov 2021)	+2,100%	18 months
2024 — Block 840,000	\$126,272 (Oct 2025)	+716%	18 months

The magnitude of percentage gains decreases each cycle as market capitalization grows. The absolute dollar peaks increase. The time from halving to peak has stabilized at approximately eighteen months. The mechanism that produces them — supply reduction meeting demand growth — remains structurally identical. Each halving does not reset the clock. It compounds the structural scarcity that the previous halvings created.

PART TWO

# HOW CYCLES WORK

*Stop predicting. Start recognizing.*

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*“You do not need to predict the cycle. You need to recognize which phase you are in. On-chain data tells you. The protocol tells you what to do next.”*

— Engineered Markets



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# The Four Phases Every Cycle Produces

*The grammar of Bitcoin markets — consistent across four complete cycles*

Bitcoin's price history looks chaotic on a weekly chart. On a multi-year chart, it is one of the most structurally consistent assets ever traded. Four phases. Four cycles. The same sequence every time — not because of superstition, but because the same human psychology applied to the same supply mechanics produces the same behavioral pattern.

## Phase One — Accumulation

Price is suppressed and has been for an extended period. Media interest is minimal. The holder base is dominated by conviction capital. On-chain data shows LTH supply growing, exchange balances declining, and RHODL elevated. This is the phase where the highest forward returns are being locked in. It is also the phase that feels the worst.

## Phase Two — Markup

Price begins rising. ETF inflows accelerate. New buyers enter at successively higher prices. NUPL transitions from fear zone toward optimism. Social media engagement increases. The narrative shifts from “Bitcoin is dead” to “Bitcoin is recovering.” The phase feels good — which is its first danger signal.

## Phase Three — Distribution

Price approaches or exceeds prior all-time highs. NUPL enters belief and euphoria zones. LTH distribution rate accelerates — the documented one billion dollar per day threshold was breached in both 2021 and 2025. Retail FOMO peaks. The phase feels euphoric — which is its defining danger signal.

## Phase Four — Markdown

Price declines from cycle high. Overhead supply builds. Short-term holders move underwater. Fear and greed index falls. Media narrative returns to negative. Duration fatigue builds among long-term holders. The cycle that began in phase one begins again.

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*“You do not need to know when each phase will end. You need to know which phase you are in. On-chain data answers that question with far more precision than any price chart or analyst forecast.”*

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# The Halving Mechanism

*Not superstition — scheduled supply reduction meeting demand*

The halving is not a magic event. It is a scheduled reduction in the rate at which new Bitcoin enters circulation — and its effect on price is not mystical. It is supply and demand applied to an asset with inelastic supply and historically growing demand.

Four halvings have occurred: November 2012 at block two hundred and ten thousand; July 2016 at block four hundred and twenty thousand; May 2020 at block six hundred and thirty thousand; and April 2024 at block eight hundred and forty thousand. Each reduced the block reward by fifty percent. The timing is deterministic — approximately every two hundred and ten thousand blocks, or roughly four years given Bitcoin’s ten-minute block target.

The price effect of each halving is not immediate. The 2020 halving occurred in May. Bitcoin did not reach its cycle high of sixty-nine thousand dollars until November 2021 — eighteen months later. The supply shock from reduced issuance takes time to be felt because it operates on the margin.

## The Miner Sell Pressure Equation

Miners operate on a revenue model: block reward multiplied by current price equals daily revenue. When the block reward halves, miners who cannot operate profitably are forced to sell reserves or exit. This creates a temporary increase in sell pressure immediately post-halving, which is why the immediate post-halving price response is often muted or even negative. The structural effect — reduced new supply entering the market — takes months to manifest.

## Why Halvings Matter More Each Cycle

Each halving compounds on the previous one. After 2028, miners will produce approximately two hundred and twenty-five BTC per day. After 2032, approximately one hundred and twelve BTC per day. Against a backdrop of fifty billion dollars plus in ETF AUM, ninety plus corporate treasury holders, and a global retail base measured in tens of millions, these issu-

ance rates represent a structural supply shortage that has no historical equivalent in any commodity or currency market. The halving does not guarantee a price outcome. It guarantees a supply outcome. In every prior cycle, demand has responded decisively.

## 07

# NUPL: The Aggregate Conviction Gauge

*What the entire market believes about its position — in a single number*

Net Unrealized Profit/Loss (NUPL) is the ratio of aggregate unrealized profit or loss across all Bitcoin holders, expressed as a proportion of market capitalization. A reading of zero point seven five means that seventy-five percent of the total market capitalization represents unrealized profit. It is not a price indicator. It is a sentiment indicator grounded in actual cost basis data from the blockchain. The methodology was originally developed by Rafael Schultze-Kraft at Glassnode in 2019.

## The Five Zones and Their Historical Boundaries

NUPL ZONE	READING	WHAT IT SIGNALS	HISTORICAL OCCURRENCE
<b>Capitulation</b>	Below 0	Average holder underwater	Every confirmed cycle bottom: Nov 2022, Dec 2018, Jan 2015
<b>Hope / Fear</b>	0 - 0.25	Early recovery — conviction capital active, retail absent	Post-bottom accumulation phase — optimal entry zone historically
<b>Optimism / Anxiety</b>	<b>0.25 - 0.50</b>	<b>Mid-cycle — new buyers entering</b>	<b>Current reading: ~0.286 (May 2026)</b>
<b>Belief / Denial</b>	0.50 - 0.75	Late-cycle bull — distribution beginning	Transitions rapidly in final phase — danger zone for new buyers
<b>Euphoria / Greed</b>	Above 0.75	Cycle top zone — LTH distribution at maximum rate	2013: 0.95   2017: 0.88   2021: 0.76   2025: ~0.78

## False Signals and How to Avoid Them

NUPL has produced false signals during periods of extreme market dislocation. In March 2020, NUPL briefly entered the fear zone during the COVID crash. The lesson: NUPL is most reliable when corroborated by RHODL, LTH-SOPR, and MVRV Z-Score, not when read in isolation. A single metric reading is a hypothesis. Convergence of three or more metrics is a signal.

As of May 2026, NUPL at zero point two eight six places the market in the optimism/anxiety zone — consistent with mid-cycle recovery conditions following a fifty-two percent drawdown from the October 2025 peak.

### WHERE TO CHECK

NUPL is available on Glassnode's free tier at [studio.glassnode.com](https://studio.glassnode.com). Search "Net Unrealized Profit/Loss." Updated daily. No paid subscription required for the primary reading.



# RHODL: The Patience Ratio

*What it means when old coins dominate the market — and why it matters now*

The RHODL Ratio (Realized HODL Ratio) was developed by Philip Swift and published in Bitcoin Magazine Pro in December 2020. It compares the Realized Cap held by longer-term investors — specifically those holding between six months and three years — against the Realized Cap held by short-term participants holding between one day and three months. The result is a ratio that rises when conviction capital dominates and falls when speculative capital dominates.

A high RHODL reading means old coins are sitting still. New coins are scarce. Speculative activity has collapsed. The holders who remain are the ones who have seen multiple cycles and chosen to stay. This is the composition of the market at cycle bottoms — and it is the composition that precedes the largest moves.

## The Three Highest Readings in Bitcoin's History

# 7.0

RHODL in late 2022. Highest reading ever recorded. Preceded +716% rally from \$15,479.

*Glassnode, November 2022*

# 5.0

RHODL in late 2015. 2nd highest ever recorded. Preceded +12,000% rally to the 2017 peak.

*Glassnode, November 2015*

# 4.5

RHODL in April-May 2026. 3rd highest ever recorded. Current reading as of publication.

*Coinbase Institutional & Glassnode  
Q2 2026*

The significance of the current four point five reading cannot be overstated. Only two prior readings exceeded this level. Both were confirmed cycle bottoms. Both preceded multi-year bull markets delivering returns measured in multiples, not percentages. This does not mean the bottom is confirmed — it means the structural composition of the current market is more similar to those historical bottoms than to any other period in Bitcoin's history.

## What RHODL Does Not Tell You

RHODL does not predict timing. The 2015 peak reading occurred approximately two months before the price began its sustained recovery. The 2022 peak reading occurred approximately four months before price began rising. The signal identifies the structural condition — conviction capital dominant — not the moment of price reversal.

### WHERE TO CHECK

RHODL Ratio is available on Glassnode at [studio.glassnode.com/charts/indicators.RhodlRatio](https://studio.glassnode.com/charts/indicators.RhodlRatio) and the Coinbase Institutional & Glassnode Q2 2026 report is the primary current-cycle source.



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# LTH-SOPR: When the Strongest Holders Break

*The signal that marks cycle bottoms with the highest historical precision*

The Long-Term Holder Spent Output Profit Ratio (LTH-SOPR) measures whether Bitcoin moved by holders who have held for more than one hundred and fifty-five days is being moved at a profit or a loss. Unlike NUPL, which measures unrealized positions, LTH-SOPR captures realized behavior — what long-term holders are actually doing with their coins when they choose to move them.

A reading above one point zero means long-term holders are selling at a profit — distribution phase. A reading below one point zero means even the most conviction-oriented segment of the market is selling at a loss — capitulation phase. Historically, LTH-SOPR below one point zero has marked the final phase of bear markets with greater precision than almost any other metric.

## The Historical Duration Record

During confirmed bear markets, LTH-SOPR has not merely dipped below one point zero briefly — it has sustained sub-one readings for extended periods. In 2015, LTH-SOPR remained below one point zero for approximately seven months. In 2018 through 2019, the sub-one reading sustained for approximately eight months — the longest capitulation window in Bitcoin’s history. In 2022, following the FTX collapse, the below-one period lasted approximately six months.

The depth of capitulation follows a consistent pattern. At the bottom of the 2015 bear market, approximately fifty-three percent of long-term holder supply was at a loss. At the 2018 bottom, forty-five percent. At the 2022 bottom, forty-four percent. These readings represent the maximum concentration of unrealized loss among the most committed holders in the market — corresponding precisely to the moments of lowest forward price risk. Sources: NYDIG Research, SpottedCrypto citing BelnCrypto, AnalyticsInsight.

## The March 2026 Signal

In March 2026, LTH-SOPR fell below one point zero for the first time this cycle per CryptoQuant data published March 31, 2026. The indicator dropped to zero point seven nine eight and remained below one point zero for seven consecutive days before beginning recovery. The seven-day moving average stood at approximately zero point nine seven nine before crossing back above one point zero in April 2026. Source: CryptoQuant / Axel Adler Jr., April 17, 2026.

## Reading LTH-SOPR in Context

LTH-SOPR below one point zero is necessary but not sufficient for a cycle bottom signal. The metric must be read alongside NUPL, RHODL, and MVRV Z-Score. When all four converge — NUPL below zero point two five, RHODL above four point zero, LTH-SOPR below one point zero, and MVRV Z-Score below two — the statistical probability of a confirmed cycle bottom is at its historical maximum.

### CURRENT SIGNAL — MAY 2026

LTH-SOPR recovered above 1.0 in April 2026, reading approximately 1.02. RHODL remains at 4.5. NUPL at 0.286. MVRV Z-Score at 0.87. Composite signal profile: Phase B — Recovery.

### WHERE TO CHECK

LTH-SOPR is available on CryptoQuant at [cryptoquant.com](https://cryptoquant.com). Search “LTH-SOPR” under Bitcoin indicators. CryptoQuant analyst reports from Axel Adler Jr. and Julio Moreno are the primary current-cycle commentary sources.

# MVRV Z-Score: The Valuation Gauge

*The metric that separates fair value from historical overextension*

The MVRV Z-Score answers a question that price alone cannot: is Bitcoin trading at a historically unusual premium relative to what holders actually paid for it? Where NUPL measures sentiment and RHODL measures holder composition, the MVRV Z-Score measures valuation — the degree to which the market price deviates from the aggregate cost basis of all coins on the network.

