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Bitcoin Eyes \$122K Breakout as Policy Moves Loom

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Bitcoin is poised for a potential breakout toward \$122,000, as bulls target a zone where over \$2 billion in short positions could be liquidated. However, fading institutional interest, weakening technical momentum, and Q3 seasonal trends could limit further upside.

On Tuesday, Bitcoin briefly dropped below \$117,000, clearing out internal liquidity between \$117,000 and \$119,000. This move coincided with \$100 million in long positions being liquidated. Despite the dip, the 100-day exponential moving average on the four-hour chart continues to act as dynamic support.

Analysts identify the next key resistance between \$120,000 and \$122,000. This area holds significant sell-side liquidity and aligns with a supply zone extending to \$123,200 a region previously marked by price resistance. According to liquidation data from CoinGlass, nearly \$2 billion in short positions may be triggered around \$121,600.

Yet, the broader outlook is mixed. The daily Relative Strength Index (RSI) has fallen sharply to 51.7 from 74.4, and daily trading volume has declined to \$8.6 billion. Meanwhile, spot Bitcoin ETF inflows dropped 80% week-over-week to \$496 million, signaling waning institutional appetite.

Technical patterns also suggest caution. A potential double top near Bitcoin's all-time high could indicate buyer fatigue if price fails to break cleanly above \$123,200. Despite futures open interest remaining high at \$45.6 billion, rising long-side funding rates may reflect growing market overconfidence. Additionally, 96.9% of Bitcoin's supply remains in profit, raising the likelihood of near-term profit-taking.

Historical data adds further caution. August has typically been a weak month for Bitcoin, with over 60% of past August closes in the red and an average monthly return of just 2.56%. Onchain metrics show declining active addresses and lower transfer volumes, suggesting slowing network activity.

Still, several upcoming events may shift the narrative. On Wednesday, the U.S. White House is expected to unveil a strategic crypto policy report. The announcement could include a Bitcoin Reserve Framework and delta-neutral accumulation strategies, potentially supporting ETF flows and institutional demand.

Investors also await guidance from the Federal Open Market Committee (FOMC). While a rate cut is not anticipated, any dovish tone from Fed Chair Jerome Powell could impact sentiment. Should Powell suggest a possible rate cut in September, markets may react swiftly, possibly pushing Bitcoin above the \$123,000 level.