Memo to: Riversiders
From: Peter Chen
Re: Navigating Crypto Bear Markets
Date: April 29, 2026

Crypto is notorious for boom and bust cycles. Many people embrace bull markets and fear the downturns. But bear markets are times of great opportunity as well as risk. As prices of good assets fall the longer a bear market drags on, risk decreases while the potential for upside grows larger. We face 2026 with patience and a playbook that has served us well in prior bear markets.
In this memo, we discuss what bear markets look like, traps to avoid, our bear market strategy, and our track record of executing this strategy.

1. The course of a bear market

Like the stages of grief, investors during bear markets commonly experience denial, anger, then acceptance, and finally apathy. In the early stages, investors are still buying the dip, with a rising sense of frustration, disbelief, and finally panic as prices continue to fall. As the bear market progresses, trading volume, sentiment, and social media mentions of crypto all fall off a cliff. Holders capitulate and write off the asset class for good. Many wonder: is the industry dead?

We have seen this dynamic three times now:

- 2018: the ICO bubble popped.
- 2022: FTX, LUNA, and crypto lenders collapsed.
- 2026: digital asset treasury companies (DATs) sell off coins they had just accumulated, miners pivot to AI.

2. Our strategy

Slowly deploy cash toward the later stages of a bear market, aiming for 80% BTC / 20% cash at the bottom.

Our strategy aims to avoid two key mistakes many investors make during bear markets: buying too early and buying the wrong assets.

a) Scaling in patiently

Buyers in a bull market are conditioned to buy the dips, but a bear market punishes this strategy. Dips reverse quickly during bull markets, but turn into further weakness during a bear market. It is critical to recognize when the paradigm has shifted and adjust accordingly.

Our strategy is not to buy crypto in a lump sum that bottom ticks the market perfectly. As attractive as this sounds, it is unrealistic. Our strategy is to gradually scale in during the later innings of a bear market and the beginning of the next bull market. This inevitably means some buys will be too early, some are just right, and some come too late, but should result in a reasonably low average cost basis.

Bull market peaks may be fleeting, giving one only days to sell. Bear markets provide plenty of time for an entry near the bottom – months, not days or weeks – judging by what happened in 2022 and 2018. Investor apathy is highest during this stage of the bear market, giving many chances for buyers to step in.

A buyer has to have great patience to wait for this opportunity, however. In both 2022 and 2018, the market did not bottom until Q4 of those years.

2022 bear market. BTC spent more than two months below $20K.

2018 bear market. BTC spent more than three months below $4K.

b) Buy Bitcoin

Another common but major mistake investors make during bear markets is buying assets other than Bitcoin. In a bear market, Bitcoin can go down 80%, and one can feel somewhat safe buying at those levels. But buying other assets in a bear market, thinking they are trading at a significant discount, is often a risky bet.

Even assets that looked incredibly strong and were darlings during bull markets tend to go down more than anyone thought possible. For example, a buyer who bought ETH in 2018 at 80% off the all time high price of $1400 got in at $280. This buyer still faced another 70% drawdown, as ETH ultimately bottomed at $80. Similarly, in 2022, SOL fell 80% from $260 to $52. It would fall another 80% to $8.

An investor who bought ETH in 2018 at $280 and SOL in 2022 at $52 and managed to hold until the next bull market did very well. However, it takes a lot of conviction to hold through a 70-80% drawdown, and the risk of capitulating before the next bull market arrives is high.

The truth is no one knows which assets (other than Bitcoin) will likely make new all time highs in the next bull market. Ethereum and Solana have managed to do so through more than one market cycle. But many tokens in sectors like gaming, decentralized finance, Layer 1 and Layer 2 blockchains, NFTs, and metaverse did not survive the 2022 bear market, let alone reach their former 2021 highs. This is why we focus on buying Bitcoin during bear markets.

3: How we bought the blood during two bear markets

Strategies and plans can sound great on paper. But real life is much messier. The real test of an investor is whether he can implement winning strategies, not just conceive of them.
We've executed our bear market strategy twice now, once in 2019 and again in 2022.
2019-20

The bear market of 2018-19 was a brutal one. The ICO bubble had popped. Crypto seemed like a barren wasteland, with seemingly no interest from investors, builders, or the public as a whole. Bitcoin crashed from $20,000 to $3,000, then went on a bear market rally to as high as $14,000.

I gradually bought over 100 BTC, scaling in from $7,000-10,000. I contemplated buying ETH at $100 but could not think of a bull case, so I stuck with Bitcoin.

Crypto looked promising in the beginning of 2020, with markets thawing after a long crypto winter and Bitcoin trading at around $10,000. As described in our Q2 2024 memo "Survive and Thrive": COVID hit, Bitcoin fell 50% in one day, and I took my remaining cash and **bought more BTC during the crash to $4000.** Overall, the bear market purchases worked out well going into the 2020-21 cycle, although returns would have likely been higher if I had bought ETH instead.

2022-23

This bear market was more straightforward than 2019. A combination of Fed hiking interest rates to address rampant inflation, the Russian invasion of Ukraine, and the collapse of FTX and crypto lenders utterly decimated the market in 2022. The industry once again looked dead. I waited until Q4 2022 and Q1 2023 and scaled into **ETH at $900-1200** (thinking incorrectly that ETH offered better risk-adjusted returns than BTC). In retrospect, this was a good bear market entry. Returns would have likely been higher if I had bought BTC or SOL instead.

In sum, crypto bear markets often last a year. They are fraught with risks but also filled with opportunities. Investors often buy too early or buy the wrong assets. Our strategy is to be patient and scale into Bitcoin during the later stages of a bear market. We were able to execute this strategy more or less successfully in 2019 and 2022, and we aim to do so again in 2026.