Developed by Murad Mahmudov and David Puell, the MVRV Z-Score compares Bitcoin’s current market value to its realized value — the aggregate cost basis of every coin on the network — and standardizes that difference using the historical standard deviation of market values. A low Z-Score means the market is near fair value relative to aggregate cost basis. A high Z-Score means the market is at a historically elevated premium that has, in every prior cycle, eventually corrected.

## The Historical Peak Readings

CYCLE PEAK	MVRV Z-SCORE	WHAT FOLLOWED
2013 double peak	12.52 / 11.05	Extended bear market; reset to below zero
Dec 2017 peak (\$19,783)	8.8	–84% decline over 12 months
Apr 2021 local peak	7.1	–55% correction before recovery
Nov 2021 peak (\$69,000)	6.8	–77% decline; 2022 bear market
<b>May 2026 (current)</b>	<b>~0.87</b>	<b>Accumulation zone — ~1/10th of historical top threshold</b>

Sources: UseTheBitcoin / Glassnode for historical peaks; MacroMicro live data for current reading (May 12, 2026).

## The Bearish Divergence That Preceded 2022

One of the most instructive applications of the MVRV Z-Score is its ability to detect divergences that price alone conceals. In Q4 2021, Bitcoin’s price reached sixty-nine thousand dollars — a new all-time high. But the MVRV Z-Score peaked at only one point seven three, far below the five point three four reading from January 2021 earlier that year. Price made a higher high. The valuation signal made a lower high. That bearish divergence was visible to anyone reading the on-chain data. The holders who added to positions in October and November 2021 based on price strength were buying into a distribution phase that the MVRV Z-Score was already flagging. Source: Axel Adler Jr., February 2026.

## The Threshold That Has Historically Flagged Tops

Every time the MVRV Z-Score exceeded six or seven, a significant correction followed. Not every elevated reading produced the same magnitude of decline — but no reading above six in Bitcoin’s history has been followed by a continuation to new highs without first experiencing a meaningful drawdown. The six-to-seven zone is the boundary between mid-cycle appreciation and historically documented overextension. Conversely, the MVRV Z-Score has fallen below zero at every confirmed major bear market bottom — 2015, 2018, 2022 — representing the statistical maximum of forward return probability.

## The Current Reading and What It Means

As of May twelfth, 2026, the MVRV Z-Score reads approximately zero point eight seven according to MacroMicro live data. A secondary reading from AhaSignals placed it at zero point four one with BTC spot at eighty-one thousand two hundred and ninety-three dollars. Both sources place the current reading firmly in the zero-to-two range that historically characterizes low valuation territory. At zero point eight seven, the MVRV Z-Score is approximately one-tenth of the six-to-seven threshold that has historically flagged cycle tops.

**0.87**

Current MVRV Z-Score as of May 12, 2026 — approximately one-tenth of historical top threshold of 6-7

*MacroMicro live data, May 2026*

**6-7**

The zone that has historically flagged cycle tops across every prior Bitcoin cycle without exception

*UseTheBitcoin / Glassnode historical data*

**1.73**

MVRV Z-Score at Nov 2021 ATH despite price making higher high — the documented bearish divergence signal

*Axel Adler Jr., February 2026*

## How to Read MVRV Z-Score Alongside the Other Signals

The MVRV Z-Score is most powerful when read in combination with NUPL, RHODL, and LTH-SOPR rather than in isolation. During accumulation phase, all four metrics should simultaneously indicate structural undervaluation: NUPL below zero point two five, RHODL elevated, LTH-SOPR recovering from below one point zero, and MVRV Z-Score below two. When all four converge in this pattern, the composite signal is the strongest buying case the on-chain data can produce. During distribution phase, the alert sequence follows: NUPL climbs above zero point five, LTH distribution accelerates, MVRV Z-Score approaches six or seven, and finally the SCCI generates a sell signal.

### WHERE TO CHECK

MVRV Z-Score is available free at MacroMicro ([en.macromicro.me/charts/57256](https://en.macromicro.me/charts/57256)) and LookIntoBitcoin ([lookintobitcoin.com/charts/mvrv-zscore](https://lookintobitcoin.com/charts/mvrv-zscore)). Both update daily. MacroMicro provides a live chart with historical cycle overlay for comparison.

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# How to Know Which Phase You're In

*The reference table. Open it whenever you are uncertain.*

This chapter is designed to be consulted, not read linearly. When you are uncertain about the market's position, open here. Match the current data to the signal profile. The phase tells you what your protocol should be doing.

PHASE	ON-CHAIN SIGNALS	HOLDER BEHAVIOR	PROTOCOL ACTION
<b>A — Maximum Fear</b>	<ul style="list-style-type: none"> <li>NUPL below 0.25</li> <li>RHODL 4.0+</li> <li>LTH-SOPR below 1.0</li> <li>MVRV Z-Score below 1</li> <li>Price below STH cost basis</li> </ul>	<ul style="list-style-type: none"> <li>STHs underwater ·</li> <li>Capitulation events ·</li> <li>Media: terminal narrative</li> </ul>	<ul style="list-style-type: none"> <li>Reacquisition protocol active ·</li> <li>DCA schedule running ·</li> <li>NSC% unchanged — no selling</li> </ul>
<b>B — Recovery</b>	<ul style="list-style-type: none"> <li>NUPL 0.25-0.50</li> <li>RHODL declining from peak</li> <li>LTH-SOPR above 1.0</li> <li>MVRV Z-Score 1-3</li> </ul>	<ul style="list-style-type: none"> <li>Capital rotating to conviction holders ·</li> <li>Narrative: “maybe recovering”</li> </ul>	<ul style="list-style-type: none"> <li>Reacquisition continuing ·</li> <li>Monitor Rung 1 trigger ·</li> <li>No distribution yet</li> </ul>
<b>C — Euphoria</b>	<ul style="list-style-type: none"> <li>NUPL above 0.65-0.75</li> <li>LTH distribution \$500M-\$1B+/ day</li> <li>MVRV Z-Score approaching 6-7</li> <li>Funding rates elevated</li> <li>SCCI sell signal</li> </ul>	<ul style="list-style-type: none"> <li>FOMO convergence ·</li> <li>Leverage building ·</li> <li>“This time is different”</li> </ul>	<ul style="list-style-type: none"> <li>Distribution ladder active ·</li> <li>Rungs 2 and 3 executing ·</li> <li>Strict protocol — no deviation</li> </ul>
<b>D — Post- Peak</b>	<ul style="list-style-type: none"> <li>NUPL declining from peak</li> <li>STH underwater</li> <li>LTH-SOPR declining</li> <li>MVRV Z-Score falling from elevated levels</li> </ul>	<ul style="list-style-type: none"> <li>Denial then fear ·</li> <li>Realized losses building ·</li> <li>Media: bear confirmed</li> </ul>	<ul style="list-style-type: none"> <li>Monitor Phase A conditions ·</li> <li>Do not reduce NSC% ·</li> <li>Prepare reacquisition price levels</li> </ul>

**MAY 2026 — CURRENT COMPOSITE READING**

NUPL 0.286 · RHODL 4.5 · LTH-SOPR ~1.02 (recovering) · MVRV Z-Score ~0.87. Composite signal: **Phase B — Recovery**. Protocol action: reacquisition continuing, no distribution until Rung 1 trigger conditions are met.

PART THREE

# THE MAP OF THE CURRENT CYCLE

*Real-time intelligence for the position you are holding today*

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*“Three structural variables have changed this cycle that did not exist in 2021: regulated ETF infrastructure, corporate treasury allocation, and sovereign reserve building.”*

— Engineered Markets

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# Why This Cycle Is Structurally Different

*Three variables that did not exist in 2021 — and what they change*

Every Bitcoin cycle shares the same underlying mechanics: supply reduction, demand growth, holder psychology cycling through the four phases. But each cycle also introduces new structural variables that modify how those mechanics play out. The 2024 through 2026 cycle has introduced three variables that are genuinely unprecedented and require explicit treatment.

## **Variable One: Regulated ETF Infrastructure**

For the first time in Bitcoin's history, any investor with a brokerage account — pension fund, endowment, retail IRA — can access Bitcoin exposure through a regulated product. This changed the liquidity profile of the market in a fundamental way. ETF buying is not volatile FOMO buying. It is systematic, rebalancing-driven, institutionally mandated allocation. When BlackRock's IBIT has fifty billion dollars in AUM, the buying pressure during accumulation phases is larger, more consistent, and less emotionally driven than anything that existed in prior cycles.

## **Variable Two: Corporate Treasury Allocation**

Prior to 2020, Bitcoin on a corporate balance sheet was a novelty. By September 2025, ninety public companies held Bitcoin as a treasury asset with aggregate value exceeding one hundred and thirteen billion dollars. This creates a category of buyer — publicly audited, board-approved, locked into multi-year treasury strategies — that cannot sell impulsively. They accumulate on dips. They do not capitulate on volatility.

### **Variable Three: Sovereign-Level Adoption**

El Salvador made Bitcoin legal tender in 2021. By 2025, several nation-states had accumulated Bitcoin reserves. The United States Strategic Bitcoin Reserve — announced in early 2025 — represented the first time a G7 nation explicitly held Bitcoin as a reserve asset. Sovereign buyers operate on time horizons measured in decades and sell under conditions that are legislative and political, not emotional or price-driven.

### **What These Three Variables Mean for Your Protocol**

The combination of ETF buying, corporate treasury accumulation, and sovereign reserve building creates a structural demand floor that did not exist in 2021 or 2022. This does not mean drawdowns cannot occur — the fifty-two percent decline from the October 2025 peak proves they can. It means the composition of buyers at every price level has changed. The actors absorbing sell pressure in this cycle are, on average, more patient, more capitalized, and more structurally committed than in any prior cycle.



# The ETF Variable: What Changes When Institutions Enter

*How regulated products have restructured Bitcoin's demand profile*

The approval of spot Bitcoin ETFs in January 2024 did not simply bring new capital into Bitcoin. It restructured the mechanism by which that capital flows. ETF buying does not appear in on-chain metrics the same way retail buying does, because when an institutional investor buys one hundred million dollars of Bitcoin through BlackRock's IBIT, the on-chain representation is a single large wallet controlled by the ETF custodian — Coinbase Custody. This means that NUPL, RHODL, LTH-SOPR, and MVRV Z-Score are now reading a market in which a significant portion of the underlying capital is not directly visible.

While individual ETF investor cost basis is not visible on-chain, aggregate ETF flows are public through SEC 13F filings and daily ETF flow data from Bloomberg. The one point three eight billion dollar single-day inflow on November 6, 2024 — the day after Donald Trump's election victory — was visible in ETF flow data before it showed up in any on-chain metric. Holders who track ETF flows alongside on-chain data have access to a more complete picture.

## \$6.96B

Total ETF net inflows in 2025.  
Sustained demand, not  
speculative spike.

*Bloomberg ETF Flow Data, 2025*

## \$1.38B

Single-day inflow record,  
November 6, 2024 — post-  
election.

*Bloomberg, November 2024*

## \$50B+

BlackRock IBIT AUM. Fastest ETF  
to \$50B in the history of  
financial products.

*BlackRock, December 2024*

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## The Corporate Treasury Variable

*What happens when companies are legally committed to holding Bitcoin*

Strategy's accumulation of over six hundred and forty thousand BTC — more than three percent of the total supply — represents the most significant single-entity Bitcoin holding in history outside of Satoshi Nakamoto's estimated holdings. But the more important number is not six hundred and forty thousand. It is ninety plus. Ninety public companies, each with board-approved treasury strategies, each with fiduciary obligations to their shareholders, each holding Bitcoin as a long-term reserve asset.

Public companies cannot sell treasury assets impulsively. The decision to liquidate Bitcoin from a corporate treasury requires board approval, legal review, accounting treatment, and public disclosure. The timeline from “decision to sell” to “coins moving on-chain” is measured in weeks or months, not minutes. This is structurally different from retail sell pressure.

### The Japan Effect

Metaplanet's explicit adoption of the Strategy model — announced publicly, modeled explicitly on Michael Saylor's playbook — represented the first clear sign that the corporate treasury thesis was not an American phenomenon. By mid-2025, multiple Asian and European companies had initiated similar strategies. The playbook was reproducible. The capital base was global.

