WHAT I WISH I'D KNOWN BEFORE I STARTED INVESTING IN CRYPTO:

A SHORT E-BOOK OF MY JOURNEY

DR JAMES MARTIN

ABOUT THE AUTHOR

DR JAMES MARTIN

James Martin is a dentist who qualified from University of Leeds in 2016 and grew up in Northern Ireland. James has a longstanding interest in crypto and it's potential to change the world. He has been actively trading crypto for several years as a hobby allowing him to gain a strong knowledge on the matter. Through his successes in trading he is able to share his experience on the subject for others to benefit from.

Disclaimer: This book references an opinion only and is purely for information purposes. It is not intended for investment advice. Any and all liability for any exchange of money ends with oneself. Please seek the advice of an accredited professional for investment advice. I have no affiliations to any of the companies/organisations mentioned in this text.

Prologue:

As the title suggests I am writing this e-book to share what I believe to be the most pertinent lessons that I have learned during my close to three-year history of trading cryptocurrencies. This is a condensation of a series of "lightbulb" moments that happened to me through experience and my own extensive reading on the subject. Please note the fact that I had to spend much time searching for proverbial "needles in haystacks" of information to accrue this knowledge. To draw all this information into one source and share it is something I think others would find most useful.

Conciseness is an important issue. There are some concepts that I will assume a basic level of understanding on. For the more abstract terms, I have included a glossary to attempt to overcome confusion. I would however welcome feedback from readers to help me improve the e-book should anything not be clear.

Crypto is a huge subject of which there are many varied ways to make money **(spot, futures, shorting, staking, lending, arbitrage, airdrops etc.).** I will limit the scope of this book to the simple plays which have created myself and the authors of many of the books Ive read on the matter great success. This will serve as a springboard to allow you to begin your journey into crypto or hopefully adopt new skills and knowledge.

This e-book will consist of four parts. Part one is a short introduction to myself and an autobiographical account of my history in cryptocurrency. Part two is an account of why crypto may change the world and hence why the crypto movement is so exciting. Part three is a short tutorial on how to purchase crypto. I am very conscious that some reading this may have never done so. Part four is the "meat and potatoes" of crypto portfolio management and investing techniques. If you are purely interested in the investing aspect then I wish to make it clear that I will purposefully author part four so that is not necessary to read the other parts. Therefore, you will be able to read part four independently, focusing purely on this aspect if you so wish in the interests of your own time.

That leads us to the conclusion of the prologue, henceforth the e-book begins

Glossary:

Whilst writing this document, I realised that it was hard for me to extricate my attempts at explanation from the vocabulary of that of a trader. I have kept jargon to a minimum but here are some terms which I believe will be useful:

Asset: In the financial sense an asset is anything you can own which has inherent value. This is the sense that we will be using it throughout this text. Examples include gold, stocks, crypto etc.

Bear Market: A market for any asset in which the sentiment/trend of the market is inherently downwards in price. The opposite of a Bull Market.
Block Explorer: A website which allows one to see the transactions and wallet holdings of a particular crypto.

Blockchain: A series of discrete chunks (blocks) of information which are inextricably locked together in an unchangeable order and stored on many computers throughout the world. These store all the information required to allow a crypto to function I.e. who owns what, quantities, transaction history etc. Difficult to explain this concisely but hopefully I have given you an idea of how it works. – for more info please read “*Crypto Currencies*” By Dr. Julian Hosp.

BTC: Abbreviation for “Bitcoin” the cryptocurrency. Can also be abbreviated to XBT.
Bull Market: A market for any asset in which the sentiment/trend of the market is inherently upwards in price.

Cryptocurrency: A currency backed by science and numbers rather than a third party. Cryptography which is irreversible is used to create these number in such a way that they cannot be recreated independently making them un-hackable.

Crypto: A collective name for all coins/tokens/tokenized assets in the space. Not all are currency therefore not all can be call cryptocurrency.
Crypto Space/Cryptosphere: Anything and everything even remotely related to crypto. News, trading, exchanges, wallets etc.
Coin: A cryptocurrency which has its own unique blockchain. Some do not have this and use other coin’s blockchains.
Distributed Ledger Technology (DLT): Collective name for all technology behind Cryptos (not all use a blockchain e.g. IOTA uses tangle).
ICO: Initial Coin Offering – Coins/Tokens that are bought by the public offered from the premine by the developers. Crypto equivalent of an **IPO** for those into trading stocks.
Liquidity: The amount of available capital in a market on the buying and selling side. More metaphorically the “oil in the gears” of the markets.
Long: To take up a trading position in the expectation the price will increase i.e. buying. The term **Longs** is just the term for people who are at present buying or have bought and are holding.

Market Makers: The big players behind the scenes who manipulate the price of most crypto. **Premine:** A name for the tokens usually created before the blockchain of the coin has begun.

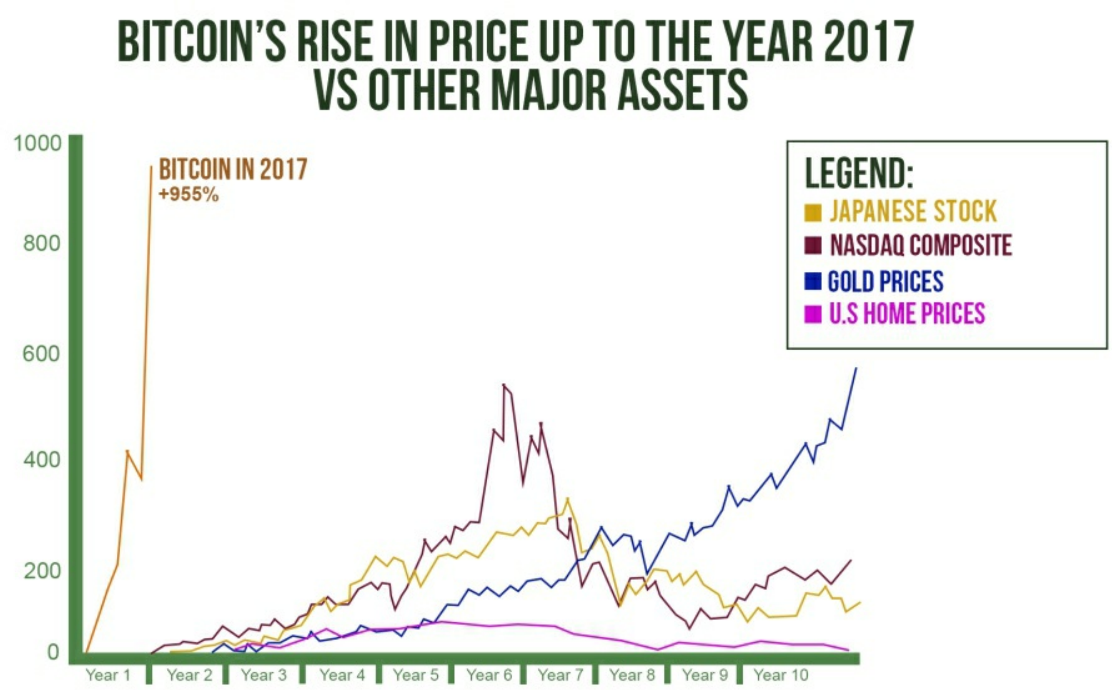
Roadmap: Most reputable coins will release a document outlining their plans for the coins and the dates the expect to achieve these goals.

