



Crypto Meister

The Complete Step by Step Guide to Cryptocurrency Trading & Investing

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in Cryptocurrency Trading.

Learn How to Buy & Sell Bitcoin and Altcoins on the
Exchanges, Market Research & Analysis, ICO Investing, Risk
& Money Management & much more

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About CryptoMeister

Learn how to take your cryptocurrency trading to the next level!

CryptoMeister is a leading cryptocurrency trading and investing education provider. Our courses have been created by experts with real-world trading experience for both new traders and those with previous experience. With our cryptocurrency trading courses, you too can learn the basics of trading cryptocurrency and can confidently start trading alone.

Our Cryptocurrency Trading eBook is divided into eight key chapters. Each easy to follow chapter is further broken up into several learning sections. Regardless of where you are on your learning path, CryptoMeister strives to constantly develop the most comprehensive cryptocurrency trading courses available. We team up with industry pros, have expert instructors and perform constant market research to ensure our information is always up to date. We want to provide an authoritative voice on cryptocurrency trading that will help to increase the success rate in your trading career.

About the Author



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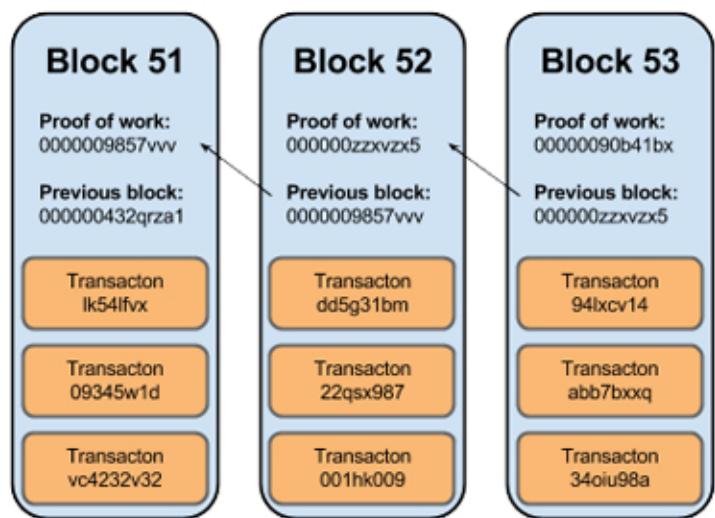
Aedan Kelly is a professional day trader with over six years of trading experience, with three years of cryptocurrency trading experience. Until 2014, Aedan worked full-time as a trainer for an HR firm, specializing in new employee education and integration. Aedan brings his skills as a professional trainer AND trader to CryptoMeister to make each lesson accessible to every trader – regardless of experience level.

Chapter 1: The Technology & The Coins

Overview

Blocks & Blockchains

Blocks are packages of data. The critical part to remember here is that these blocks carry permanently recorded data. As transactions happen, information for each one is collected, then validated by the network. Eventually, the data will reach a predetermined size and then combined into a block.



As these blocks are created, they don't continue to exist alone and separate. They become linked with other blocks; this is what is called a Blockchain. A blockchain itself is a file, a shared public journal or ledger of transactions, and acts as a historical record of those transactions – from the first block in the chain to the latest – continuously growing. A blockchain protocol runs on a P2P network of computers that all run the protocol and hold an identical copy of the ledger. While it is public and therefore everyone can inspect a blockchain, no single person can control it. It is cryptographically secured from being tampered with.

Cryptocurrency

Cryptocurrency has been given a few names: digital tokens or just tokens, digital assets, digital currency, virtual currency, digital coins, etc. Essential though, cryptocurrencies are just a type of digital asset used as a medium of exchange. They are all stored in a blockchain, each blockchain having its own digital coin. The original and most known cryptocurrency is Bitcoin. Altcoins are all other. Examples are Ether, Litecoin, Monero, Dash, Zcash, etc. and each one has their own properties and functions.

Historically, traditional currencies are backed by a physical commodity like gold or silver. 'Fiat' currencies, like the U.S. dollar, are legal tenders declared by governments that are based on the relationship between supply and demand and the credit of the economy. It doesn't have an intrinsic value itself as it is just paper money and physical coins made of low-value materials.

Because of blockchain technology and the way cryptocurrencies work, you are purchasing what could be considered a tech stock. The term cryptocurrency is from the combination of cryptography which is the practice of techniques for secure communication and currency which is money in any form. However, cryptocurrencies have more in common with stocks than they do with currencies.