### What Corporate Treasuries Mean for Cycle Dynamics

In prior cycles, the “smart money” that accumulated near the bottom was primarily composed of individual conviction holders and early-stage hedge funds. In this cycle, the smart money includes public companies with multi-year accumulation plans. When Strategy announces it is buying during a drawdown, the market receives a signal from an entity that has consistently demonstrated willingness to hold through fifty to eighty percent declines. This changes the psychology of the accumulation phase in ways that earlier cycles never experienced.

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# Reading May 2026: Where Every Signal Stands Right Now

*The most current composite on-chain picture as of publication*

This chapter will be the most time-sensitive section of this book. On-chain conditions change weekly. The readings documented here reflect the best available data as of May 2026 and are intended to provide both a current snapshot and a template for how to read the composite signal picture at any future moment.

METRIC	CURRENT READING	SIGNAL ZONE	HISTORICAL CONTEXT
<b>NUPL</b>	~0.286	Optimism / Anxiety	Mid-cycle recovery — well below euphoria zone at 0.75+
<b>RHODL Ratio</b>	4.5	Extreme conviction dominance	3rd highest reading in Bitcoin's 15-year history
<b>LTH-SOPR</b>	~1.02 (recovering)	Marginal profit territory	Crossed above 1.0 in April 2026 after first-cycle breach in March
<b>MVRV Z-Score</b>	<b>~0.87</b>	<b>Low valuation territory</b>	<b>~1/10th of the 6-7 threshold that historically flags cycle tops</b>
<b>STH Cost Basis</b>	~\$81,500	Price near STH cost basis	Recovery from below STH basis — historically bullish reclaim
<b>Exchange Balances</b>	Multi-year lows	Supply contraction	Coins moving off exchanges at sustained rate — illiquidity building
<b>ETF Net Flows</b>	Positive (Apr-May 2026)	Institutional demand resuming	After Q1 2026 outflows, institutional buying returned in April
<b>Bitcoin Dominance</b>	~62%	Risk-off dominance	BTC outperforming altcoin market; risk-off positioning

## The Interpretation

The composite signal picture in May 2026 is consistent with Phase B — Recovery. RHODL at four point five remains at a structurally extreme reading historically associated with cycle bottoms. NUPL at zero point two eight six suggests the market is not in euphoria or anywhere near it. MVRV Z-Score at zero point eight seven confirms that the market is trading near aggregate cost basis, not at a historical premium. This combination — extreme RHODL, recovering NUPL and LTH-SOPR, low MVRV Z-Score — has occurred twice before in Bitcoin's history (late 2015, late 2022). Both times it preceded multi-year bull markets.

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## The Three Scenarios From Here

*What the on-chain data says about the range of outcomes — and how your protocol handles each one*

A conviction reference that does not address the bear case is not a conviction reference — it is a sales pitch. This chapter documents three credible scenarios from the current market position. Your protocol should be designed to function correctly under all three.

### **Scenario One — Cycle Continuation (Base Case)**

Bitcoin follows the historical pattern established in prior cycles: RHODL at extreme levels precedes a sustained recovery, price reclaims all-time highs within twelve to twenty-four months of the current reading, and the 2028 halving provides the next structural catalyst. Holders who maintained their NSC% and executed their reacquisition protocol during the February through May 2026 drawdown will be the primary beneficiaries. Supporting evidence: RHODL at four point five (both prior readings preceded bull markets), LTH-SOPR recovery above one point zero, MVRV Z-Score at historically low valuation, ETF inflows resuming, corporate treasury demand structural and ongoing.

### **Scenario Two — Extended Consolidation (Bear Case)**

Bitcoin enters an extended period of range-bound trading — similar to the 2019 through 2020 period — where price neither makes new all-time highs nor declines significantly below current levels. The 2028 halving eventually provides the catalyst for the next cycle, but the intervening period involves eighteen to thirty months of sideways movement. In this scenario, the correct protocol action is identical to Scenario One: maintain NSC%, execute DCA reacquisition on schedule, do not distribute below Rung 1 triggers.

### **Scenario Three — Deep Bear Extension (Stress Test)**

A macro shock — severe global recession, major regulatory action, or systemic financial event — drives Bitcoin below current levels, potentially testing the forty thousand to fifty thousand dollar range. LTH-SOPR falls back below one point zero. RHODL makes a new all-time high. In this scenario, the psychological pressure to exit will be extreme. The protocol

defense: the NSC% was defined before this scenario arrived. If the NSC% was set correctly, the position does not require action. The reacquisition protocol accelerates at lower price levels.

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*“Your protocol must be designed to survive Scenario Three. If it was only designed for Scenario One, it is not a protocol. It is optimism with a spreadsheet.”*

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PART FOUR

# THE FIVE TRAPS

*Recognize them. Name them. Stop repeating them.*

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*“The five traps do not catch weak holders. They catch the strongest ones — the people who did the work, held through the pain, and then acted on emotion at exactly the wrong moment. Architecture prevents what willpower cannot.”*

— Engineered Markets

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## Trap 1 — Selling at the Bottom

*The most expensive mistake in Bitcoin history, repeated every cycle*

This trap does not catch weak holders. It catches the strongest ones — the people who held through everything and then, after years of patience, exit at exactly the moment when the data shows the highest forward-return probability. The mechanism is duration fatigue: not acute panic, but the slow accumulation of psychological cost over months of watching unrealized gains compress without resolution.

Duration fatigue feels different from panic. It feels like wisdom. Like rational reassessment. Like finally accepting what the price is telling you. It arrives in the form of increasingly convincing narratives. These narratives are always available. They are always partially plausible. And they are always most persuasive at exactly the wrong moment.

### \$30.9B

Realized losses by whales and sharks in Q1 2026. \$188.5M/day for the 100-1,000 BTC cohort.

*Santiment, April 2026*

### 30 days

Consecutive days of loss-selling in January 2025. First such streak since October 2023.

*CryptoQuant — Julio Moreno*

### 84%

Bitcoin holders who have acted on FOMO or panic at least once in their holding history.

*Kraken Survey, Oct 2024, n=1,248*

### The On-Chain Defense

The defense against Trap 1 is not willpower — willpower depletes under sustained pressure. The defense is a written protocol combined with on-chain data that provides an objective read of the market structure. When LTH-SOPR falls below one point zero, RHODL reaches historic highs, and MVRV Z-Score sits below one, the on-chain data is telling you the opposite of what the emotional pressure is saying. The protocol converts this objective data into a pre-committed action: do not sell, continue reacquisition schedule.

Bitcoin experienced ten significant drawdowns of ten percent or more during the 2021 bull market alone — during a cycle that ultimately delivered a seventeen hundred percent rally. Each one felt, from the inside, like the potential beginning of a bear market. Each one activated the same neural threat response. In each case, selling was the wrong action. Source: NYDIG Research.

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## Trap 2 — Buying the Top

*84% of holders have done it. Here is exactly how it happens.*

The second trap strikes at the moment of maximum pleasure — when the price is rising, institutional names are publicly bullish, and every data point confirms the move is real and continuing. The cognitive error is availability bias: the most recent data (price rising, headlines positive) overwhelms the structural data (NUPL approaching euphoria zone, MVRV Z-Score approaching six, LTH distribution accelerating).

The October 2025 case study is the most documented FOMO event in Bitcoin's history. On October third, approximately nine hundred and eighty-five million dollars flowed into Bitcoin ETFs in a single day. Bitcoin futures open interest rose sharply. Funding rates spiked. Bitcoin reached one hundred and twenty-six thousand two hundred and seventy-two dollars on October sixth — then declined fifty-two percent to sixty thousand and one dollars by February 2026. The Stable Coin Cycle Index generated a sell signal on September twenty-second, 2025 — exactly fourteen days before the all-time high. The NUPL reading had entered the belief/denial zone weeks earlier. The MVRV Z-Score was approaching historically elevated levels. The data was available. The problem was not information. It was architecture.

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*“The signal to sell was visible. The protocol to act on it was not in place. That is the only difference between the holders who exited near the top and the holders who watched their gains compress by half.”*

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## Trap 3 — Rotating Into Altcoins

*Trading verifiable scarcity for inflationary speculation*

This trap is disguised as sophistication. The holder who falls into it is not panicking — they are “diversifying,” “rotating,” making what feels like a strategically advanced decision to capture additional upside in the later stages of a cycle. The reality is that they are trading a position with verified supply mechanics for a position with controllable, often inflationary supply managed by a team that can and does change the rules.

The data across four cycles is unambiguous: the top one hundred altcoins by market capitalization in 2017 bore almost no resemblance to the top one hundred in 2021, which bore almost no resemblance to the top one hundred in 2025. Bitcoin dominance held above fifty-nine percent through the second half of 2025 — not because altcoins did not appreciate, but because they depreciated more severely in the subsequent drawdown.

### The Supply Mechanics Comparison

PROPERTY	BITCOIN	TYPICAL LARGE-CAP ALTCOIN
<b>Maximum supply</b>	21M — hard-coded, immutable	Set by team; governance can change
<b>Issuance post-2028</b>	~82,000 BTC/year, declining	Variable; often inflationary
<b>Foundation selling</b>	None — Satoshi coins unmoved since 2009	Foundation holds significant supply; can sell at any time
<b>Team vesting</b>	No team allocation	4-year vesting creates consistent sell pressure
<b>Supply classification</b>	Verifiable scarcity	Controllable inflation

Rotating from Bitcoin’s structure to an asset with team vesting, foundation holdings, and governance-adjustable supply is not diversification. It is a change of asset class.

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## Trap 4 — The Attention Trap

*How checking the price every hour builds the path to every other trap*

This trap is not dramatic. It accumulates quietly over weeks and months until it has created the precise psychological conditions that make Traps 1, 2, and 3 possible. A 2024 peer-reviewed scoping review across PubMed, Web of Science, Embase, and Scopus documented consistent findings: trading frequency is positively correlated with symptoms of depression and anxiety. Cryptocurrency traders reported higher scores in psychological distress and perceived loneliness than non-trader counterparts.

The mechanism is simple: every price check is a micro-decision in an emotionally compromised state. The amygdala — the brain's threat-detection center — responds to price movement the same way it responds to physical threat. Over hundreds of checking events per week during a prolonged drawdown, the cumulative physiological burden actively degrades decision-making capacity. The Kraken survey found that fifty-five percent of crypto holders check markets significantly more often than traditional markets — creating hundreds of stress-response cycles per week during drawdowns.

### **The Protocol-Checking Replacement**

Replace price-checking with protocol-checking. The question changes from “what is the price?” to “has any condition in my written protocol been activated?” If the answer is no — if NUPL has not crossed a threshold, if a Rung trigger has not been met, if the on-chain signals have not converged — then no action is required and the application closes. This single behavioral substitution addresses the mechanism of all five traps simultaneously.

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## Trap 5 — The Sovereignty Trap

*Losing Bitcoin not to the market, but to the absence of a plan*

This is the trap that happens in silence. No dramatic sell event. No emotional capitulation. The Bitcoin is simply gone — permanently, irreversibly, without any market movement as cause. Chainalysis and Ledger Academy research published in 2025 estimated between one point five and two million Bitcoin permanently lost due to forgotten private keys alone. Broader estimates place the total at two point three to three point seven million coins — eleven to eighteen percent of the twenty-one million supply.

The patterns are consistent across every documented case of permanent loss: early adopters who stored keys on hardware that no longer exists. Holders who died without leaving access instructions. Exchange accounts on platforms that failed. The sovereignty trap is the only trap in this book that has no recovery path. Every other trap produces a financial loss that can be recovered from. The sovereignty trap produces permanent, irreversible destruction of the position.

### **The Three-Part Defense**

First: self-custody of the NSC% on hardware not accessible to third parties, with seed phrase stored in at least two physically separate locations, never digitally. Second: a documented recovery protocol written in plain language that a non-technical trusted person can execute. Third: at least annual verification that custody arrangements remain functional and that the trusted person knows where the instructions are.