Short: To take up a trading position in the expectation the price will decrease. The opposite of “Long/Longing.” The term **Shorts** is just the term for people who are at present selling or who are shorting/have shorted and are holding.

Stop-Loss: A trading order to buy or sell that automatically triggers when price hits a certain level. **Token:** A cryptocurrency which is built on the technology of another coin’s blockchain. (Please note I will use the terms coin and token interchangeably in this text. These definitions are mainly academic). **Whitepaper:** A document which details the technical specifications of the coin/token.

Part One: The Trials and Tribulations of a Rookie Trader

Those of you who follow the space will remember the cryptocurrency bull market of late 2017 early 2018. This may also be true of some of you who don’t follow it due to the fervent media coverage surrounding the matter at the time.

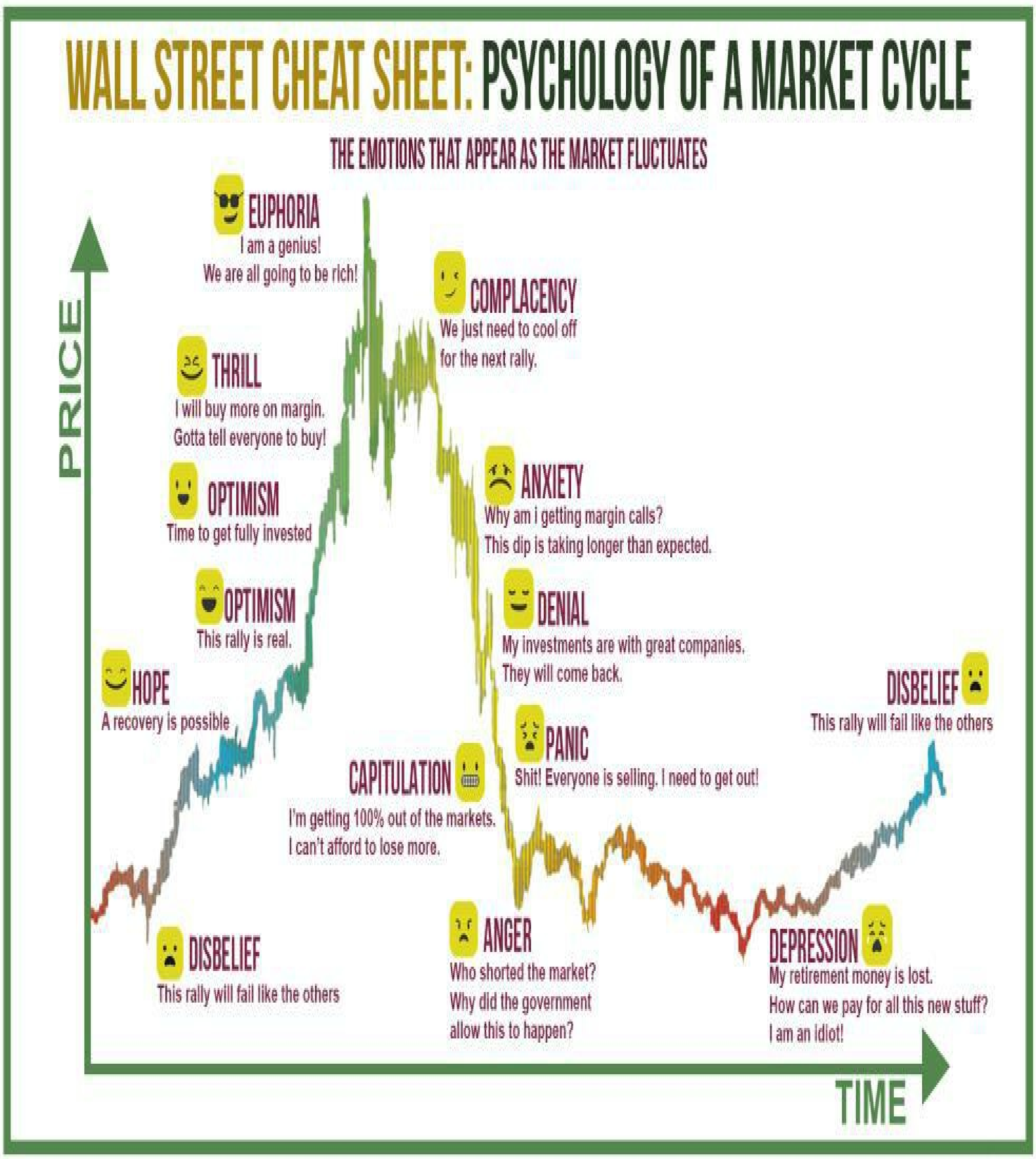


A recreation of a graph that was published on the frontpage of the Wall Street Journal released on 30th November 2017. The headline read “Bitcoin Mania; Even Grandma Is In.” How could a young man be content to rest on his laurels in the knowledge that even Granny was becoming vastly more wealthy than him?

A younger more naïve version of myself read articles such as this and thought: “How can I get a piece of the action?!”

Of course, even the dangerously limited knowledge of investing I possessed at the time was enough to tell me that Bitcoin was in a bubble. I knew enough to know even back then to tell me that *what goes up must come down.* Bubbles burst and I would be much cleverer than to fall victim to this purchase crypto at this ballooned price *of course*. My master plan was to await a significant crash then buy in during the weeks after and rake up the rewards. I was quietly confident that I could beat the market and was ahead of the game.

The trouble was I had no idea of how long the bear markets that can succeed bull markets can last. I thought a mere few weeks would be enough surely? Then the next major pump would follow and I would grow rich. I had no concept of market sentiment and just how long it takes before weak hands are shaken out and market cycles begin again. Keeping money out of the markets is a masterful skill during these times. One skill I had no notion of.



Most markets (including crypto) move in repeated cycles as demonstrated by this infographic. I bought at the "Euphoria" stage. You can discern what happened next from the graph.

Bitcoin suffered a major price correction around the date of the 17^{th} of December 2017. This occurred after reaching the dazzling heights of $20,000 per coin. Still not enough to confirm a market reversal but enough to cause any clued-up investor to instinctively not add any more longs to their position. Bitcoins crash was confirmed after a failed re-test of its $20k zenith in early January. Chartists could clearly see trendlines were broken and momentum had dried up. Market trend reversal was clearly underway to the discerning investor.

