

Introduction to Bitcoin Profit & Loss Data for Momentum Traders

Understanding the dynamics of profit and loss through on-chain metrics provides momentum traders with critical insights into capital flows. This analysis is key in identifying the current stages of market cycles, helping to pinpoint potential tops, bottoms, and trend reversals based on real-time profit-taking and loss-realization behaviours.

Profit and Loss Trends Checklist:

Is the **Spent Output Profit Ratio (SOPR)** consistently finding support or resistance **at the value of 1**?

RATIONALE

SOPR finding support at 1 signals a potential market rebound in bullish phases. If SOPR breaks below 1, turning it into resistance, it suggests a trend reversal and increased selling pressure, indicating a potential shift in market direction. This observation helps determine whether the market is likely to maintain its current trend or if it's gearing up for a change in direction.

ESSENTIAL METRICS

[Entity-Adjusted SOPR](#) | [aSOPR](#)
[Short-Term Holder SOPR](#)

Has the **Spent Output Profit Ratio (SOPR)** moved **more than a standard deviation from 1**, suggesting extreme market conditions and potential for a trend reversal?

RATIONALE

Movements beyond a standard deviation from 1 in SOPR frequently appear in short-term scenarios, typical of natural market corrections during a long-term uptrend. However, these deviations can also indicate market extremes, heavy profit-taking and demand saturation, potentially leading to local peaks or trend reversals. Such scenarios often precede local peaks or broader trend reversals, highlighting possible trend pauses.

ESSENTIAL METRICS

[SOPR Momentum](#)

Are we observing a **decrease in the magnitude of losses**, suggesting a trend towards seller exhaustion or the absorption of sell pressure?

RATIONALE

A diminishing scale of losses, especially when observed with SOPR and price divergence (price increasing while SOPR declines), suggests nearing seller exhaustion. Such divergences can reveal undercurrents of market sentiment, where, despite downward price pressure, the reduced intensity of losses points towards a shift in momentum.

ESSENTIAL METRICS

[Short-Term Holder SOPR](#) | [Short-Term Holder MVRV](#)

Is the Short-Term Holder MVRV **trading above 1**, and what does its **position relative to 1** indicate about market phases and potential entry points?

RATIONALE

Short-Term Holder MVRV above 1 signals positive market and profit chances. Retesting 1 offers good entry points, matching the market's short-term cost basis. Specific thresholds like 1.2, 1.4, and 1.6 correspond to the early bull, mid-bull, and euphoria stages, respectively. This gradient reflects increasing levels of unrealized profit/loss, highlighting profit-taking incentives at various stages of the market cycle.

ESSENTIAL METRICS

[Short-Term Holder MVRV](#), [Realized P/L Ratio](#)

What do **funding rates indicate** about market leverage and sentiment?

RATIONALE

Funding rates on futures markets provide insight into the leverage and sentiment among traders. Negative funding rates can indicate bearish sentiment, while positive rates suggest bullish sentiment. Significant changes in funding rates, especially in conjunction with SOPR and Realized P/L trends, can signal shifts in market dynamics.

ESSENTIAL METRICS

[Futures Perpetual Funding Rate](#)

Suggested Analysis

SOPR (Spent Output Profit Ratio)

Tracks the profit realization events across the network.

Bitcoin: Spent Output Profit Ratio (SOPR)



TREND TO LOOK FOR

Increased profit-taking can signal a potential market top, while dominant loss realization might indicate market bottoms or capitulation phases.

HISTORICAL EXAMPLE

In 2017, SOPR initially dipped, reflecting smart money buys post-correction. It then climbed as holders took profits during price rallies, and ultimately signalled a market top with high levels indicating extensive profit realization.

TOOLS TO EMPLOY

Apply a 30-day to 1-year moving average crossover analysis to see when short-term profit-taking or loss realization diverges significantly from the yearly norm.

METRIC VARIATIONS

aSOPR (Adjusted SOPR) can often better reflect meaningful economic decisions as it excludes noise from short-term or trivial transactions. Meanwhile, STR-SOPR (Short-Term Holder SOPR) highlights profit-taking and loss realization behaviours specifically among short-term investors, which can signal market sentiment shifts.

Discover Advanced Insights

Curious to learn more? Our analysts prepared a comprehensive Market Momentum Dashboard in Glassnode Studio to help you gain a deeper understanding of essential on-chain analytics for momentum trading. This tool provides a exploratory framework of network activity, market profitability, spending behaviour, and wealth distribution, empowering users with actionable insights into digital asset performance and investor dynamics.

WHY IT'S VALUABLE:



Access a sophisticated overview of on-chain dynamics to inform strategic decision-making.



Understand the implications of profitability trends and spending patterns for market direction and opportunities.



Leverage detailed data analyses to identify and capitalise on shifts in supply and demand.

Explore the Dashboard [here](#).