<b>EXCHANGE FAILURE</b>	<b>YEAR</b>	<b>LOSSES</b>
<b>Mt. Gox</b>	2014	850,000 BTC lost to hack
<b>QuadrigaCX</b>	2019	\$190M CAD lost — founder died with only access credentials
<b>Cryptopia</b>	2019	\$16M lost to hack; legal proceedings years later
<b>FTX</b>	2022	~\$8B in customer funds lost to fraud

*In each case, holders who lost everything had done nothing wrong except trust a custodian. Self-custody eliminates this category of risk entirely.*

PART FIVE

# SIX PROFILES

*Composite case studies in how conviction succeeds and fails*

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*“Six composite profiles. Six documented patterns of how conviction succeeds and fails in practice. Read the one that most closely resembles your situation first.”*

— Engineered Markets

A NOTE ON THESE PROFILES

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## Composite Characters — Real Behavior Patterns

The six profiles in this section are composite characters — they do not represent any single real person. They are constructed from patterns documented across on-chain data, behavioral research, and the public record of how different types of holders have responded to the conditions of this and prior cycles. The names are fictional. The behavior patterns are real. Each profile is followed by a single lesson — not a moral judgment, but a structural observation about what the data and the behavior produce in combination.

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# The Holder Who Survived Everything and Sold in March 2026

*Composite Profile — Duration fatigue after four years of correct decisions*

## Marcus, 44 — Technology Director, Austin Texas

*Entered: \$8,200 average (2020–2021) · Held through 2022 bear market · NSC%: undefined*

**The situation:** Marcus bought Bitcoin systematically through 2020 and 2021 using a DCA strategy. He held through the FTX collapse without selling a single satoshi — his cost basis was low enough that even at fifteen thousand four hundred and seventy-nine dollars he was still in profit. He watched his position go from an eight thousand two hundred dollar average to a peak value of over eight hundred thousand dollars in October 2025. He had no written distribution protocol.

Without a distribution ladder, Marcus had no mechanism to act when the SCCI fired its sell signal in September 2025. He did not sell at one hundred and ten thousand dollars. He did not sell at one hundred thousand dollars. By the time price had declined to seventy-five thousand dollars, he was telling himself it would recover. By February 2026, when Bitcoin briefly touched sixty thousand and one dollars, Marcus had been watching his unrealized gains compress for four months. He sold forty percent of his position at sixty-four thousand dollars — not in panic, but in exhaustion. Two weeks later, the on-chain data that would have told him to hold was clearly visible. He had no framework to act on it.

**The outcome:** Marcus sold at sixty-four thousand dollars an average of forty percent of a position with an eight thousand two hundred dollar cost basis. He realized a substantial profit. He also sold at the statistical maximum of duration fatigue, two weeks before the on-chain composite began signaling recovery. He still holds the remaining sixty percent but has not re-entered with the distributed capital.

**Lesson:** Duration fatigue is indistinguishable from rational reassessment without a written protocol. The protocol is not a price target — it is a set of conditions defined before the pressure arrives. Marcus had no conditions. He had only time, and time ran out.

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# The Holder Who Rotated to Altcoins in 2021

*Composite Profile — Sophistication as camouflage for speculation*

## **Diana, 37 — Portfolio Manager, Singapore**

*Entered Bitcoin: \$12,000 (2020) · Rotated to altcoins: November 2021 · Bitcoin sold: 100%*

**The situation:** Diana was not a Bitcoin maximalist. She approached crypto as a portfolio allocation with Bitcoin as the base layer and altcoins as high-beta plays for the late cycle. In November 2021, she rotated her entire Bitcoin position — four point two BTC at approximately fifty-eight thousand dollars — into a diversified basket of large-cap altcoins: Ethereum, Solana, Avalanche, and Polkadot. Her reasoning was sophisticated: these assets had underperformed Bitcoin in the preceding months and had stronger developer activity metrics.

Between November 2021 and June 2022, every asset in Diana’s altcoin basket declined by more than seventy-five percent. Ethereum fell eighty percent. Solana fell ninety-three percent. Polkadot fell eighty-eight percent. Bitcoin fell seventy-seven percent. The correlation in the downward direction was nearly perfect. The diversification rationale was not supported by the actual correlation data during risk-off conditions. Diana’s Bitcoin-equivalent value, which was four point two BTC in November 2021, had declined to a fraction of that amount. She did not re-enter Bitcoin at the 2022 low because she had already realized losses and psychological resistance to further allocation.

**The outcome:** Diana’s portfolio rotation, executed with genuine analytical reasoning, resulted in a Bitcoin-equivalent loss of approximately sixty percent relative to simply holding the original position. The altcoins she rotated into are not in the top one hundred by market capitalization in 2025.

**Lesson:** Altcoins are not uncorrelated to Bitcoin in risk-off markets. They are more volatile versions of Bitcoin risk with controllable supply mechanics. Rotation from BTC to altcoins is a change of asset class, not diversification within one.



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# The Holder Whose Family Lost Everything After His Death

*Composite Profile — Perfect conviction, absent plan*

## **Robert, 61 — Engineer, Portland Oregon (deceased)**

*Entered: \$4,100 average (2017-2019) · Held through all bear markets · Total position: 11.3 BTC*

**The situation:** Robert was a meticulous engineer and a disciplined Bitcoin holder. He accumulated eleven point three BTC between 2017 and 2019. He held through the 2018 bear market without selling. He held through the COVID crash. He held through 2022. By October 2025, his position was worth approximately one point four million dollars. He died suddenly in December 2025 — a cardiac event with no warning. He had a will. He did not have a Bitcoin inheritance plan.

Robert's hardware wallet was in a fireproof safe. His family knew the safe existed. They did not know the PIN for the wallet. They did not know that a seed phrase — a series of twenty-four words written on a piece of paper — would allow them to recover the funds. That paper was in a second location that Robert had never told anyone about. His estate attorney had never encountered a Bitcoin inheritance case. After nine months of attempts, legal consultations, and hardware forensics, the wallet remained inaccessible. The coins — eleven point three BTC — remain on the blockchain today, permanently unspendable.

**The outcome:** Robert's family received nothing from the Bitcoin position. Eleven point three BTC — approximately one point four million dollars at October 2025 prices — was permanently destroyed not by the market but by the absence of a one-page document.

**Lesson:** Bitcoin has no account recovery. The document that protects your position from the sovereignty trap must be written before you need it. Writing it after something happens is not an option.



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# The Holder Who Executed the Protocol in September 2025

*Composite Profile — What correct architecture produces under pressure*

## **Sarah, 51 — Dentist, Phoenix Arizona**

*Entered: \$22,400 average (2021-2022) · Written protocol: completed April 2024 · NSC%: 65%*

**The situation:** Sarah built her written protocol in April 2024, four months before the SCCI generated its first signal of the cycle. Her Rung 1 trigger was set at two point five times cost basis (fifty-six thousand dollars). Her Rung 2 trigger was set at four times cost basis (eighty-nine thousand six hundred dollars). Her Rung 3 trigger was NUPL above zero point seven zero AND LTH distribution above seven hundred and fifty million dollars per day AND SCCI sell signal — minimum two of three.

In September 2025, as Bitcoin approached one hundred and ten thousand dollars, two of Sarah's three Rung 3 conditions were met. NUPL had crossed zero point seven zero. LTH distribution was running at nine hundred million dollars per day per Glassnode data. She did not have the SCCI signal yet. She waited. On September twenty-second, the SCCI fired. All three conditions met. Sarah distributed twenty percent of her layer 2 position at an average of one hundred and nine thousand four hundred dollars — thirteen days before the all-time high. The decision was not made in September 2025. It was made in April 2024. By the time price peaked at one hundred and twenty-six thousand two hundred and seventy-two dollars, she had no decision to make. The protocol had already made it.

**The outcome:** Sarah distributed approximately seven percent of her total position at prices above one hundred thousand dollars. Her NSC% (sixty-five percent) remained untouched through the subsequent fifty-two percent decline. She executed her reacquisition protocol beginning in March 2026. As of May 2026, her cost basis on reacquired coins is approximately sixty-eight thousand dollars.

**Lesson:** The protocol is not a prediction. It is a pre-commitment made before the pressure arrives. The decision Sarah made in September 2025 was effortless because the difficult decision — what to do — had been made in April 2024 in neutral market conditions.



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# The First-Generation Holder Who Never Sold Anything Since 2017

*Composite Profile — The cost and the compounding of maximum conviction*

## James, 58 — Small Business Owner, Nashville Tennessee

*Entered: \$1,200 average (2017) · Total position: 6.8 BTC · Sold: zero satoshis*

**The situation:** James bought Bitcoin in early 2017 after reading about it in a business magazine. He put in eight thousand dollars — money he described as “money I could afford to lose.” He watched his position go from eight thousand dollars to one hundred and thirty thousand dollars in late 2017. He did not sell. He watched it fall from one hundred and thirty thousand dollars to eighteen thousand dollars in 2018. He did not sell. He held through 2020, through 2021’s sixty-nine thousand dollar peak, through 2022’s fifteen thousand four hundred and seventy-nine dollar low, and through the 2025 peak of one hundred and twenty-six thousand two hundred and seventy-two dollars. He has never sold a single satoshi.

James’s experience has not been comfortable. He watched his position lose eighty-five percent in 2018. He watched it lose seventy-seven percent in 2022. He never developed a written protocol. He has also never needed one — his NSC% is implicitly one hundred percent. But he has left substantial capital on the table at each cycle peak that could have been redeployed during accumulation phases.

**The outcome:** James’s six point eight BTC purchased at a twelve hundred dollar average is worth approximately four hundred and ninety thousand dollars at May 2026 prices. His total return is above six thousand percent. His tax position on unrealized gains is significant. He has no inheritance plan. He has not considered self-custody beyond a single hardware wallet with no documented recovery procedure.

**Lesson:** Maximum conviction without architecture is not a strategy — it is a temperament. It works until it encounters a sovereignty trap or the end of a holder’s life. The lesson is not to sell. It is to document, plan, and protect.



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# The Holder Who Is Reading This Book Right Now

*The profile that matters most*

## You — Reading This in May 2026

*Protocol status: not yet written · NSC%: undefined · Inheritance plan: incomplete · Distribution ladder: not built*

You are in the middle of a Bitcoin cycle. You hold a position of some size. You have been through some version of the experiences described in the five profiles above — the duration fatigue, the temptation to rotate, the awareness that you have no written protocol. You bought this book because you want to hold correctly, not just hold.

Your profile is not yet fixed. The five profiles above describe outcomes that have already occurred — decisions made, consequences realized. Your decisions have not been made yet. The protocol in Part Six is blank. The accountability structure needs one person's name. The inheritance plan in Part Eight is a chapter you have not written yet.

## The Single Question That Defines Your Profile

In 2030, you will look back at what you did in 2026. You will know what Bitcoin did between now and then. You will be able to evaluate, with perfect information, whether the decisions you made in the current moment were the right ones. The only variable you control today is what those decisions will be.

Did you build a protocol in neutral conditions — before the next move, whatever direction it takes? Did you define your NSC%? Did you set your distribution triggers? Did you write the inheritance document? Did you verify your custody arrangement?

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*“The holder who reads this and does not complete Part Six has done nothing different from the holder who never read it at all. The book is the framework. The protocol is the product. The execution is yours.”*

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PART SIX

# YOUR PROTOCOL

*The holder who leaves this part without a completed document has read this book incorrectly.*

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*“The protocol is not a price prediction. It is a pre-commitment made in neutral conditions to override the emotional pressure of conditions that have not arrived yet. Build it now. Sign it now. Date it now.”*

— Engineered Markets

## P2P

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# The Holder in a Hyperinflationary Economy

*Composite Profile — Bitcoin as real protection, not theoretical*

## Ana, 38 — Accountant, Buenos Aires, Argentina

*Entered: \$2,300 average (2020–2022) · Context: economy with 211% inflation in 2023 · Method: P2P + total self-custody*

**The situation:** Ana is an accountant in Buenos Aires. In the ten years prior to 2023, she watched the Argentine peso lose ninety-nine percent of its value against the US dollar. Opening an American bank account was prohibited for ordinary Argentines. Buying dollars officially was limited to two hundred dollars per month per central bank regulation. The “blue dollar” — the parallel illegal but widely used exchange rate — was at a two hundred percent spread over the official rate during peaks of 2023. Any savings held in Argentine pesos were being silently confiscated by inflation at a rate of over two hundred percent per year.

