

ON-CHAIN SIGNALS AFTER THE SELL-OFF: WHERE BITCOIN STANDS NOW



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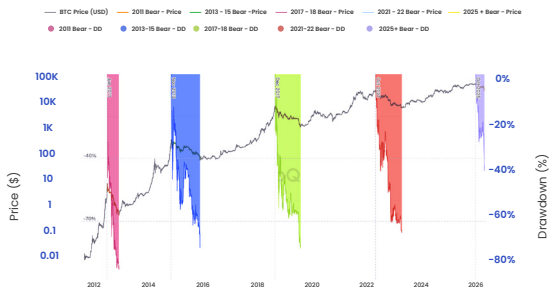
ON-CHAIN SIGNALS AFTER THE SELL-OFF: WHERE BITCOIN STANDS NOW



After a rapid decline pushed Bitcoin into a major drawdown, the focus now turns to **whether the worst of the sell-off has already unfolded**. Bitcoin recently slid to a local low near **\$60,000** after a steep three-week pullback of roughly **36%**. That move has pushed the asset into its **deepest correction of the current cycle**, sitting close to a **50% decline from the all-time high** set in October last year.

With sentiment now **weaker than it was at the lows of the 2022 bear market**, the focus shifts to what the data suggests about **how far this drop could realistically go**.

Bitcoin Bear Market Correction Drawdowns



Source: CryptoQuant

The sell-off appears to have unfolded alongside a mix of **macro, policy, sentiment, and market-structure pressures**. Rising geopolitical tensions between the US and Iran pushed markets into a broader **risk-off mood**, while reports of the Trump administration nominating Kevin Warsh as Federal Reserve Chair sparked renewed fears of a **more hawkish policy path**.

At the same time, a wave of **fear, uncertainty, and doubt (FUD)** linked to the Epstein files and early connections to Bitcoin circulated across social media, adding to already **fragile sentiment**.

Market structure also played a major role. As prices slipped through key levels, **cascading liquidations accelerated the downside**. Between 29 January and 9 February, roughly **\$4.92 billion worth of BTC positions were wiped out**, marking one of the largest clusters of liquidations since the October 10 event. Rather than pointing to a single cause, these factors likely **reinforced one another and amplified selling pressure**.

Bitcoin Total Liquidations Chart



Source: Coinglass



The analysis is intentionally **balanced and probability-focused**, mapping multiple scenarios using multiple on-chain dashboards. Subsequent sections will present **detailed, indicator-by-indicator analysis, historical comparisons and scenario-based dashboards**.



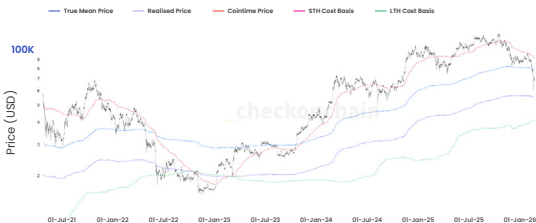
COST BASIS
MODELS SIGNAL
A STRUCTURAL
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To understand how the structural backdrop has reset, we first turn to **on-chain cost basis models**. These models track the **average price at which different groups of Bitcoin holders acquired their coins**. By analysing where capital last entered the market, they help identify zones where investors historically **defend positions, capitulate, or re-accumulate**. In simple terms, they act as a **map of where money is most likely to react during major corrections**.

These models are widely used because **Bitcoin markets tend to respect investor cost bases**. When price trades **above key cost basis levels**, holders are generally in profit and **selling pressure remains limited**. When price falls **below them**, the market enters **loss territory**, increasing the probability of **capitulation, redistribution, and structural resets**.

Key Cost Basis Models Price Models



Source: Checkonchain

The recent decline has now pushed price through **one of the most important valuation anchors**. A break below **\$79K** has effectively taken Bitcoin beneath the **True Mean Price**, a model that represents the long-term **“fair value” of the network** by smoothing out market cycles and removing speculative extremes. Historically, this level often acts as **support during bull markets**. Once lost, it frequently flips into **overhead resistance**, signalling that the **broader market structure has weakened**.

