A cryptocurrency is a digital currency that can be used for buying goods and services just like fiat currency. However, cryptocurrency transactions are highly secure due to usage of strong cryptographic online ledgers. For now, its use for buying and selling is very limited due to it being unregulated in many parts of the world, and most of the trading is carried out for the purpose of generating profits.

This is a complete guide for beginners on cryptocurrency trading.

# What is Cryptocurrency?

As mentioned earlier, cryptocurrency is a digital currency that can be exchanged online. Many companies have their own currencies, often known as tokens, that can be specifically traded for the goods or services the company offers. Consider it as casino chips or arcade tokens. To access the good or service, you will need to buy through cryptocurrency, and exchange real currency for it.

Cryptocurrencies work on a technology known as blockchain. It is a decentralized technology spread across multiple computers that records transactions in ledgers. The decentralization factor contributes towards the technology providing highly secure transactions.

# How Many Cryptocurrencies are There?

According to coinmarketcap.com, there are more than 10,000 cryptocurrencies traded publicly today. This number continues to grow, with cryptocurrencies raising money from Initial Coin Offerings, or ICOs.

# Why are Cryptocurrencies so Popular?

Cryptocurrencies are popular due to a number of reasons. Here are some common reasons for their popularity.

* Many cryptocurrency investors believe it to be the currency of the future. They are in a race to buy it now, before it becomes more valuable in future.
* Others support the fact that cryptocurrency removes the centralized role of banks in managing money supply, since they contribute in inflation and reducing the value of money.
* It is also because of the technology behind it, the blockchain. Its decentralized nature makes it more secure than conventional payments.

# Is it Good to Invest in Cryptocurrency?

Cryptocurrency does go up in value, but many investors believe it to be more of a speculation than real investment. The reason is that just like real currency, cryptocurrency does not generate cash flow on its own. To gain profits, one has to pay more for the currency than you. This is contrary to a business, which increases in value with time by growing cash flow and profitability of the operation.

However, unlike traditional money, cryptocurrency is highly volatile. This fact makes it a potential profitable investment. For instance, Bitcoin traded close to $20,000 in December 2017, but dropped to as low as $3,200 in a year. Again, by December 2020 and in early 2021, it was being traded at record levels of as high as $60,000.

# How Can I Buy Cryptocurrency?

Whereas some currencies like Bitcoin can be bought directly with US dollars, others require you to pay with bitcoin or any other cryptocurrency. For buying cryptocurrency, you will need to go to a crypto exchange such as Coinbase or Binance, and keep a crypto “wallet”, an online application that stores your currency. Bigger currencies such as Bitcoin and Ethereum can be bought with the help of a [credit card](http://www.cardzgroup.com/ContactSmartCard.html), and other smaller currencies can be exchanged or bought with these cryptocurrencies.

# Is it Legal to Buy Cryptocurrency?

Cryptocurrency is legal in most countries of the world, including USA. However, many countries have still not declared it as a legal currency. It is also important to protect yourself from scammers who are looking to cheat potential investors. Always be wary when trading.

# How Do I Ensure Safe Investment?

If you want to buy a cryptocurrency in an Initial Coin Offering, always read the fine print in the prospectus for specific information such as:

* Who is the owner of the company? A known or identifiable owner is a good sign.
* Who are the investors? Again, it is a good sign if well-known investors are investing in the currency.
* Is the currency already developed or is the company starting to raise money for developing it? A product that is already developed is less risky than one that has not yet started off with its foundation.

# Cryptocurrency Trading Steps

To buy and trade cryptocurrency, here are the following steps for beginners.

1. **Make a cryptocurrency account**

As a starter, you will need to make an account with a crypto brokerage such as coinbase or eToro. Provide all your personal identification information, similar to the process of opening account with a stock brokerage. It includes basic information such as name, date of birth, email address, identification number, etc.

1. **Put funds in your account**

Now that you have signed up, connect the brokerage either to your bank account, or fund USD through your credit card.

1. **Choose a cryptocurrency for investment**

If you have already researched on which crypto you want to buy, choose that currency and buy it through the funds in your account.

1. **Start Trading**

Once you have bought a number of currencies, you can now buy and sell them as their prices fluctuate. Trading requires experience and strategy, and you will need to spend time on understanding how the market works.

You can also store your cryptocurrency if you don’t intend to trade it often and want to hold it for a longer time period. In that case, you will require a secure digital wallet to keep your cryptocurrency.