The History of Blockchain Technology & Cryptocurrencies

Blockchains are a new technology that is made up of old technologies that have been in use for thousands of years. For example, using tokens, coins or bills that represent a value as a form of payment. Another essential part of this equation is cryptography and as mentioned previously is the practice of techniques for secure

communication but under the eye of third parties. Blockchains themselves are ledgers. Ledgers have been in use for thousands of years to record financial transactions.

The concept and the technology that is critical to the cryptocurrency market today were first introduced in the fall of 2008 in a whitepaper. It was initially part of a proposal for the now famous, Bitcoin, with the purpose of creating a peer to peer money transfer system without the need for banks.

In 2009, it was released as open-sourced software. As an interesting side note, the whitepaper was written under the name of Satoshi Nakamoto and to this date it is not known whom this person (or people are).

The blockchain technology innovation allowed Bitcoin to be considered the first digital currency to solve the double spending problem. Double-spending occurs when someone can easily lie about receiving currency and spend it twice with a very low chance of being caught.

In 2010, 'Nakamoto' who had been working with other open sourced developers on Bitcoin decided to step away from the project. Control was handed over to trusted and prominent Bitcoin core developers.

2011 saw the introduction of 'altcoins.' These coins are considered to be any cryptocurrency other than Bitcoin and are created from 'forks' of Bitcoin. A fork is when the developers of a cryptocurrency decide to change the programming of a coin. Ideally, this is done to upgrade the code of a specific coin to help it flourish. In 2011, these forks were created to introduce cryptocurrency alternatives to Bitcoin. Since then hundreds of new cryptocurrencies have been developed and are gaining market speed very quickly.

The Future of Blockchain & Cryptocurrencies

Government and Bank Adoption

The concept of the blockchain was created to solve the problem of digital trust. Many in the cryptocurrency space feel that this technology will allow our world to operate entirely online. They believe this because blockchain technology provides the ability to record information in an area that can't be removed and allows everyone to see changes that do occur. This makes the problem of deception and tampering more difficult. This is the one reason why many economic experts are beginning to speculate that world governments and big financial institutions will eventually create their own cryptocurrency or at least, incorporate aspects of the technology into fiat currencies.

Increased Competition

While Bitcoin and the second closest rival Ethereum (which is the platform Ether is used on) have proven they have staying power, the market and technology are continuously experiencing innovation. Expect to see potentially unknown coins become stronger as there is room for more competition even with the hundreds of cryptocurrencies already on the market.

ICOs Will Change How Companies Raise Capital

An ICO (Initial Coin Offering) is an unregulated means of crowdfunding. ICOs are becoming an attractive option of raising capital for startups, or even for more established companies. For example, there wouldn't be a need to personally find, meet and convince individual investors to invest in your business as anyone can participate as an ICO investor online.

Regulations Will Be Created

Right now, the cryptocurrency market is in an awkward growth stage and governments, banks and other officials are still trying to figure out how to handle this technology. Elena Kvochko, Chief Information Officer of the Security Division at Barclays, said that her bank had talks with regulators about Bitcoin, blockchains, and their ilk. The officials appear to be open to the idea as long as “know your customer” laws are obeyed, and countries are already coming with ways of accommodating the new technology.

The Market Will Become More Stable

Cryptocurrency prices can and do fluctuate, sometimes drastically. Bitcoin, the oldest of all the coins, has gradually become more stable over the years and so there is a reason to believe the rest of the market will as well. The case for this depends on whether a strong argument can be made that beats using traditional money. The hope is that as more and more of the world begins to interact with each other online, cryptocurrencies will be more of an attractive option because of their many benefits.

Cryptocurrencies Will Force Payment Processors to Improve

Payment processors such as Visa or Mastercard charge fees whenever you use your cards. It has been pointed out by Nicko van Someren, Chief Technology Officer of the Linux Foundation, that the charge exceeds the cost to clear or settle transactions. Should the world increase its adoption of cryptocurrencies, this could force these payment processors to become more competitive. These companies, as well as banks, would need to adjust their pricing closer to the real cost of handling transactions.

The Fundamentals of Cryptocurrency Trading

They are Irreversible - No Matter What

Once a transaction has been confirmed, it can't be changed; this is a crucial point to remember. If you sent your funds by accident, to the wrong person or worse, someone who has scammed you – there is no way to get them back.