The next major zone and the level where **long-term capital has historically stepped back** in is the **Realized Price**, which currently sits near **\$55K**. Realized Price represents the **average price at which all coins last moved on-chain**, effectively the **aggregate cost basis of the entire market**. During previous cycles, extended drawdowns have often **gravitated toward this level** as weaker hands exit and stronger hands accumulate.

Bitcoin: Long-Term Holder Realized Price



Source: Bitcoin Magazine Pro

The bear case extends even further. A deeper capitulation scenario would involve a retest of the **Long-Term Holder (LTH) Cost Basis**, which reflects the average acquisition price of investors holding coins for more than **155 days**. Historically, every Bitcoin cycle bottom has formed roughly **15% below the LTH Realized Price**. At present, this level sits near **\$40.8K**. A move into this region would align with the **>70% peak-to-trough drawdowns** observed across the previous four major Bitcoin cycles.

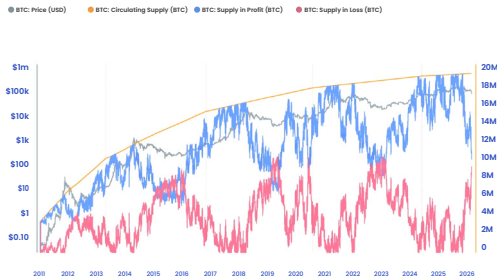
Historically, these deeper cost-basis zones have often aligned with periods when **long-term accumulation became most compelling**. If price were to approach the Realized Price, and especially the LTH cost basis, it would reflect conditions similar to **past bear-market lows**, when long-term investors steadily returned to the market. While this is not a certainty, the **risk-to-reward profile** in such regions has often been **more favorable for long-term positioning**.



SUPPLY IN LOSS NEARS CYCLE EXTREMES



Bitcoin: Supply in Profit/Loss



Source: Glassnode

Another sign of growing stress beneath the surface can be observed through **Bitcoin's Supply in Profit/Loss**. This on-chain metric measures how much of the circulating BTC supply is currently held at a **gain or at a loss** by comparing the current market price with the price at which each coin last moved on-chain. If the current price is **higher than the last moved price**, the coin is considered in profit; if it is **lower**, the coin is considered in loss. By aggregating this across the entire supply, the metric offers a **clear view of how much of the market is under financial pressure** at any given time.

We are now approaching levels of **supply in loss** that were last seen during the **previous bear market**. In November 2022, roughly **9.5 million BTC** were being held at a loss. Today, more than **8.4 million BTC** are already underwater, while about **11.5 million BTC remain in profit**. Notably, the **speed of this shift has been striking**. The recent correction has been severe enough that the rise in coins held at a loss has happened **very rapidly**.

Encouragingly for bulls, this trend may be approaching a **key inflection point**. The number of coins held in profit and loss now appears to be **gradually converging**. Historically, similar convergences have marked **major turning points for the market**, most notably during the **2018–19 bear market** and the **2022 cycle low**. When the two sides begin to balance out, it often signals **broad capitulation** across the market and the transition toward **long-term accumulation**.

This convergence has historically served as a **reliable signal** that selling pressure is being **exhausted** and that **long-term opportunity may begin to emerge**.

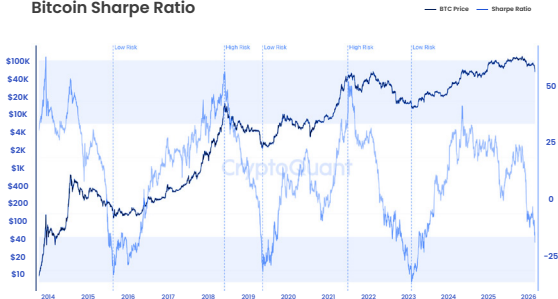




A CONTRARIAN SIGNAL BEGINS TO FORM



Bitcoin Sharpe Ratio



Source: CryptoQuant

Another metric now worth watching closely is the **Bitcoin Sharpe Ratio**, which helps put recent returns into perspective by asking a simple question: **Has the risk of holding Bitcoin actually been worth it lately?**

In simple terms, the Sharpe ratio compares **Bitcoin's returns** to the amount of **volatility investors had to endure** to earn those returns. If BTC is rising steadily, the ratio improves. If price swings remain large while returns weaken or turn negative, the ratio falls.

