



Introduction to cryptocurrencies

This is the first trading lesson (part 2) on cryptocurrencies
which will be followed by many and gives you a basic
knowledge about the cryptocurrencies and its market.

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Cryptocurrency Market

Every market needs a product, sellers and buyers to be called a market. Like the fruit market has fruit as a product, several wholesale and retail sellers that sell to the buyers, who create product demand. And in stock market companies list their shares on the stock exchange while people sell and buy their shares in order to make profits which create a perfectly competitive market. Crypto market also resembles the traditional markets but their stakeholders' names might be different from the other markets. Let's take a look at cryptocurrency market stakeholders that are responsible to create a cryptocurrency market.

- **Coin owners**

These are individuals or groups of people that get together and look to solve a problem and raise money from investors via initial coin offering, initial exchange offerings or privately. Some even launch the coin without raising the money. These are 1st hand stakeholders for a cryptocurrency that also play a major role in coin development and governance.

- **Miners**

Some coins are pre-mined but several coins are mined and miners are second most important stakeholders of a crypto market. They solve complex mathematical problems and create blocks and add them to the existing chain of blocks to build the blockchain. They earn rewards in terms of coins when they create a block and they become the initial supplier of the coins into the market.

- **Exchanges**

As the stock market has stock exchanges in the same way crypto markets have crypto exchanges where the coin is traded. A crypto exchange can be centralized or even can be decentralized in nature. In a centralized exchange, people have to deposit their coins in exchange to trade them while in decentralized exchanges people can trade the coins directly from the private wallets and there is no need to deposit the coins into the exchange to trade them.

- **Wallets**

Wallets like Coinbase and Xapo provide opportunities to not only store your cryptocurrencies securely but also provide trading opportunities for them to some extent on their platform. There are also hardware wallets such as ledger and Trezor that helps you to store your cryptocurrencies more securely.

- **Market makers**

Market makers are the one who provides liquidity to the market. They build the order book by placing sell and buy orders and allow traders to trade in whatever direction they want. These market makers not only help in buying and selling of a coin but also determine the spread of the coin. Without a market maker, you might not be able to trade the coin properly.

- **Institutional traders**

Institutional traders are big investors like venture capitals and investment companies. They not only provide additional liquidity to a cryptocurrency but also help in escalating the demand of a coin.

- **Retail traders**

Retail traders are also the major stakeholders of the crypto market who help to make a cryptocurrency market competitive. Some look to opt for scalping while others look for a swing trade or position trade. These retail traders not only add liquidity to the cryptocurrency market but also create a competitive environment which helps increase its demand.

- **Merchants**

Merchants are the one that increases the demand for coins outside exchanges by accepting them in return for their goods or services. These merchants play a major role in the adaptability of a cryptocurrency and also work as a catalyst for the price of a coin. Like if Amazon decides to add Ethereum as a payment method it will certainly have a positive impact on the price of Ethereum.



- **Lenders**

Lenders also work like sellers in the cryptocurrency market; they lend coins to the traders against fiat or other cryptocurrencies.

- **Investors**

Investors are also a type of traders that buy a cryptocurrency on a long term basis. They usually invest long term when they like the fundamentals of a coin. They are also liquidity providers to the market and add value to the ecosystem.