Ana bought her first Bitcoin in 2020 via Binance P2P — buying pesos from sellers who accepted local bank transfers, with no additional KYC beyond platform registration. She transferred immediately to a hardware wallet. For her, the value proposition was not speculative: it was protection against a silent confiscation that was already happening. The 2024 halving was irrelevant to her equation: even without appreciation against the dollar, Bitcoin was already superior to the peso as a store of value.

Unlike the American profiles in this book, Ana never had access to regulated exchanges with deposit insurance. She had no distribution ladder because distributing Bitcoin back to pesos would be a catastrophe. Her “exit strategy” was USDT or physical dollars, not pesos. Her greatest risk was not Bitcoin price fluctuations — it was losing private keys or being robbed with access information.

**The outcome:** In May 2026, Ana's Bitcoin position is worth approximately fifteen times what she paid in Argentine pesos — a combination of Bitcoin appreciation and additional peso devaluation. She has never sold a satoshi. Her greatest current focus is physical security of her hardware wallet and planning for her family to access the position if something happens to her.

**Lesson:** For most readers of this book, Bitcoin is a bet on appreciation. For hundreds of millions of people in economies with unstable currencies, Bitcoin is the only technology that offers access to a store of value without government or bank permission. Ana's perspective sustains the same holding protocol — but the motivation is different and the level of dependence is deeper.



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# The Holder in a Country with Restrictions

*Composite Profile — Self-custody mandatory when exchanges cannot be trusted*

## **Kwame, 31 — Software Engineer, Lagos, Nigeria**

*Entered: 2019 · Context: CBN banned exchanges 2021–2023, naira depreciated ~70% in 2023–2024 · Use: reserve + family remittances*

**The situation:** Kwame works remotely for a European company, receiving in euros. Nigeria is Africa’s largest economy and has the highest per-capita crypto adoption rate on the continent, according to the Chainalysis Global Crypto Adoption Index 2023. The paradox is that the same country demonstrating the highest popular interest in Bitcoin is among those that most restricted institutional access: the Central Bank of Nigeria prohibited banks from processing transactions for crypto exchanges in February 2021, and only partially lifted that restriction in December 2023.

During the restriction period, Kwame operated exclusively via P2P — buying Bitcoin directly from other Nigerians on platforms like Paxful and Binance P2P. The logic of self-custody for him was not philosophical: it was pragmatic. Leaving Bitcoin on a second-tier Nigerian exchange that could be shut down by the government tomorrow or simply fail without consumer protection regulation was an unacceptable risk. Every position went immediately to a hardware wallet.

The Nigerian naira lost approximately seventy percent of its value against the US dollar between 2023 and 2024, partly from a currency unification that the government attempted to implement abruptly. Kwame used Bitcoin not only as a store of value but as remittance infrastructure: sending money to family in other parts of the country via Lightning cost one to two percent in fees, versus the eight percent charged by traditional services. Nigeria received nineteen point five billion dollars in remittances in 2023 — credit from the work of emigrants. Bitcoin offers access to that flow at radically lower cost.

**The outcome:** In 2026, Kwame maintains his position intact. The partial restriction lifted by the CBN improved access. But he never returned to using local exchanges for custody — the experience of seeing platforms close without warning created a permanent distrust of any third party. His hardware wallet, with backup in two different locations and a family member briefed on how to access it, is his only infrastructure.

**Lesson:** Kwame’s case illustrates that Bitcoin’s most important properties — censorship resistance, global accessibility without permission, and radically lower remittance costs — are more relevant to the billions of people outside the Western financial system than to its primary users. Self-custody is not ideology in these contexts. It is financial survival necessity.

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## The Three Variables Only You Can Define

*The foundation everything else builds on*

Every element of a Bitcoin holder's decision architecture depends on three numbers that no analyst, advisor, or on-chain data source can provide. Only you can define them — and they must be defined in writing, in neutral market conditions, before you encounter the conditions described in Parts Two through Five. A variable defined in euphoria will be distorted upward. A variable defined in fear will be distorted downward. The only honest version is the one written today.

### Variable 1 — Never-Sell Core (NSC%)

Your NSC% is the percentage of your total Bitcoin position that you commit to holding regardless of price, cycle position, or market narrative. It is a conviction allocation — not an investment allocation. The correct NSC% is the highest percentage you could hold through a seventy-seven percent drawdown — the magnitude of the 2022 decline — without selling. If you are uncertain, run the stress test: if Bitcoin declined to forty thousand dollars tomorrow and stayed there for eighteen months, what percentage of your current position would you still hold?

#### NSC% — Never-Sell Core

*ex: 65% — the percentage held regardless of any market condition*

#### Rationale for This Percentage

*ex: 1-2 sentences explaining why this specific number represents your permanent conviction floor*

## Variable 2 — Blended Cost Basis

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### Average Cost Basis (USD)

*ex: \$28,400 — blended average across all purchases to date*

### Total Bitcoin Held (BTC)

*ex: 2.4 BTC — total position across all custody solutions*

## Variable 3 — Reacquisition Threshold

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### Primary Reacquisition Trigger

*ex: RHODL above 4.0 OR MVRV Z-Score below 1.0 OR price below \$63,700 (2023 cohort cost basis cluster)*

### Secondary Reacquisition Trigger

*ex: LTH-SOPR below 1.0 sustained for more than 14 days*

## 28

# The Distribution Ladder

*Three rungs. Pre-defined triggers. No real-time judgment required.*

The distribution ladder converts the portion of your position outside your NSC% into a structured exit framework with three predetermined activation conditions. Each rung activates when its condition is met. No deliberation. No price prediction. The condition occurs or it does not.

## Rung 1 — Capital Recovery

Sell the minimum quantity of Bitcoin needed to fully recover your original invested capital when your total position's unrealized return reaches a predetermined multiple of your cost basis. Once initial capital is recovered, every remaining Bitcoin has an effective cost basis of zero. The psychological transformation this produces — from managing an investment to holding a risk-free position — is the most effective behavioral stabilizer available to a long-term holder.

### Rung 1 Multiple

*ex: 2x cost basis — i.e., total position value = 2x total capital invested*

### BTC Quantity to Distribute at Rung 1

*ex: Minimum amount required to return 100% of originally invested capital*

## Rung 2 — Significant Profit Realization

### Rung 2 Multiple

*ex: 4x cost basis — total position value = 4x total capital invested*

### Rung 2 Additional On-Chain Condition

*ex: NUPL above 0.50 AND MVRV Z-Score above 3.0 — confirms mid-distribution phase*

### **Rung 2 Distribution %**

*ex: % of layer 2 position (non-NSC%) to distribute at this trigger*

## **Rung 3 — On-Chain Signal Convergence**

Distribute a final tranche when at least two of three Condition C signals confirm simultaneously: NUPL above zero point six five; LTH distribution rate sustained above five hundred million dollars per day; Stable Coin Cycle Index generating a confirmed sell signal. Minimum two of three required to trigger. The SCCI fired September twenty-second, 2025 — fourteen days before the one hundred and twenty-six thousand two hundred and seventy-two dollar all-time high.

### **Rung 3 Signal Requirement**

*ex: Min. 2 of 3:  $NUPL \geq 0.65$  /  $LTH \text{ distribution} \geq \$500M/day$  / SCCI sell signal*

### **Optional: Add MVRV Z-Score as 4th Confirming Condition**

*ex:  $MVRV \text{ Z-Score} \geq 5.0$  — any 2 of 4 conditions required to trigger*

### **Rung 3 Distribution %**

*ex: % of remaining layer 2 to distribute at signal convergence*

## 29

# The Reacquisition Protocol

*The chapter that generates more multi-cycle wealth than any other*

After distributing any portion of the layer 2 position, the holder faces a problem that most exit strategy content ignores entirely: capital is outside Bitcoin and there is no written framework for when to return it. Without a protocol, two behavioral failures are nearly inevitable. Either the holder never buys back — the psychological barrier to re-entry growing with each percent the price moves away from the exit price. Or they buy back reactively at exactly the wrong moment via the FOMO documented in eighty-four percent of holders.

## Component 1 — Price Level Framework

### Level 1 Price + % of Distributed Capital to Deploy

*ex: \$63,700 — 2023 cohort cost basis cluster (25% of distributed capital)*

### Level 2 Price + % of Distributed Capital to Deploy

*ex: \$54,300 — aggregate realized price / historical bear floor (35% of distributed capital)*

### Level 3 Price + % of Distributed Capital to Deploy

*ex: \$40,000 — deep bear stress level (40% of distributed capital)*

## Component 2 — Time-Based DCA Schedule

### Interval

*ex: Weekly / bi-weekly / monthly — circle one*

### % of Distributed Capital Per Interval

*ex: 10% per month — deployed regardless of price movement*

#### **Duration of Schedule (months)**

*ex: 10 months from first reacquisition trigger date*

### **Component 3 — On-Chain Acceleration Trigger**

#### **On-Chain Trigger Signal**

*ex: RHODL above 4.0 OR MVRV Z-Score below 1.0 — deploy additional 20% of remaining distributed capital immediately*

#### **Action Triggered**

*ex: Accelerate DCA schedule from monthly to weekly until trigger condition passes*

## 30

# The Accountability Structure

*Why protocols without external accountability fail more often*

A written protocol without accountability is more durable than no protocol. A written protocol with accountability is substantially more durable. The most common protocol failure mode is not the absence of a plan — it is deviation from a plan that exists. An accountability structure introduces a second checkpoint between emotional pressure and action.

An accountability partner needs three qualities: they understand the purpose of the protocol (to prevent emotionally-driven deviations, not to predict price correctly); they will ask one critical question when contacted before any unplanned action — “Is this in your protocol or are you proposing to change it because of current price?”; and they are reachable during volatility events.

## The 48-Hour Rule

Any action not pre-specified in the written protocol waits forty-eight hours before execution. Not permission — a delay. Behavioral finance research shows that time-gating between an emotional trigger and a financial action significantly reduces regret-inducing decisions. The forty-eight hour rule costs nothing when the protocol is correct. It prevents the most expensive mistakes when it is not.

## Protocol Completion — Sign and Date

### Date Completed

DD / MM / YYYY

### NSC% (Confirmed — must match Variable 1, Chapter 27)

ex: 65%

**Accountability Partner Full Name**

*Full name — the person who will enforce the 48-hour rule*

**Next Quarterly Review Date**

*Date you will review and reconfirm this protocol in full*

**Location of Written Protocol Document**

*Physical location of the signed, dated document*

**Location of Custody Documentation**

*Where your hardware wallet seed phrase backup is stored*

PART SEVEN

# STAYING SANE WHILE HOLDING

*The part nobody writes. The part everyone needs.*

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*“Psychological cost is not separate from financial cost. The holder who checks the price two hundred times per week during a drawdown is degrading the decision-making capacity they will need when a condition in their protocol is actually triggered.”*

— Engineered Markets



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# The Psychology of Watching a Number

*What happens in your brain during a drawdown — and why it matters for your decisions*

There is a neurological reason why holding Bitcoin through a prolonged drawdown feels different from knowing intellectually that you should hold. The brain does not distinguish cleanly between unrealized loss and realized loss when the position represents a significant portion of net worth. The amygdala responds to portfolio value declining the same way it responds to physical threat: with a stress response that shunts cognitive resources away from rational deliberation and toward immediate action.

A 2024 peer-reviewed scoping review across PubMed, Web of Science, Embase, and Scopus documented consistent findings: trading frequency is positively correlated with symptoms of depression and anxiety. Cryptocurrency traders reported higher scores in psychological distress and perceived loneliness than non-trader counterparts. The Kraken survey found that fifty-five percent of crypto holders check markets significantly more often than traditional markets — creating hundreds of stress-response cycles per week during drawdowns.