$20k is a round number that longs would've liked to cash out to no doubt brag about. This further substantiated the likelihood of a major reversal. This will act in much the same fashion as the sum of $50k or $100k may do in years to come for Bitcoin. These are all facts that flew over my head at the time.

Bitcoin started to decline from this point – market reversal was taking its course. I bided my time and after a few months when things looked suitably stable, bought my first cryptocurrency in XRP. From what I had read I believed their decentralized solution to the worldwide remittance market had real potential. I believed that it would succeed bitcoin.

Before you ask what constituted “suitably stable” to my unattuned eye, I cannot honestly answer this. You must consider I was champing at the bit to possess my first crypto and thus my portion of untold wealth.

My plan was to cost average my way into XRP every month therefore bring down my mean buy. My logic being that this would make timing the market less critical. The flipside of this is that unless you are certain your investment is fundamentally sound it can wind up being a monetary black hole. I began to buy a sizeable bit month by month accumulating a position.

Initially my investment was going well, I recall at one point being extremely satisfied with my returns. Me newfound trading prowess had overseen an increase of 20% in value to my account. This fact made me immensely excited at the prospect of my wealth growing exponentially. Sadly, after this, price went southwards. “Hold strong,” I told myself “this is merely a small correction of price designed to test your resolve.” My failing here was I had no real plan before entering this trade. Without this one is basically trading on instinct and without direction. This leaves one open to arbitrary decisions made at the whims of one's emotions; the perfect antithesis of the objective successful trader. I continued to buy more and more each month.

With no clear strategy, a steadfast steely yet misplaced determination to see through what I had started watched my investment go from an average of 70 cents to around the 20 cents mark. This represents a significant loss of capital. I am still in possession of most of this XRP and I do think the likelihood is it will recover at some point. Regardless of such, it represents a huge loss in missed opportunities for me. The amount of capital I ploughed into this could've made me much more in other cryptocurrencies that clearly were not at the end of their market cycle.

“If only I had have taken the time to educate myself more thoroughly beforehand” will be my eternal lament.

In trading they say that you learn much more from your losses than from your gains. The positive of this experience is that it forced me to take a step back and re-evaluate. It was apparent to me that there was a fundamental lack of understanding which had contributed towards my failures. Trading is always something I have found fascinating; I took it upon myself to read as many books as I could to further my understanding of the matter and share this with others.

In the years succeeding my initial ill-fated forays into cryptocurrency I have been rather more successful. Lockdown has been a time of great uncertainty for myself given my profession as a Dentist. I believe it has negatively impacted the working conditions of my industry long term. This has given me the encouragement and impetus to further become a student of investing/trading. Many hours of dedication through reading and research has went into what I am about to tell you. In this spirit, I am sure you will find it very much of use.

Writing has always been an activity I find fun; therefore, it is with pleasure I present this e-book to you. The more I read and learned about crypto the more I was blown away by its potential to change the world. I hope the information contained herein inspires the same proportion of wonder for you as it did for me. Please enjoy and feedback is of course very much welcome.

Part Two: Why Crypto May Change The World!

To understand this one must understand the simple fact that money we have in our bank account is **Baseless.** This means its value is not underpinned by **anything.** The only reason paper money has value is because there is consensus and agreement amongst society that it does.

Once upon a time in a simpler world, all money was backed by gold. The alchemists in the audience will know only too well that gold is not something that can be arbitrarily created. This meant that cash the banks gave you could be exchanged for a quantity of gold therefore meaning it had an intrinsic value.

The Great British Pound derives its name from the fact that it once could be exchanged for a pound (lb) of gold.

During World War One the British Government unpegged the value of the British Pound from gold. They did this to help generate funds for the war effort. The German Government did it at roughly the same time. Richard Nixon did the same across the pond for the states in 1971. These measures were taken in all these instances to help relieve economic strife by creating more money to pump into economies.

This means that currency issuing banks (**Cental Banks**) can print as much money as they like. Doing this to a degree is necessary for a healthy economy. Money is lost every year through people hoarding it savings and the environment. The problem arises when **too much** money is created. The central banks do this to provide governments with income through the bond market. Governments use it as an easy way to generate funds. Often the system is abused and too much money is created and used to pay government debts. The finance related jargon/euphemism used for this process is known as **Quantitative Easing (QE).**

This wouldn’t be so much of an issue except for the fact that when they increase money supply it means your cash is worth less. We’ll use some round numbers to illustrate this. Let's say the total money supply of a country is £1000 (low I know but round numbers – remember). Suddenly this increases to £2000, if the amount of available goods and materials (I.e. “stuff”) that can be bought stays the same then what each pound can buy is halved. Think of the amount of “stuff” available to buy as a metaphor for all the world’s resources. As the world population swells more and more there is therefore more demand driving up price and increasing the effect. The squeeze continues at the other end as the amount of world resources grows ever thinner.

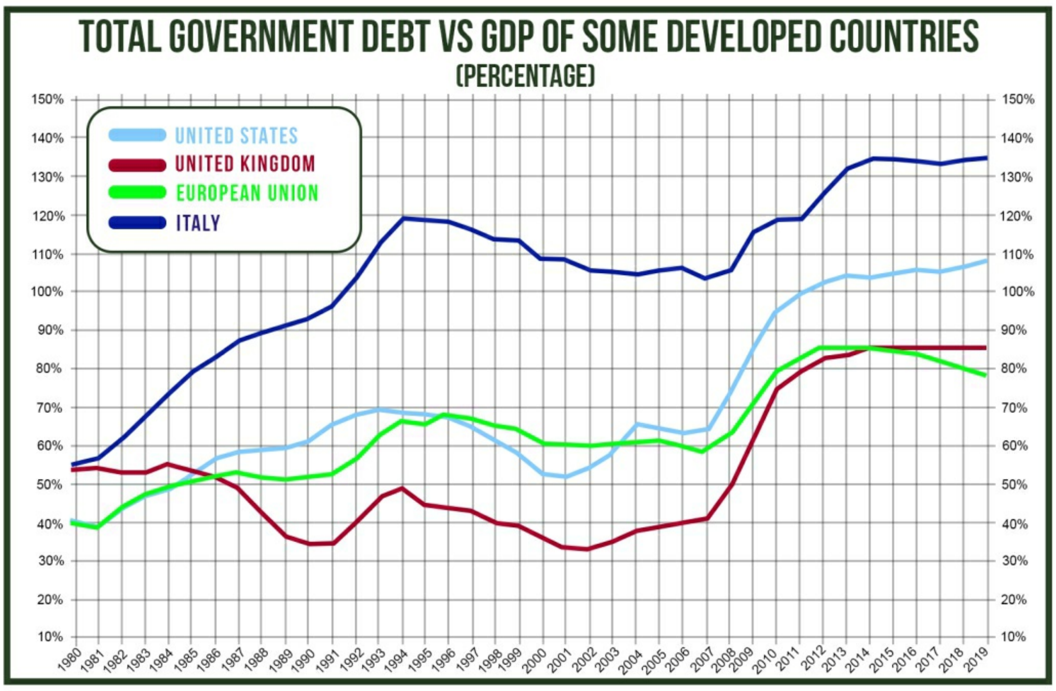
The term for decrease in value of money over time is of course **Inflation**. You will likely be familiar with the word used in this sense already.