Right now, the Sharpe ratio has slipped into a zone that has historically appeared during the **late stages of bear markets**. This does not mean the downturn is over. Instead, it suggests we are entering a phase where the **balance between risk and potential reward is becoming increasingly stretched**.

At present, the metric is still **trending downward**, which tells us that recent Bitcoin performance has not **been attractive relative to the volatility investors are experiencing**. In other words, the market is still feeling **painful and unrewarding**, a hallmark of periods when many participants are under pressure or sitting on losses.

Paradoxically, this is often when the Sharpe ratio becomes **most useful**. Rather than acting as a forward-looking signal, it reflects the **aftermath of market stress**. Historically, these conditions have tended to appear near **major turning zones**, when sentiment is weak and confidence is low.

From here, investors typically face **two paths**. Some begin to build exposure gradually as the ratio approaches areas that have previously aligned with **lower long-term risk**. Others prefer to wait for a **clear improvement** in the ratio before increasing exposure more meaningfully.

Nevertheless, **patience remains key**. This phase can last for months, and **further downside cannot be ruled out** before a sustained recovery takes hold. The signal is **constructive from a long-term perspective**, but it still **needs time to mature**.





LONG-TERM HOLDER PRESSURE INTENSIFIES



LTH RISK METRIC



Source: Onchainmind.io

The final on-chain signal pointing to growing capitulation comes from the **Long-Term Holder (LTH) Loss Risk Metric**.

To understand this indicator, it helps to briefly revisit who long-term holders are. In on-chain analysis, LTHs refer to wallets that have held Bitcoin for more than **155 days**. This group is widely considered the **least likely to sell during normal market conditions**, as their coins have historically shown **strong holding behaviour**. Because of this, their behaviour becomes especially important during **major market downturns**.

The LTH Loss Risk Metric measures **the percentage of Bitcoin held by long-term holders that is currently sitting at a loss**. In simple terms, it tracks how much of the **most patient capital in the market is underwater**. When a growing share of long-term holders begin holding losses at the same time, it suggests that much of the **selling pressure has already been absorbed** and the market may be moving into the later **stages of capitulation**.

A reading near **0%** means virtually no long-term holders are at a loss, a condition typically seen during **strong bull markets**. At the opposite extreme, readings approaching **100%** represent **peak historical stress among long-term investors**. This does not mean every holder is underwater, but it signals levels of distress that have historically only appeared near **major cycle lows**.

Looking back at previous cycles, Bitcoin bottoms have formed when this data climbed well above the **55–60% range**. The cycle low appeared around **95% in 2015, 83% in 2019, roughly 70% during the March 2020 crash, and close to 85% during the 2022 bear market**. Once these levels were reached, the broader bottoming process typically unfolded within the **following months**.

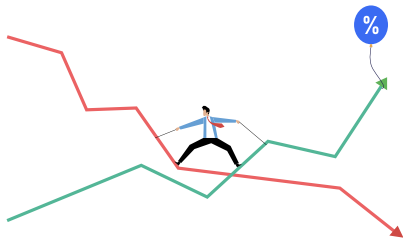
Today, the LTH Loss Risk Metric sits near **37%**. This tells us that stress among long-term holders is **rising**, but it has **not yet reached the levels that historically marked generational buying opportunities**.





CONCLUSION





The on-chain data paints a picture of a market that has undergone a **meaningful structural reset** but has not yet fully completed a **typical capitulation cycle**. Key cost-basis models have been lost and now sit overhead, **supply in loss is rising rapidly toward prior bear-market levels**. At the same time, several indicators are beginning to move toward zones that historically appeared during the **later stages of major drawdowns**.

Importantly, however, **long-term holder distress has not yet reached the extremes seen at past cycle lows**, leaving open the possibility that the **bottoming process could take time** and may still involve **further volatility** before a durable recovery takes shape.



It is equally important to recognise that **on-chain analysis represents only one lens** through which to assess market conditions. Macro developments, **interest-rate expectations**, **geopolitical risks**, and **capital flows into or out of ETFs** directly influence liquidity and investor appetite. These factors can either **reinforce or override on-chain signals**. For market participants, monitoring these external forces alongside on-chain data will be key to understanding **how this period of uncertainty ultimately resolves**.