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*“There is a difference between monitoring your position and monitoring your system. Monitoring your position means checking the price. Monitoring your system means checking whether any condition in your written protocol has been activated. One increases anxiety and decision error. The other is maintenance.”*

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## The Three Checking Rules

First: establish a checking schedule and adhere to it. Once daily maximum during Phase A — Maximum Fear. Once weekly during other phases. Random, impulsive checking is the primary driver of accumulated psychological damage.

Second: check on-chain metrics before price. RHODL, NUPL, LTH-SOPR, and MVRV Z-Score give you the structural picture before the emotional reaction to a price number can compromise your interpretation.

Third: ask only one question each time you check: “Has any condition in my written protocol been activated?” If no — close the application. Do not look at the price chart. Do not read price commentary. The protocol tells you when to act. Everything else is noise.



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# Conviction vs. Confirmation Bias

*The most important distinction a Bitcoin holder can make*

Conviction and confirmation bias feel identical from the inside. Both produce certainty. Both resist contrary evidence. The difference is in the foundation: conviction is built on verifiable data and can be defended with evidence when challenged. Confirmation bias is built on the need to be right and strengthens selectively, absorbing information that confirms the existing position while dismissing information that contradicts it.

## The Signals of Confirmation Bias

Consuming exclusively bullish content from Bitcoin maximalists while reflexively dismissing any bear case without engaging its evidence. Treating criticism of Bitcoin as a personal attack rather than an intellectual challenge to address. Feeling certain about price targets without being able to articulate the conditions under which the thesis would be wrong. Updating beliefs only when new information confirms the existing position.

## The Test of Conviction

Can you articulate the bear case as well as its strongest proponents can? Can you explain the scenarios in which your thesis would be wrong — not the implausible scenarios, but the genuinely credible ones? Can you name the specific on-chain or macroeconomic conditions that would cause you to reduce your NSC%? If yes — and you still hold — that is conviction. If no — you have confirmation bias, and it will fail you at exactly the moment you need it most.

## The Mandatory Bear Case

Every holder should be able to state, in clear terms, the strongest version of the bearish argument. For Bitcoin in May 2026: the ETF liquidity infrastructure could reverse if regulatory conditions change; the fifty-two percent drawdown could extend further than historical cycles suggest if macro conditions deteriorate severely; the corporate treasury thesis could

reverse if the first major company to exit triggers a contagion effect. These scenarios are not probable in the base case. But a holder who cannot articulate them is not holding with conviction — they are holding with hope, and hope fails under pressure.

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# When Everyone Around You Is Selling

*How to hold through the hardest version of Trap 1*

The hardest version of the capitulation trap is not when you are alone in your doubt. It is when people you respect — analysts you follow, friends who understand markets, colleagues with more experience — are publicly exiting and questioning the thesis. The social pressure to conform is one of the most powerful behavioral forces that exists. It is also one of the most systematically wrong at cycle bottoms.

In November 2022, with Bitcoin at fifteen thousand four hundred and seventy-nine dollars, every major financial publication was declaring the asset class finished. The consensus among informed observers was overwhelmingly negative. The RHODL ratio that month reached seven point zero — the highest reading in Bitcoin’s history. The coins being sold by holders who could no longer tolerate the pain were being bought by the holders who generated the seven hundred and sixteen percent rally that followed.

## **The Three-Step Framework**

First: return to on-chain data rather than narrative. The data said something different in November 2022 than the narrative did. It says something different in May 2026 than the most bearish narratives suggest. The metric that matters is not what respected analysts are saying — it is what RHODL, NUPL, LTH-SOPR, and MVRV Z-Score are saying.

Second: distinguish between the bear case being right and the bear case being loud. Loudness is a function of media cycles and social media algorithms, not of evidence quality. The most widely repeated narrative is not the most accurate one. The most accurate narrative is the one grounded in verifiable data.

Third: consult the written protocol. If no condition in the protocol calls for action, no action is taken. The protocol was written in neutral conditions specifically to override the emotional pressure of conditions like this one.



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# How to Talk to People Who Don't Understand

*Three conversations every Bitcoin holder has — and how to navigate each one*

The social cost of holding Bitcoin through a bear market is underrated in most investment literature. The people in your life who do not hold Bitcoin will ask questions, express concern, and in some cases apply significant pressure to reconsider. How you navigate these conversations affects both your relationships and your ability to execute your protocol without external interference.

## **Conversation 1 — The Concerned Family Member**

“You should sell before it gets worse.” The response that works: “I understand the concern. My decision to maintain this position is based on a written system I built before the market moved, not on how I feel about it today. If the fundamentals of the asset change, my system will tell me to exit. Right now, they haven't.”

## **Conversation 2 — The Skeptical Colleague**

“This is purely speculative.” The response that closes the argument without creating conflict: “You may be right about the speculative element. That's why this represents X% of my portfolio rather than everything. The scarcity argument is the same one that drove gold allocations for fifty years — I'm applying the same framework to a newer asset with stronger verifiability.”

## **Conversation 3 — The Friend Who Sold**

“I got out. You should think about it.” The response that preserves the relationship: “I respect that decision. Mine is based on a system I built in neutral conditions that I've committed to not changing based on short-term price movements. When the system tells me to act, I will.” Full stop. Do not defend the price. Do not defend Bitcoin. Defend the system.

## **The Conversation You Should Not Have**

The conversation you should not have is the one where you attempt to convince someone else to buy Bitcoin. Your conviction does not require external validation. Every conversation in which you attempt to persuade someone else to buy Bitcoin makes your conviction feel dependent on whether they agree. It is not. Your protocol does not require anyone else's approval.

PART ELEVEN

# TAXATION & COMPLIANCE

*What you owe the government — and what you can legally optimize*

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*“The biggest tax trap for the holder is not paying taxes. It is paying more than you owe because you don’t know the rules that apply to your situation.”*

— Engineered Markets

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# How Bitcoin Is Taxed — General Principles

*What is a taxable event, what is not — and the cost methods available*

Bitcoin taxation varies significantly by jurisdiction, but the logical structure is consistent in most countries: Bitcoin is treated as an asset (property or capital asset), and the realization of gains — sale, exchange, or use for payment — generates a taxable event. Simply holding Bitcoin, transferring between your own wallets, or buying Bitcoin with fiat is not taxed. This chapter covers general principles; chapters TAX2 and TAX3 cover optimization and specific jurisdictions. This material is educational — consult a tax professional specializing in crypto-assets for your specific situation.

## What Is (and Is Not) a Taxable Event

In the United States, the IRS classified Bitcoin as property in Notice 2014-21 and expanded guidance in Revenue Ruling 2023-14. Events that create tax obligations: sale of Bitcoin for dollars or other fiat currency; exchange of Bitcoin for another crypto-asset (BTC to ETH is a taxable event at the time of the exchange); use of Bitcoin to pay for goods or services; receiving Bitcoin as payment for work; mining rewards (treated as ordinary income at the time of receipt). Events that do not create tax obligations: purchasing Bitcoin with dollars; transferring between your own wallets; HODLing — doing nothing. For a long-term holder with a strategy of not selling until on-chain signals indicate distribution, the tax liability is completely deferred until sale.

## Cost Calculation Methods

When you sell Bitcoin, the taxable gain is the difference between the sale price and the cost basis — the price you paid for the coins sold. The choice of which lot calculation method was used has a significant impact on the tax owed. FIFO (First In, First Out) is the IRS default method: it assumes the oldest coins (and typically with lower acquisition cost, therefore higher gain) are sold first. HIFO (Highest In, First Out) has been permitted by the IRS since 2019 and minimizes taxable gain by assuming the coins with the highest acquisition cost are sold first. For a holder who bought at multiple prices over years, the difference between

FIFO and HIFO can be substantial. Specific Identification — identifying exactly which coins were sold — is the most flexible form of optimization, but requires perfect traceability of each acquisition.

### Brazil — Specific Regime

In Brazil, the Federal Revenue Service has regulated crypto-assets since Normative Instruction 1,888/2019, which requires exchanges and taxpayers themselves to report transactions monthly. The Brazilian tax logic: capital gains are exempt if total disposals (sales) in the month stay below thirty-five thousand reais. Above that monthly threshold, the rate is progressive: fifteen percent for gains up to five million reais, seventeen and a half percent up to ten million, twenty percent up to thirty million, and twenty-two and a half percent above that. The monthly thirty-five thousand reais exemption threshold is a relevant planning opportunity for holders with positions that can be distributed gradually.

METHOD	HOW IT WORKS	TAX IMPACT
<b>FIFO</b>	Oldest coins sold first	Generally results in higher gain (old coins = lower cost). IRS default.
<b>HIFO</b>	Highest-cost coins sold first	Minimizes taxable gain. Permitted by IRS since 2019. Requires traceability.
<b>Specific ID</b>	Identifies exact lots sold	Maximum flexibility. Requires detailed records of each acquisition and transfer.

*This material is educational and does not constitute tax or legal advice. Always consult a qualified professional for your specific jurisdiction and situation.*

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# Tax Loss Harvesting and Optimization

*How to legally reduce your tax burden using the rules in your favor*

Tax loss harvesting — realizing losses to reduce taxable gains — is a standard strategy in traditional investments. For Bitcoin, it works even more advantageously than for equities in the United States, for one specific reason: the wash sale rule, which prevents investors from buying back the same asset thirty days after selling at a loss for tax purposes, does not apply to crypto-assets. The IRS confirmed this in 2023. In practice, this means a holder can sell Bitcoin at a loss and repurchase immediately — realizing the tax benefit without losing exposure to the asset.

## When to Apply Tax Loss Harvesting

The most relevant time for tax loss harvesting in Bitcoin is during significant drawdowns — exactly when the market is under pressure and on-chain signals indicate accumulation, not distribution. The irony is that the period of greatest tax opportunity (deep drawdown) is also the period of greatest emotional pressure to sell — which makes tax loss harvesting a tool that requires a system, not improvisation. At year-end (December in the US), review your positions to identify lots with unrealized losses that can be “harvested” to offset realized gains during the year.

Capital losses can be used to: offset capital gains from any asset (equities, real estate, other crypto); if losses exceed gains, up to three thousand dollars can be deducted from ordinary income annually in the US; additional losses can be carried forward to future years (carry forward) without time limit. For a holder with substantial positions and years of unrealized gains in other assets, the ability to use Bitcoin losses to offset is valuable. The reverse also applies: losses from other assets can offset gains realized in Bitcoin distribution.

## Donation and Inheritance — The Two Events with Unique Tax Advantages

Donating Bitcoin to qualified charitable institutions in the US is particularly efficient: the donor pays no capital gains on the appreciation and can deduct the current market value as a charitable deduction. For Bitcoin with large unrealized gains, donating directly (rather than selling and then donating cash) can virtually eliminate the tax burden. Bitcoin inheritance benefits from the “step-up in basis” in the US: the heir receives the position with cost equal to the market value at the date of death, not the original cost. For a holder who bought Bitcoin at low prices and has gains of ten or twenty times, properly planning the inheritance can mean that a lifetime of appreciation is never taxed as a capital gain.

### ANNUAL TAX CHECKLIST

December: review all lots with unrealized losses for harvesting. Identify capital gains realized during the year and calculate tax liability. Consider early Bitcoin distributions if the market is in a distribution zone and you want to manage fiscal impact. January: adjust the cost method (FIFO vs HIFO) if transaction patterns changed. Review holding structures if allocations exceeded relevant thresholds.

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# Jurisdictions — Where to Live, Where to Declare

*The global Bitcoin tax map — legal opportunities and real obligations*

The choice of jurisdiction has a potentially enormous impact on the taxation of a significant Bitcoin position. Some countries treat Bitcoin as currency and exempt gains. Others apply rates of up to fifty-five percent. The difference is material when discussing distribution of six or seven-figure positions. This analysis is educational — changes of residence for tax purposes have complex legal implications that require specialized professional advice.