Central banks recklessly print money to bail out governments who have accrued too much debt all the time. The news purports inflation to be around 2%, this figure is however heavily massaged (Look up something called the **Burrito Index** if you don’t believe me). Actual inflation varies around 7-8% and can be as high as the **10%** mark. This would mean that if you keep all your money in cash you will lose 10% of its value every year – crazy!

We can look to countries like **Zimbabwe** and **Venezuela** as examples of runaway inflation.

Zimbabwean inflation once necessitated the printing of this note as prior savings would become worthless on a daily basis.

The vast government debt of many western countries mean they are effectively bankrupt. They owe more money than they will likely be able to repay.



This chart shows total amount owed by various governments in terms of debt vs something called **Gross Domestic Product (GDP)**. GDP is the total value of goods and services produced in a country every year and is a rough indicator of total wealth. We can see from the chart that Italy is in a precarious position as it owes roughly **140%** of what it produces every year. America is not far behind, followed up by the UK.

The impact of COVID-19 on the world has not yet been accounted for in this chart. It has likely made government debt much worse. We've seen Trump proclaim on the news the American Government's **$2 Trillion Dollar Coronavirus Relief Package**. Looking at the above chart I find it hard to believe the American Government has that cash simply lying around. Remember that the only two ways a government could can generate funds is through **Debt Monetization** (resulting mainly from **QE i**.e. printing money) or **Taxation**. I don't recall Trump hiking taxes around that time, do you? I hope you catch my drift when I say that.

We are sitting on a **Debt Timebomb** that is likely to explode at some point. When it does it will be our personal savings that pay for the government's egregious mismanagement of the situation via inflation leaching them away.

What makes **Bitcoin** (and some other cryptos) unique is that no one can change how much bitcoin there is. In fact, the supply **decreases** as time goes on therefore less and less are created each year. As this happens it will tend to **increase** in value due to the laws of supply and demand. Lots of cryptos also stick to these principles but every single one is slightly different so please do your research. This serves as the basis for most people's logic for investing in Bitcoin/Crypto. The word **Deflationary** is used to describe this property of bitcoin.

Bitcoin was designed intentionally by its enigmatic creator **Satoshi Nakamoto** to do this. He/they (no one knows if it was more than one person or not) did so as a reaction to money printing of world governments. Indeed, in Venezuela people frequently use bitcoin as a means of exchange given the inflation rate of their local currency.

But What Exactly Is “Bitcoin/Cryptocurrency”?

You may be wondering this or have never sufficiently had the question answered for you. **Bitcoin** is simply one example of a **Cryptocurrency.** The term cryptocurrency is flawed as it implies that it can be used as currency (a practical means of exchange) which isn't necessarily always the case. Therefore, I prefer the term **Crypto.** This is the term we will use henceforth in this e-book.

OK, Thanks for That. But What is a “Crypto”? I realise at this point I still haven't given you a good answer! Please allow me to go into more detail.

Crypto is simply a collective name for **Bitcoin** and all other associated tokens/coins (**Ethereum**, **XRP**, etc.). It means that they cannot be created/backed by a central authority once they are up and running. Contrast this to how a Bank creates/backs currency continuously out of thin air e.g. **GBP, USD** or **YEN**. Cryptos are instead backed by science and mathematical principles which cannot be broken/changed. They cannot be created arbitrarily as often happens when one centralized body (a Bank) is in charge of our money. To avoid abuse of power, they are distributed across many locations at once via computer networks.

I n a nutshell, the means that there are millions of computers across the world confirming who owns what and every transaction between individuals. These networks are infallible and can run completely independently from input. They are unable to be hacked as doing so would mean you need to hack millions of computers all over the world at once. The trust of the system cannot be abused (as banks do regularly) as no one person is in charge.

I appreciate this may sound strange and it does require a degree of mental acrobatics to understand initially. However, when we learn how everyday currency is created, it’s strangeness is somewhat mitigated! The Banks basically act as third party to any transaction and unfortunately abuse their power.

The collective power of this may not be immediately obvious but is in fact **immense.** They can be used to independently verify any agreement between any two individuals without consulting a third party. This means that the necessity for **any third party in any transaction** is totally eliminated.

This may not sound like much, but we all use third parties pretty much every day. Booked a taxi with Uber? Uber is the third party and takes a cut. Rented/bough/sold a house? The estate agents and lawyers likely took a handsome portion. Placed a trade on a stock/commodity/future? The broker will have had their piece. The list goes on.

Each one of these third parties takes away some time, money and efficiency from each one of these interactions. Who’s ever had a lawyer take their sweet time over the process of buying a house while charging a princely sum?

Who's ever tried to transfer money internationally using the archaic **SWIFT** system? Their international money sending/remittance services will make you wait weeks whilst insisting you pay through the nose. The merchants and shop owners among you will no doubt be aware of **VISA**'s merchant charges. Crypto has the potential to make all these free/negligible in cost.

These are some egregious yet everyday occurrences that are somehow normalized in our society. These are some pertinent examples of the money and time that could be saved for us all through the immense and endless possibilities of crypto!

Trying to squeeze how much crypto can change the world into this short e-book is very difficult. There are a hundred more things I would love to say. Hopefully I have conveyed to you concisely why I and many others have such whole-hearted faith in them and believe they have a massive future.

The World Economic Forum themselves speculate that by 2025 that the entire market for crypto will be worth 7-8 Trillion dollars. This is currently valued at 350 billion and would represent a 20x growth in market share. Truly a compelling thought.

Part Three: Getting Started

At this point you may be little curious as to how you might go about owning part of this amazing movement!

I am aware that some of you may never have purchased crypto before therefore I will give a brief rundown of how to do so. The investing methods I use will be discussed in subsequent passages. The first thing you'll need to do is register on a **Cryptocurrency Exchange**.

Please note that all information is correct at time of writing (06/10/20), however things change and exchanges rise and fall. Please double check the current status of all products I am about to mention before parting with your hard-earned money.

Exchanges:

An exchange is simply a website on which you can buy crypto. There are literally hundreds which have varying degrees of legitimacy. Please research before you send your money. Remember there is no centralized authority which determines the price of any crypto. Therefore, the price of each one can vary on every exchange independently. Buying crypto on one exchange and selling it on others for profit is known as **Arbitrage**.

Let's keep it simple for now and get you up and running:

The first thing you’ll need is a **Fiat Exchange**. A fiat exchange is an exchange where you can deposit **Fiat Money** I.e. GBP, YEN, USD. You can use bank transfers to send your money to these websites on which you can use it to buy crypto. Some examples of such websites are:

• **Kraken**
• **Coinbase**
• **Bitpanda (Europe)**

Of these websites I can personally vouch for **Kraken.com**. It has relatively low fees and accepts GBP. It's also legally defined as a bank in the USA so is pretty secure and reputable. Fiat Exchanges also permit bank transfers which are a safer means of transferring money. Please note I have no affiliations with this exchange whatsoever.

If you want to buy simply bitcoin and a few of the bigger cryptos then stick to these exchanges. If you want to purchase the more obscure coins which tend to fluctuate in value more and hence offer potential greater returns then you will need an **Altcoin Exchange**. Before using an altcoin exchange you will need to own some **Bitcoin** to trade in. Most coins on altcoin exchanges are purchased using bitcoin.

Some examples of altcoin exchanges are:
• **Binance**
• **Huobi**
• **Kucoin** (recently hacked and not permitting withdrawals as of 06/10/20. Previously a good exchange but please check withdrawal status before you use)

I personally mainly use **Binance** for a few reasons including low fees, high volume and liquidity and a big selection of coins. Entities who wish to register their coins/tokens on this exchange need to pay a large fee to do so making them less likely to be a **Shitcoin.** A “Shitcoin” is simply a crude term for a scam coin with no use case and intended solely to generate the creators' profit at the purchaser's expense. These coins are generally to be avoided and tend to give crypto a bad reputation.

On Binance however there are many coins with general utility that represent good investment. To purchase coins on Binance one must simply transfer some Bitcoin to their Binance account and then buying can commence.

Please, please, please only put a small amount in with to start so you can familiarise yourself with the layouts of these sites. If you transfer your crypto to the wrong address there is **NO WAY** to get it back. Please copy and paste the address to avoid mistakes and always send a small test amount before transferring the bulk of it. It is beyond the scope of this e-book to walk you through step by step setting up an account on these sites. Please note it is relatively straightforward however, I am happy to give general advice and pointers should you contact me for help.

Market Orders vs. Limit Orders

When purchasing crypto most websites will offer these two buying options alongside others. **Market Orders** are simply ordering which allow you to buy at the current going price of an asset which in this case is a crypto. **Limit Orders** allow you to select the price you want to buy at. I recommend sticking to Limit Orders as you can select the price. The exchange transaction fee is generally higher for Market Orders. Also, if the market moves against you because your purchase increases price you may wind up getting much less crypto for your money. Limit Orders are far superior for these reasons.

Wallets:

So presumably by this point you own your first crypto in which case congratulations!
Now comes the question of where is the best place to store my crypto?

Exchanges are definitely not the best place to store your cryptocurrency due to their propensity to on occasion be hacked. Should this occur it is possible you will lose your funds stored on there. This can either happen through direct theft or in the ensuing aftermath as the drastic fall in consumer confidence can lead to bankruptcy of the exchange.

Until you store your crypto in a **Wallet** it isn’t really your crypto. I speak with experience on this subject as I had crypto stored on an exchange that got hacked. Thankfully I did not lose my funds but it certainly kicked me into action to ensure I would store my funds somewhere safe.

A wallet is simply a piece of code which contains your **Private Key**. This is a piece of information required to access your crypto on the blockchain and move them around. **Never ever share your private key.** Sharing your **Public Address** is fine however, this is generated from your private key and it is close to impossible (billions of years of computing time) to reverse this.
Two types of wallets: **Hot Wallets** and **Cold Wallets**.

Hot Wallets store your private key on a computer linked to the internet. This means they are less secure. With a robust device security suite are nevertheless highly unlikely to be hacked.

Cold Wallets store your private keys offline. They are more secure as they only way to obtain the crypto on there is through obtaining the real-world medium on which your private key is stored (usually a piece of paper).

Hot wallets tend to have greater versatility and can store a bigger variety of cryptos. Therefore, I keep some of my more obscure cryptos on these. Two I can personally recommend are **Trust Wallet** (officially backed by Binance) and **Exodus Wallet.** These have handy apps available on the Appstore meaning they can be used on your phone.

Cold wallets are the most secure and pretty good scope in terms of variety of coins they store. You can either make your own **Paper Wallet** by printing a private key form a website (requires a lot of know how) or you can buy something called a **Hardware Wallet.** These are way more straightforward to use and basically consist of a small secure USB drive. There are three brands on the market to my knowledge called **Nano Ledger**, **Trezor** and **NGRAVE.** Please shop around and find the one most suited to you.

I personally use **Nano Ledger S** to store my crypto. I am however running out of space on it as an app needs to be downloaded for each crypto. In hindsight it may have been a better decision to buy the **Nano Ledger X.**

It is also possible to use a **Mind Wallet** i.e. memorizing your private key. This is not recommended for obvious reasons.
Helpfully I have already made a YouTube video which goes into way more detail on the subject of wallets which you can view here:
https://www.youtube.com/watch?v=LkanEYp2qKk

Owning Your Own Crypto Vs. Buying A CFD

A **Contract For Difference (CFD)** is simply a means for buying crypto without owning the underlying asset. Some websites offer this as a means to buy crypto e.g. **ETORO.** Personally, I am not a fan of this as you are placing your faith and money in a third party. What if the website goes bust tomorrow? What if regulators say you can no longer do this? Stranger things have happened. Personally, I prefer to own the underlying asset of crypto for these reasons.

Smashing! Now we have the simple stuff out of the way. We can move onto **Trading Strategy.**

Part Four: Some Investing Strategies

Thanks for reading so far, or If you’ve skipped straight to this part, I admire your pragmatism!

First of all, I’d like to draw the distinction between **Investing** and **Trading**. This will help you understand more comprehensively what I'm about to explain.
Investing/Investors look to buy assets and hold them over a long period of time (years). They accept that their holdings may go up and down in terms of value. However, as they believe in the core inherent and fundamental value of the project, they believe inevitably it will increase in value. At some point in the long run they begin to take profits via selling. They primarily buy and then hold their assets.

Trading/Traders look to actively buy and sell assets to generate profits in the short term. They take a more involved role in their trading and are frequently found analysing charts. This method requires time and skill and is difficult to do successfully without practice. I would love to delve into the more advanced methods that constitute this. Sadly, I do not have the scope to do this in this e-book.