## Countries with the Most Favorable Treatment

Portugal was for years the preferred destination of European Bitcoiners: until 2022, there was no capital gains tax on crypto-assets for individuals. In 2023, Portugal adjusted the law: short-term gains (positions held less than one year) became taxed at twenty-eight percent; long-term gains (more than one year) remained exempt for most taxpayers. The regime is still competitive for long-term holders. The United Arab Emirates — specifically Dubai — offers zero taxation on capital gains for individuals. VARA (Virtual Assets Regulatory Authority) created a clear regulatory framework in 2022, and the country has become a hub for crypto companies and holders with significant positions. El Salvador offers zero capital gains on Bitcoin by explicit law, in addition to legal tender status. Germany has one of the most benign regimes among advanced economies: gains are completely exempt if Bitcoin was held for more than one year (income tax law, §23 EStG). Singapore has no capital gains tax for individuals on investments — though if Bitcoin is treated as a business, ordinary income applies.

## Obligations When Changing Jurisdiction

Changing countries for tax purposes is more complex than it appears. Many countries, including the US, apply taxes based on citizenship or residency period — Americans owe taxes to the US government regardless of where they live. Others apply “exit taxes” on unrealized gains at the time of emigration. Germany, for example, applies a Wegzugsteuer on unrealized gains in substantial holdings when a resident emigrates. For Bitcoin positions with large

unrealized gains, the sequence of distribution versus change of jurisdiction versus realization can have an impact of tens or hundreds of millions of monetary units. Specialized legal and tax advice is indispensable before any action.

COUNTRY	REGIME FOR INDIVIDUALS	RELEVANT DETAILS
<b>UAE / Dubai</b>	Zero CGT	Zero capital gains and zero income tax for individuals. VARA provides regulatory clarity.
<b>El Salvador</b>	Zero CGT on BTC	Bitcoin = legal tender. Bitcoin gains explicitly exempt by law since 2021.
<b>Portugal</b>	Exempt for long-term	More than 1 year = exempt. Less than 1 year = 28% (2023 reform).
<b>Germany</b>	Exempt for long-term	More than 1 year = exempt. Less than 1 year = ordinary income rate.
<b>Singapore</b>	No CGT (generally)	No CGT for individual investors. Business activity may be taxed as income.
<b>United States</b>	0% / 15% / 20%	Long-term (>1 year): 0%, 15%, or 20% based on income. Short-term = ordinary income.
<b>Brazil</b>	Exempt up to R\$35k/month	Above R\$35k/month in disposals: 15%–22.5% progressive on the gain.

*This material is educational and does not constitute tax or legal advice. Tax laws change frequently — verify current legislation in your jurisdiction with a qualified professional.*

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# Bitcoin in Structures — IRA, Trust, LLC and ETF

*When holding Bitcoin through a structure makes more sense than as an individual*

For holders with substantial positions, the legal structure through which Bitcoin is held can be as important as the holding strategy itself. Different structures offer different combinations of tax advantage, asset protection, ease of inheritance, and operational complexity. This analysis covers the main options available in the US, with notes on equivalents in other jurisdictions. Always consult a specialized accountant and attorney before implementing any structure.

## Bitcoin IRA — Growth with Tax Deferral

In the United States, it is possible to hold Bitcoin in an IRA (Individual Retirement Account) through a “self-directed IRA” with a specialized custodian. Providers like iTrustCapital, BitcoinIRA, and Unchained Capital offer this service. In a traditional IRA, gains grow tax-deferred until withdrawal (at the ordinary income rate at the time of withdrawal). In a Roth IRA, contributions are made with already-taxed money — but all future gains, including Bitcoin appreciation, grow completely tax-free. Bitcoin purchased in a Roth IRA and sold decades later for any appreciation is withdrawn with no federal tax on the gains. For a holder who believes in long-term potential, the Roth IRA is one of the most powerful tax structures available.

## Trust and LLC — Protection and Inheritance

An irrevocable trust can hold Bitcoin outside the estate for inheritance tax purposes, protecting the position from estate tax burdens when transferred to the next generation. A revocable trust (living trust) allows full control during the grantor’s lifetime, simplifies the probate process, and facilitates transfer without the delays and costs of the judicial succession process. An LLC (Limited Liability Company) for Bitcoin holding can offer asset protection against personal creditors, pass-through tax treatment (taxes pass through to LLC members, not paid by the LLC), and simplifies succession planning by allowing transfer of interests rather than direct Bitcoin transfer.

## ETF — Convenience with Trade-offs

The Bitcoin ETFs approved in the US in 2024 offer undeniable access to Bitcoin price with the simplicity of a traditional brokerage account. For a holder, however, the trade-offs are significant. The ETF is third-party custody: BlackRock (via IBIT) or Fidelity (via FBTC) hold Bitcoin on behalf of shareholders through custodian Coinbase Custody. You do not have the keys. You cannot withdraw physical Bitcoin from the ETF. Additionally, taxation is standard capital gains — without any of the Roth IRA advantages if not held inside an IRA. For holders who prioritize sovereignty and self-custody, the ETF is an inferior instrument to directly custodied Bitcoin. For investors in existing retirement accounts who do not want the complexity of self-custody, the ETF inside an IRA is a reasonable option.

### STRUCTURE SUMMARY FOR US HOLDERS

Direct individual: simplest, self-custody possible, standard CGT. · Roth IRA: tax-free gains after 59.5 years, annual contribution limits, mandatory custodian. · LLC: asset protection, pass-through tax, more complexity. · Irrevocable trust: inheritance protection, lose control. · ETF in IRA: convenience, no self-custody, deferred CGT.

PART EIGHT

# THE LONG GAME

*What matters when you zoom all the way out*

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*“The drawdown that feels catastrophic today becomes a minor feature on the long-term chart. Every holder who stayed knows this. Every holder who sold during the decline also knows it — and that knowledge arrives too late to act on.”*

— Engineered Markets



# Bitcoin and the Four-Cycle View

*What the data shows about holders who never sold*

The most powerful data point available to a Bitcoin holder is not any on-chain metric. It is the return profile of holders who maintained positions through four complete market cycles. A holder who purchased Bitcoin at any price before 2020 and maintained their position through May 2026 is sitting on returns that exceed every traditional asset class over the same period. The Nasdaq 100 returned approximately one hundred and eighty percent in the same period. Bitcoin returned more than two thousand percent from its 2020 average price to May 2026 levels. The specific entry price within the 2020 window matters far less than the decision to hold through the seventy to eighty percent drawdowns that occurred in both 2021 through 2022 and 2024 through 2026.

## The Compounding Geometry of Not Selling

SCENARIO	ENTRY	PEAK VALUE	MAY 2026	OUTCOME DRIVER
Bought Nov 2022 low, held to May 2026	\$15,479	\$126,272 (Oct 2025)	~\$72,000	Protocol — no action in drawdown
Bought Nov 2022, panic-sold at \$12K, re-entered at \$40K	\$15,479 / \$40,000 blended	N/A	~\$32,000 blended avg.	Duration fatigue destroyed position
Bought Oct 2025 peak with leverage, sold Feb 2026	\$126,272	\$126,272	Liquidated or severe loss	No protocol — bought the top
<b>Bought Apr 2024 halving date — held with written protocol</b>	<b>~\$65,000</b>	<b>\$126,272 (Oct 2025)</b>	<b>~\$72,000</b>	<b>Protocol held through 43% drawdown</b>

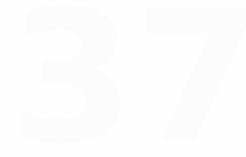


# Self-Custody Without Paranoia

*The minimum viable custody setup — calibrated to what you actually stand to lose*

Self-custody does not require becoming a security expert. It requires making one proportional decision: how much complexity does the cost of permanent loss justify? The holder with five thousand dollars in Bitcoin and the holder with five hundred thousand dollars have radically different answers — and the same custody solution is not appropriate for both.

POSITION VALUE	MINIMUM SETUP	SEED PHRASE BACKUP	ADDITIONAL LAYER
<b>Under \$10,000</b>	Reputable regulated exchange with 2FA + hardware wallet for any amount you cannot afford to lose to exchange failure	Single physical backup in secure location	Verify accessibility every 6 months
<b>\$10K - \$100K</b>	Hardware wallet only — no exchange custody for this tier	Two physically separate locations — neither digital, neither in the same building	Trusted person knows location of backup 2
<b>\$100K - \$500K</b>	Hardware wallet + second hardware wallet in different location as redundancy	Three physical backups in different locations	Consider multisig for amounts above \$250,000
<b>Above \$500K</b>	Multisig setup — no single location contains all information needed to spend funds	Multisig design distributes key material across 3+ locations by definition	Legal counsel familiar with Bitcoin custody recommended



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# Bitcoin and Inheritance: The Full Plan

*A complete framework for protecting your position beyond your lifetime*

Between one point five and two million Bitcoin are estimated permanently lost due to forgotten private keys per Chainalysis and River Financial 2025 research. A significant portion represents not forgotten keys but inaccessible keys — holdings whose owners died without transferring access to anyone who could recover them. Bitcoin has no account recovery. There is no customer support number. There is no legal mechanism for proving ownership to a blockchain.

## The Three-Document Inheritance Plan

**Document One: The Existence Notice.** A brief document — kept with your will, or in a sealed envelope with your estate attorney — that states: “I hold Bitcoin. Access instructions are in [specific location]. Contact [specific trusted person] who has been briefed on the recovery procedure.” This document should not contain any key material or seed phrases.

**Document Two: The Recovery Instructions.** Written in plain language that a non-technical person can follow. Covers: what a hardware wallet is and where it is located; what a seed phrase is and where the backup copies are; the specific steps to access funds using the recovery phrase; the name of a Bitcoin-literate person who can assist if needed.

**Document Three: The Trusted Person Briefing.** A conversation — documented in writing — with at least one person in your life who knows: that the Bitcoin position exists; approximately how much it is worth; where Document Two is located; that they are authorized to act on your behalf. This conversation cannot happen after you are gone.

## Inheritance Checklist

At least one person beyond me knows my Bitcoin position exists

At least one person knows the approximate value of the position

- Recovery instructions are written in plain language a non-technical person can follow
- Recovery instructions are stored in a location known to the trusted person
- The Existence Notice is with my will or estate attorney
- Seed phrase backups are in at least two physically separate locations
- I have verified within the last 12 months that my hardware wallet and backups are accessible
- I have named the Bitcoin position explicitly in my estate planning documents
- My trusted person has been briefed and confirms they understand the recovery steps

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# The Question That Matters

*Not what Bitcoin will do. What you will do.*

The final chapter of this book is not about data. Every data source that could be cited has been cited. Every behavioral pattern that could be documented has been documented. The five traps, the four phases, the six profiles, the four on-chain signals, the complete protocol framework — they are all in the pages behind you.

This chapter is about the decision you are actually making when you decide to hold Bitcoin through a complete market cycle. Not the investment decision. The character decision. The decision about what kind of person handles pressure with a system versus what kind of person handles pressure with emotion.

In 2030, you will look back at what you did in 2026 — in the middle of a correction, with narrative uncertainty dominant, with most market commentary divided between bearish and cautiously optimistic. You will know what happened. You will be able to evaluate, with perfect information, whether the decisions you made in the current moment were the correct ones. The only question that matters now is: what do you want that version of you to see?

Not whether you timed the market correctly. Not whether the price you paid was the lowest possible. Whether you acted with a system or without one. Whether the decisions you made were based on verifiable data or on the emotional pressure of watching a number move. Whether you built something durable or let the market build and unmake your position for you.

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*“The holders who generated and preserved multi-cycle wealth did not do so by predicting the future. They did so by building systems that survived every condition the market produced — and executing those systems without modification when the pressure to deviate was highest. This book is the system. The execution is yours.”*

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The protocol in Part Six is blank and waiting. The accountability structure needs one person's name. The inheritance plan in Part Eight needs to be written and stored. The next major price move is coming before you are ready. It always does. The question is whether your written protocol will be ready when it does.