Initially, I had planned to delve deep into trading strategy regarding crypto in this e-book. Upon beginning to write about the more complex nature of this I realised it would have easily trebled this e-book in size. This entirely defeated the purpose of my wishing to keep it brief and accessible.

For those who are interested in trading crypto please do let me know so I can gauge how much, this may be of use to others. Please get in touch a via my Facebook group:
https://www.facebook.com/groups/322083788900832/.

As I have said trading day to day is rather more involved and difficult to explain concisely. With this in mind I think It most appropriate to focus purely on the investing aspect of crypto. This is rather less complex and more accessible to those who are new to the space. I will now go on to outline some simple **Investment Strategies** so that one can easily participate in this exciting space.

Risk Management:

The very first thing any good investing book will teach you is **Risk Management**. Part of risk management is not putting too much money into one asset in case it doesn't pan out. Remember this is investing, even though everything might make any opportunity appear like the perfect investment it **still** may not work out. The idea is to spread your risk and have important rules that you never deviate from while investing. A great trader once said:

"Be rigid in your rules and flexible in your expectations." We'll explore two aspects of risk management. One is crypto as part of an overall investment strategy and the other is risk management within your crypto assets.
As part of an overall investment strategy:

As an investor you should have a portfolio of investments that are **Diversified** across all assets. This means you have a portion of your holdings in many different asset classes. There is a famous saying in investing which goes along the lines of:

"Diversification is the only free lunch on Wall Street."
This should give you an idea of the regard it is held in by investors.

A diversified portfolio is more resistant to ups and downs in each asset class meaning your capital is better preserved should it go down. Remember capital preservation is the first rule of investing. It also means you are taking less overall risk as you have spread it across many assets as opposed to being heavily invested in one thing.

An example of a well-diversified investment strategy would include cash, stocks, bonds, commodities, real estate and *some* crypto.
By and large I recommend no more than **5%** of your total invested capital to be invested in crypto. Even lots of people out there would consider that a lot!
Generally speaking, crypto derives its value from 4 things:

1. Money flowing in and out
2. Speculation
3. Scarcity
4. Perception

You will notice that I haven't put any actual **Use Case** here in this list. This is because 90% of crypto will likely fail in my opinion given the fact the industry is in its early days. Lots of cryptos don’t have a demonstratable use case at this point (with some **big** exceptions it must be said however). I would compare crypto in its current form to the internet of the mid-nineties. Remember companies like **AOL, Geocities** and **AskJeeves?** Some of you may but lots will not and this is exactly my point. Many early internet companies failed because demand for their niche dried up as the world changed around them whilst they could not adapt. This also occurred because something better superseded them. As crypto is at this early stage it is my belief that most of the crypto currently on the market will likely go to $0.

Of course, there are the crypto equivalents of **Amazon** and **Google.** Finding these needles in the haystack is of course the trick.
The flipside is that as the crypto space is just getting started and has **HUGE** potential for reasons mentioned earlier. This means as there is still much space for growth and hence financial rewards.

In my opinion, Bitcoin does have real potential to increase in value even still. It already has seen a growth of **8,999,900%** in the last decade. The lucrative returns seen in the early days are possible once again in my opinion for reasons we will delve into momentarily.

How to allocate your 5% into crypto:

As I have already said whilst there may be some golden eggs out there – it is always smart to be cautious whilst investing in crypto. There are possible lucrative returns to be gained. This is something which draws people to the market.

Bitcoin and **Ethereum** are two special cases when compared to most of the market and both have use cases in my opinion.
Bitcoin:

Bitcoin (BTC or XBT) is the manifestation of the original Blockchain technology and has headway as a first mover and creator of the whole concept of the crypto market. Bitcoin will likely always have value unless the entire space goes to $0 (incredibly unlikely). This is due to its perception as a **Blue-Chip Coin,** the electricity needed to created it via **Proof of Work,** its **Deflationary Characteristics** and its functionality as a **Store of Value** (I.e. the equivalent of digital gold)

Blue Chip simply means it is perceived as illustrious or put on a pedestal relative to other cryptos. Bitcoin is the original therefore has perceived higher statues. A lot of what drives markets is perception and this drives up price.

Proof of Work is the basis of the bitcoin blockchain and means that energy is required to **Mine** (consider mine to mean "create") each coin. The energy invested in this means that this fact will cause bitcoin to have value in itself as people will look to sell it on to make profit. Fiat currency takes no energy to create and that's why the rights to do this are abused.

Deflationary Characteristics mean that less and less bitcoin is mined each year. As this is the case bitcoins price is elevated simply due to supply and demand. Less bitcoin means lower supply and if demand stays either the same or goes up then value increases due to simple economics.

Store of Value simply means that it can act as a means of account, exchange and can be exchanged for money. If it is accepted the world over in this sense then it will have value. Comparisons are often drawn between Bitcoin and Gold due to their similar characteristics (mined, store of value, currency, durable, portable and one is unable to recreate it). The current value of all the gold in the world is $7 Trillion whereas Bitcoin's value is $200 billion. If bitcoin ever reaches the status of gold there is the potential for a 35x growth in value.

Ethereum:

Ethereum (ETH) is an amazing example of the power of the versatility of the blockchain. It has functionality as a platform for other cryptos to launch from due to its programmable **Smart Contract** feature. This means that anybody can create a crypto (takes about an afternoon) and launch it on ETH's platform.

Many cryptos already do this, they are known as **ERC-20** tokens. Some of the biggest most recognizable tokens are ERC-20. The Ethereum network has become very busy due to so many of these tokens being created with each competing for space. This in turn drives up the price of ETH.

This should get better as the inventor of ETH **Vitalik Buterin** is currently improving the network to create **Ethereum 2.0.** He is doing this by implementing a **Proof of Stake** basis for the Ethereum blockchain and also something called **Sharding.** It is unimportant to understand what these two things are at this point but you may wish to look them up. The point I'm trying to get across is that there is active development on this project and it has huge potential as the first mover in the smart contracts blockchain arena.

There are certain cryptos known as " **EthKillers" (Cardano, EOS and**

Zilliqa) that could overtake Ethereum's dominance. They offer similar functionality to ETH and attempt to improve upon it. Whether this will happen or not remains to be seen.

These two cryptos, in my view, have fundamental value far and away above the rest of the space. Therefore, ***in my opinion,*** they make a great basis for an investment portfolio.

All cryptos aside from BTC are collectively known as **Altcoins**. For the bolder of you out there you may wish to include some of these in your crypto investment portfolio. I recommend getting more experience under your belt before you do though.

Here is a guide I use to assess altcoins before making an entry as an example. Assessing the intrinsic properties of a coin to adjudge it’s worth is known as **Fundamental Analysis:**
Fundamental Analysis: My analysis of whether or not a crypto is a scam or has potential consists of the **5 E’s**

1. Economics
2. Explorers
3. Engagement
4. Exchanges
5. Expansion

Allow me to elaborate on each one my giving you some examples of what I look for in each category. This not a comprehensive list for sake of brevity.
1. Economics:

How long does it take for each block to be mined? When its mined how many are released? Does this number increase/decrease with time? Was there a **Premine**? How large was this premine? Who received the premine? (big premine to developers = red flag – see glossary for explanation of premine) Was there an **ICO**? Was a premium paid for the ICO meaning those investors plan on dumping their coins? etc. Etc.

2. Explorers

Can I easily see the coin on a reputable **Block Explorer**? (see glossary for explanation of block explorer) Are the top wallets active/inactive? Are the top wallets accumulating their coins/tokens or selling? How fast are they accumulating/distributing? Is there one massive wallet which could dump on the market and crash it?

3. Ecosystem

Is there an active community around the coin? Is there an active and up and running social media account? (Facebook, Bitcointalk, Twitter, Discord etc) Are the accounts engaging with this fake and spammy accounts? Are people accusing the coin of being a scam on said social media accounts? Is there a website that looks professional and polished?

4. Exchanges

What exchanges is the coin listed on? Are these large reputable exchanges? Are these obscure exchanges which look “scammy”? Is there potential for them to be listed on big exchanges and thus pump? Have they recently been released on a big Exhange meaning this pump has just occurred?

5. Expansion

Is there a roadmap? Is this roadmap being adhered to? Is there a whitepaper? Does the whitepaper look legitimate and not too much “word salad?” (Good white papers are around **20 pages** in length broadly speaking) Does the roadmap appear legitimate and professional? Has this coin got a use case that seems possible? Is there a reputable company behind this coin? Does this have a name CEO lots of staff and an actual physical premise?

As you can see doing this properly is fairly technical and requires much time. I also analyse the **Price Action Charts** (price vs time charts) of these coins using something called **Technical Analysis.** This is something in itself that would require a whole book to flesh out and I wish to keep things simple. I may release further material in future to discuss this should people be interested.

Learning about the technology behind the 1st generation (Bitcoin) and 2nd generation (Ethereum – smart contracts) are an excellent springboard to deeper analysis. I have given you enough technical terms regarding these to hopefully assist you in your deeper reading should you so wish to engage in it.

Of course, it is **not necessary** to actually understand the ins and outs of how crypto works to invest in it. I merely wish for everyone to see why I place these two cryptos in a special category above all other altcoins. This is just my opinion of course and I wish for everyone to do their own research before investing significantly.

Some Simple Investment Strategies

By and large investors/traders fall into one of four categories:

1. **Day Traders** Spend all day in front of charts looking to take advantage of small movements to make profit. Very difficult to do and requires much know how therefore not recommended until someone knows much about trading. Close all their positions before they finish trading for the day.

2. **Swing Traders** Buy their positions and hold for a few weeks or a couple months. Keep one eye on the markets at all times and are fairly attentive to trading apps. I personally do some of this.
3. **Long Term Trend Traders –** Buy positions over many months before selling the trend upon an upturn in prices. Hold positions for months/years. I also do a bit of this. Requires much less attention as you can simply set alerts

on your apps when there are price movements
4. **Investors/Holders/"HODLers" -** Hold their crypto through thick and thin and look to the very long term to take their profits, maybe many years or decades. Minimal attention spent analysing and buying and selling. This strategy mainly consists of **Buy and Hold**.

As you may see each one of these strategies progressively require less time and know how. Each one can be profitable in their own right. I would class myself as somewhere between a long-term trend trader and a swing trader.

Most of us in the realistically don't have the time to spend glued to a screen and monitor dedicated news outlets for crypto information. As this is the case, an "**Investors"** type trading strategy is usually most suitable. This is the strategy we will focus on in this e-book. It is the most straightforward strategy to investing money in cryptocurrency in my opinion.

Here are two examples of some easy to create and low maintenance portfolios so one can have their share of the crypto pie. Please note, this is simply my opinion. I would lose sleep over anybody losing a lot of money in crypto that they couldn't afford to lose. Please invest responsibly and at your own risk:

Portfolio 1: Portfolio 2:
70% Bitcoin 30% Ethereum

60% Bitcoin 20% Ethereum 20% Altcoins Portfolio 1 requires little to no attention aside from the occasional bit of buying/selling should you so wish.

Portfolio 2 has slightly more risk as you are leveraged in altcoins as well however you still have much stored in BTC and ETH minimizing volatility. Let's focus on portfolio 1 for now as a springboard to further understanding.

It is possible to simply put a lump sum into the two cryptos listed in portfolio one and simply keep it as a nest egg. That is totally fine and something you may wish to do out of convenience. The downside to this is you may have quite a big outlay and are heavily at the mercy of volatility of the market.

A more suitable strategy may be to undertake what is known as **Dollar Cost Averaging (DCA).** This involved buying some at regular intervals e.g. every month when you get paid. Simply take how much you'd like to invest into crypto as a portion of your paycheque and buy it over a period of several months. Then take your crypto from the exchange and place it in your long term means of storage.

Long term investors like **DCA** because it removes much of the arduous task of analysing investments to take up a suitable entry at a good position
An example of a Dollar Cost Averaging Strategy.

Month Investment Unit Price Units Purchased Jan $100 $10 10.0
Feb $100 $8 12.5
Mar $100 $5 20.0
Apr $100 $8 12.5
May $100 $10 10.0

Total $100 60
Total Investment: $500 Total Value Of Units $650
.

The powerful thing about DCA is that even if you buy in at the very peak in cost (I.e. the worst possible time) then this will be averaged out. Please only do this if you believe that crypto has a bright future. It only works if crypto continues to grow. It is my personal opinion that it will continue to do so.

Please understand that employing this strategy may mean that you watch your investment go up and down in value frequently. Remember, you are looking to the very long run to make your gains. This may take **years** depending on your plans for eventually taking profit. Also, it is important to understand that **no one** can predict the future. This of course means that there is the small but real possibility as with most investing that **any asset** (e.g. a stock, a bond, a crypto) can go to zero in value.

DCA can also be utilized for portfolio 2 but remember you have some **Alts** in there that may need a little more active attention. This might mean buying and selling and familiarizing yourself with watching trends and trading techniques. This is entirely up to you.

For those of you out there who are more interested in short term profit i.e. trading strategy, I am likely to release future content detailing how this can be performed. In my opinion, this is how the best returns in crypto are possible. At this point I am unsure how many of the readers of this book will be interested – please feel free to get in touch with me. Remember, it is only possible to make good returns on altcoins through a more in-depth knowledge of how crypto works.

Please let me know if this may be of interest to you via my Facebook group https://www.facebook.com/groups/322083788900832/. I may release subsequent material on this should there be enough feedback.