For the complete on-chain signal framework, condition checklists, and advanced protocol builder:

## **The Bitcoin Holder's Cycle Playbook**

[payhip.com/b/YHFKC](https://payhip.com/b/YHFKC)

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# Bitcoin in 2032 and Beyond — What Changes with Each Halving

*The future the protocol has already scheduled — and its implications for the multi-cycle holder*

In 2028, the fifth halving will reduce the block reward to one point five six two five Bitcoin. In 2032, the sixth halving will reduce it to zero point seven eight one Bitcoin — less than eight hundred Bitcoin per day for a network with potentially tens of trillions of dollars in circulation. This trajectory is already programmed in the code and cannot be altered without a fork.

## The Long-Term Security Model

A legitimate question is: when the block reward approaches zero, what guarantees network security? The answer is transaction fees. As Bitcoin issuance declines, the network needs transaction fees to generate sufficient revenue to incentivize miners. The Ordinals and Runes events of 2023 and 2024, which produced blocks with more than one million dollars in fees, were the first empirical demonstration that demand for block space can economically sustain the network beyond the issuance reward. This does not prove the fee market will be sufficient in 2040. But it indicates the model is not purely theoretical.

## What Each Cumulative Halving Means for You

For the holder thinking in multiple cycles, the halving trajectory is fundamental. In each cycle, less new Bitcoin enters the market. In each cycle, more Bitcoin is permanently lost through custody failures. The intersection of these two trajectories — declining issuance and cumulative loss of existing coins — produces an effective scarcity that intensifies geometrically, not linearly. The holder who understands this does not think in terms of “what is the price in the next cycle.” They think in terms of what fraction of a contracting supply they will be holding in 2032 and 2040. That question is the mature version of the investment thesis.

<b>HALVING</b>	<b>ESTIMATED YEAR</b>	<b>BLOCK REWARD</b>	<b>BTC ISSUED PER DAY</b>
1st (past)	2012	25 BTC	3,600 BTC/day
2nd (past)	2016	12.5 BTC	1,800 BTC/day
3rd (past)	2020	6.25 BTC	900 BTC/day
4th (current)	2024	3.125 BTC	450 BTC/day
<b>5th (next)</b>	<b>~2028</b>	<b>1.5625 BTC</b>	<b>225 BTC/day</b>
6th	~2032	0.78125 BTC	~112 BTC/day
7th	~2036	0.39 BTC	~56 BTC/day

*For context: Strategy acquired 257,000 BTC in 2024 alone. The 6th halving will produce ~40,880 BTC annually — less than 16% of what Strategy bought in a single year.*

## REFERENCE

# The Weekly Protocol Check

*A five-minute process that replaces price obsession with signal discipline*

This chapter exists to replace the habit of checking the price with the habit of checking the protocol. The five-minute weekly check below covers every signal that matters. It requires no paid subscriptions beyond basic on-chain access, and no emotional interpretation. The output is a single answer: does my protocol require action this week?

## The Weekly Five-Minute Check — Phase A / B (Current Conditions)

- NUPL:** Open Glassnode free tier ([studio.glassnode.com](https://studio.glassnode.com)). Record current reading. Is it above or below 0.25? Above 0.50?
- RHODL:** Check the RHODL Ratio chart on Glassnode. Is it above 4.0? Declining from peak or still elevated?
- LTH-SOPR:** Check CryptoQuant LTH-SOPR ([cryptoquant.com](https://cryptoquant.com)). Is it above or below 1.0? Which direction is it moving?
- MVRV Z-Score:** Check MacroMicro or LookIntoBitcoin. Is it above 3? Approaching 6? Below 1 (accumulation signal)?
- STH Cost Basis:** What is the current short-term holder cost basis? Is price above or below it?
- Exchange Balances:** Are Bitcoin exchange balances increasing (sell pressure building) or decreasing?
- ETF Flows:** Are weekly ETF flows positive or negative? What is the 30-day trend?
- Protocol Check:** Do any of these readings trigger a condition in my written protocol? (Rung 1, 2, 3, or reacquisition threshold)
- If YES:** Contact accountability partner. Apply 48-hour rule before acting.
- If NO:** Close the application. No further price monitoring required this week.

## The Expanded Phase C / Distribution Check

When price is approaching prior all-time highs and the market is in Phase C conditions, the weekly check expands with these additional items:

- NUPL above 0.65? If yes — Rung 3 signal one potentially active.
- LTH distribution rate above \$500M per day per Glassnode? If yes — Rung 3 signal two potentially active.
- MVRV Z-Score approaching 6-7? If yes — historically elevated valuation; distribution zone confirmed.
- SCCI: Has the Stable Coin Cycle Index generated a sell signal? If yes — Rung 3 signal three active.
- Count active Rung 3 signals: 0 = no action · 1 = monitor daily · 2+ = Rung 3 distribution protocol executes.
- Funding rates: Are perpetual futures funding rates above 0.05% per 8 hours in sustained positive territory?
- Open interest: Is Bitcoin futures open interest at a multi-year high? Excessive leverage amplifies downside.
- If 2+ Rung 3 signals active: contact accountability partner, confirm protocol action, execute distribution — no modification.

## The Monthly Protocol Review

Once per month — not weekly — the holder conducts a broader review to ensure the protocol remains accurately calibrated.

- Has my cost basis changed? New purchases since last review change the blended average.
- Has my total BTC position changed? Confirm accurate NSC% calculation.
- Have any of my Rung triggers been met and executed? If yes — update the reacquisition protocol accordingly.
- Is my accountability partner still reachable and committed to the protocol?
- Is my custody arrangement still intact? Test hardware wallet access if not tested in the past 90 days.
- Is my inheritance documentation still current? Has anything about my custody changed since last update?
- Has anything changed in my personal financial situation that would change my NSC%? If yes — define the new NSC% in writing before any market conditions change.

- Sign and date this monthly review. Keep the signed document with the original protocol.
- If anything has changed — rewrite the relevant section and date it.

# Common Questions

*The questions that appear in every bear market — answered with data*

## Is this bear market different from the previous ones?

Every bear market feels different from the previous ones. The participants are different. The catalysts are different. The media narrative is different. The underlying mechanism — conviction capital absorbing sell pressure from duration-fatigued holders while the halving mechanism approaches — is identical. The 2022 bear market felt different because of FTX. The 2018 bear market felt different because of the ICO collapse. The 2015 bear market felt different because it was the first. The RHODL ratio does not feel the difference. It measures what is actually happening: whether conviction capital or speculative capital dominates the holder base.

## What if Bitcoin goes to zero?

The question deserves a serious answer, not a dismissal. Bitcoin could in theory reach zero under the following conditions: a cryptographic vulnerability is discovered that breaks SHA-256 (assessed by cryptographers as computationally impossible given current and projected computing power); all major governments simultaneously ban it effectively (not attempted and not achieved despite efforts by China, India, and others); demand falls to zero due to a better alternative (not occurred in sixteen years despite thousands of competing projects). None of these scenarios is probable. All of them are worth understanding explicitly so that when the bear case is raised in conversation, you can address it with evidence rather than dismissing it — which is the difference between conviction and denial.

## Should I dollar-cost average or buy the dip?

This is a false choice. The DCA schedule in the reacquisition protocol is the base: a fixed percentage of capital deployed on a fixed interval regardless of price. The “buy the dip” element is the on-chain acceleration trigger: when RHODL crosses four point zero, MVRV Z-Score falls below one, or LTH-SOPR falls below one point zero, the DCA schedule accelerates.

You execute both simultaneously. The DCA ensures accumulation regardless of whether the exact bottom is identified. The acceleration trigger ensures maximum deployment near the structural conditions that historically precede the largest moves.

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### **How do I know when to sell?**

The answer is in the distribution ladder. You sell when Rung 1, 2, or 3 conditions are met — not when price is at a level that feels high, not when others are selling, not when you need the money. If you need the money before a Rung trigger is met, that is a liquidity planning problem, not a Bitcoin problem. The solution is ensuring that the capital allocated to Bitcoin is capital with a multi-year time horizon. If it is not, the protocol needs to be redesigned with a shorter NSC% and a lower distribution trigger that matches your actual liquidity requirements.

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### **What if I missed the bottom?**

The data does not support the premise of the question. “The bottom” is only identifiable in retrospect. In real time, what appears to be the bottom often extends lower. What actually matters is not whether you bought at the exact bottom but whether you accumulated meaningfully during the accumulation phase. A holder who deployed capital at sixty thousand, sixty-five thousand, seventy thousand, and seventy-five thousand dollars during the 2026 recovery — using a DCA schedule — has a blended cost basis of sixty-seven thousand five hundred dollars. Whether the exact low was sixty thousand and one dollars or fifty-five thousand dollars is statistically irrelevant to the outcome of the next cycle.

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### **How much of my net worth should be in Bitcoin?**

This book does not answer that question. The correct allocation depends on your income, your liabilities, your time horizon, your tax situation, your existing retirement assets, and your capacity to hold through a seventy-seven percent drawdown without changing your behavior. What this book does answer is a different question: given whatever percentage you have decided to allocate, how do you manage it across a complete cycle to maximize the probability of holding it at the right moments and distributing it at the right moments? The allocation decision is yours. The management framework is here.

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### **Is it too late to buy Bitcoin?**

After every halving in Bitcoin's history, this question was asked. After the 2012 halving at twelve dollars, the question was whether one thousand one hundred and sixty-three dollars was too late. After the 2016 halving at six hundred and fifty dollars, the question was whether nineteen thousand seven hundred and eighty-three dollars was too late. The question reveals a misunderstanding of the halving mechanism, which schedules supply reduction in perpetuity, making the structural scarcity argument stronger with every cycle, not weaker. For a four-year time horizon encompassing the next halving cycle, the current on-chain data — RHODL at four point five, NUPL at zero point two eight six, MVRV Z-Score at zero point eight seven, LTH-SOPR recovering above one point zero — is more consistent with historically good entry conditions than with historically bad ones.

CONCLUSION

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## The Holder Who Gets There

At the beginning of this book, we described the holder who did everything right and still lost. They accumulated with conviction. They survived the bear market. They watched the rally to one hundred and twenty-six thousand two hundred and seventy-two dollars. And then, without a system, they watched a significant portion of those gains compress.

That holder is not a failure. They are the majority. The Kraken data confirms it: eighty-four percent acted on FOMO at some point. Sixty-three percent made decisions that negatively impacted their portfolio. Ninety-seven percent let price movements influence their decisions. The market is designed to produce exactly this outcome in holders who operate without a written protocol. It has produced it in every cycle. It will produce it in every cycle that follows.

The holder who gets there — who compounds wealth across multiple cycles and exits each cycle with more than they entered — is not more intelligent. They are not better at predicting price. They have one thing the majority does not: a written system built in neutral conditions that tells them exactly what to do in every condition the market produces. And they execute it. Not because it is easy. Because the alternative — operating without a system under pressure — is provably, documentably worse.

You now have the framework for that system. The data that supports it. The behavioral evidence of what happens without it. Six profiles showing you what correct and incorrect architecture produces under real conditions. Four on-chain metrics — NUPL, RHODL, LTH-SOPR, and MVRV Z-Score — each with its historical track record and current reading documented. And the protocol builder in Part Six waiting for your numbers, your date, and your signature.

The market will test the system. It always does. The test is not whether the system is perfect. It is whether you execute it when the pressure to deviate is highest.

For the complete on-chain signal framework, condition checklists, and advanced protocol builder:

### **The Bitcoin Holder's Cycle Playbook**

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Philip Swift / Bitcoin Magazine Pro — RHODL Ratio original methodology — December 2020

Adamant Capital / Tuur Demeester, Tamas Blummer, Michiel Lescauwat — A Primer on Bitcoin Investor Sentiment (original NUPL framework)

Murad Mahmudov & David Puell — MVRV Z-Score original development and methodology

**Engineered Markets · The Bitcoin Holder’s Bible — Expanded Edition · May 2026**

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