Please understand that investing in any form may mean that you watch your money go up and down in value frequently. Given the volatile nature of crypto this may even be by **significant** portions. To give an example of this Bitcoin crashed to $5.5k in March time due to the fallout from coronavirus. It has since rebounded to $11.8k at time of writing. You have to ensure your **risk appetite** is sufficient before buying. Crypto is not for everyone. With great volatility there also is the **potential** for great profit.

Remember, you are looking to the very long run to gain your profits. It is normal that this may take months or years with this style. Short term profits only tend to arise through the more hands-on trading methods we described above. I would love to go into detail to explain these however I wish to keep this e-book understandable and accessible to everyone.

Also, it is important to understand that no one can predict the future. This of course means that there is the small but real possibility that any asset may go to zero. Please be careful out there! It is the potential for lucrative gains that keep us all interested however. Remember how much we all lose simply by keeping cash in the bank?

An Actionable Plan:

I know that when I first began investing in crypto, I could've certainly benefitted from a clear -cut strategy. Detailing this clearly would have avoided many hours of fumbling in the dark so to speak. This being the case, I have drawn up a step-by-step plan to purchasing and storing crypto for those who are interested in owning some.

1. Decide how much you plan to invest and over what period of time (remember the **5%** rule from earlier and **DCA**).
2. Set aside a **small** portion of that money and use it to familiarize yourself with moving bank transfers and buying crypto on exchanges and transferring to wallets. 3. Set up an account on a **Fiat Exchange** as detailed earlier (make sure they deal in GBP if you are buying in that currency) Also 2-factor security is a good idea too using **Google Authenticator.** 4. Balance transfer the small potion you have selected to the fiat exchange (remember it can take a few days).
5. Purchase whatever crypto you wish to purchase on that exchange always using a **Limit Order.**

6. The more exotic coins exist on **Altcoin Exchanges.** If you wish to purchase these you will need to transfer some **Bitcoin** to one of these exchanges. Please make sure you copy and paste the address you are transferring to so that mistakes are not incurred.

7. Set up a **Wallet** using the guide above (do your research to ensure the wallet guide is up to date).
8. Transfer your purchased crypto to your wallet (ensure they are compatible – not all cryptos work with all wallets. Transfer a small test amount to ensure the address is correct).
9. Stash your **Private Key/Seed** by writing it on several pieces of paper and hiding them around the house. A good **Antivirus System** is always recommended on your devices. 10. Relax – your crypto is now off the exchange and providing you have done due diligence should remain safe.

Conclusion

I hope from reading the above at some of the complexity of crypto has now been elucidated. I hope you have enjoyed reading this book as much as I have enjoyed writing it. Many of these lessons took me many attempts of trial and error to figure out.

Crypto is such an exciting space and one that I follow avidly. I hope very much so that I have given you an idea of my enthusiasm towards its potential from reading this book. Even better still would be if you now share at least some of this enthusiasm as well.

I will draw this e-book to a close by saying that methods described have brought I and others success in the cryptosphere before. Having said that please remember that all crypto is a speculative asset. No one can predict the future with certainty and therefore it is far from guaranteed that anyone can make profit. On balance of likelihoods and bearing in mind the reasons outlined before, I think it's incredibly unlikely that the space will simply disappear. This is mainly given it's potential to improve almost every aspect of our lives.

The **World Economic Forum's** own prediction that the value of all crypto will reach 7-8 trillion dollars by 2025 is a heartening fact. This would of course represent an increase in value of roughly 25x of the whole market (current value $350 Billion). It is essential, in my view, that a well-diversified portfolio of investments contains at least some crypto. The methods I have described above will allow you to do so.

Originally, I only intended this e-book to be 15 pages but upon putting all my thoughts together it has somewhat ballooned. I wanted to fully make my points and also add as much value as possible to those reading. Cryptocurrency is infinitely complicated. This e-book gives you the simplest plays out there to make solid long-term investments.

I'll leave you with one final image. Do you remember the "**Wall Street Cheat Sheet"** from earlier? ***(P.T.O.)***


WALL STREET CHEAT SHEET: PSYCHOLOGY OF A MARKET CYCLE
THE EMOTIONS THAT APPEAR AS THE MARKET FLUCTUATES
PRICE
TIME
EUPHORIA
I am a genius!
We are all going to be rich!
THRILL
I will buy more on margin.
Gotta tell everyone to buy!
OPTIMISM
Time to get fully invested
OPTIMISM
This rally is real.
HOPE
A recovery is possible
DISBELIEF
This rally will fail like t
others
COMPLACENCY
We just need to cool off
for the next rally.
ANXIETY
Why am i getting margin calls?
This dip is taking longer than expected.
DENIAL
My investments are with great companies.
They will come back.
PANIC
Shit! Everyone is selling. I need to get out!
CAPITULATION
etting 100% out of the markets.
't afford to lose more.
ANGER
Who shorted the m
Why did the gove
allow this to happe
DEPRESSION
My retirement money is los
How can we pay for all this
w stuff?
I am an idiot!
DISBELIEF
This rally will fail like the others
zerotoherobitcoin published on T
ngView.com, November 10, 2020 20:48:56 UTC
CRYPTOCAP:TOTAL, 1D 439.435B
+1.916B (+0.44%) O:437.928B H:446.492B L:429.391B
Crypto Total Market Cap, $,
PTOCAP
Vol
USD
720B
680B
640B
600B
560B
520B
480B
439.435B
03:11:06
360B
320B
280B
240B
200B
160B
120B
80B
40B
0
Jun
11
2018
May
Sep
2019
May
Sep
2020
May
Sep
TradingView

This compares the current position of the total market value of crypto ***(Market Cap/Capitalisation)*** *vs the cheat sheet. We can see that if all previous trends in crypto hold true we are just at the point where things are taking off again. This is an exciting thought to think about when pondering the future of the crypto space.*

Congratulations on making it to the end. I sincerely wish you all the best in your endeavours!
Good luck and good trading
If you have any questions or suggestions for improvements for the e-book feel free to contact me via my Facebook group:
https://www.facebook.com/groups/322083788900832/.

Further Sources of Information:

Books: An Altcoin Trader's Handbook – Nik Patel Bitcoin: The Future Of Money – Dominic Frisby Crypto Currencies – Dr. Julian Hosp The Crypto Book – Siam Kidd
The Crypto Trader – Glen Goodman Cryptocurrency: A Trader's Handbook – Marvin Neuefeind Cryptocurrency: The Future Of Money? - Paul Vigna How To Own The World – Andrew Craig Technical Analysis In The Financial Markets – John Murphy Trading In The Zone – Mark Douglas

Online Resources: The Bitcoin Whitepaper
The YouTube back catalogue of Inner Circle Trader Investopedia.com