Fast Transactions

Transactions happen fast – within minutes. No need to wait hours or even days. No matter where you are in the world, no matter how close or far you are to the person you are sending cryptocurrency to. Fast transactions combined with irreversibility means you need to pay attention to what you are doing.

Nobody Knows It's You

Back when cryptocurrency first started out, privacy and being anonymous was essential to early traders. Today, it's still common for traders to create aliases so that all the transactions, accounts, and stored data you have can't be tied to your real-world identity. This might sound a bit paranoid, but the system is set up to prevent identity theft. For example, credit cards use a 'pull method.' When you use your credit card to pay for something, you are giving that merchant the right to access your full credit. The merchant pulls the money from your credit card account. Cryptocurrency "pushes" the transaction instead, meaning you send the exact amount what you want to the recipient and they don't get access to any additional information.

Your Funds are Safer Than in a Bank

There is a very strong measure in place where your cryptocurrency funds are locked in. It's called a public key cryptography system which means only the owner of the private key can send the money. Remember the previous point – it's a "push" transaction, not a "pull."

Easy to Get Started

It is incredibly easy to get set up and start trading. You need some software, somewhere to store your money and a little knowledge. We will cover what you need in a later chapter. There are no special regulations or certifications. You don't have to report to anyone or ask permission. No one is watching you. It's just you and trading.

Controlled Supply Could Boost Value Over Time

The amount of most cryptocurrencies decreases over time. This is done by a special piece of source code that specifies how much can exist. This makes cryptocurrencies more like precious metals or limited non-renewable resources. Unlike traditional forms of money, where it is possible just to make more, that is impossible to do with cryptocurrencies.

Banks Can't Touch You

For those who worry about bank policies leading to future economic instability then trading in cryptocurrencies is a desirable option. Cryptocurrency trading happens entirely outside of any direct control of national banks. This also means that a bank can't freeze or seize your bank account for whatever reason. They can't reverse transactions. They can't touch your money. How is this possible? This is the case because the cryptocurrency ledger lives on a

decentralized network with identical copies existing in numerous locations globally.

Self-Interested Quality Control

Mining happens when transactions are verified and added to the blockchain. Mining is done by real people who use special software to ensure that all the transactions in a blockchain are indeed verified. They get compensated for this work. It is in their own self-interest financially to keep accurate, up-to-date transaction records. This process secures the integrity of the whole system and the value of the currency itself.

Lower Fees

Cryptocurrencies have numerous security features that ensure there are no acts of duplicating the digital funds. This eliminates the need for transactions fees to support third-party payment processors like a credit card company or PayPal who would typically charge to check those transactions. Miners take over this work and are compensated with new currency units and sometimes optional transaction fees.

Easy to Use

Using cryptocurrencies globally is easy. They are not tied to ever-changing rates or transaction fees. These funds can be exchanged and utilized internationally without experiencing the usual problems using different forms of currency between countries.

Understanding Cryptocurrencies

What Can You Do with Cryptocurrencies

You can purchase goods, services or trade for another type of money. Some colleges now accept Bitcoins as tuition fee payments. In 2013, The University of Nicosia, a private school in Cyprus, became the first university to accept Bitcoins. In 2014, New York-based, King's College became the first US school to accept the digital currency. Grocery stores, cafes, retail stores, travel agencies, insurance providers, even luxury car dealerships have all reported that they allow cryptocurrencies as forms of payment. Bitcoin ATMs are also being installed in popular urban centers. Other options to spend cryptocurrencies will be developed as the adoption rate increases around the world and cryptocurrencies become more mainstream.

Top 10 Cryptocurrencies



1 Bitcoin

Bitcoin is the first decentralized ledger currency, founded in 2009. Bitcoin was initially created to facilitate easier global transactions with low transaction fees that can be transferred almost instantly.

and were not controlled by any central financial authority.

The concern of scaling has always been an issue. For example, a transaction can take about 10 minutes to process, and as the network of users grow the wait times get longer, in comparison, Visa can process 1700 transactions per second.

Today, Bitcoin has become the most popular cryptocurrency with the highest market value. Bitcoin is leading the way for more mainstream vendors to adopt this form of currency for everyday type of purchases.

② Ether

Ether is the coin used by the Ethereum platform and is very different to Bitcoin and other altcoins. In fact, initially it wasn't designed to be a currency, it was designed to support smart contracts. The idea was that Ethereum miners would provide companies their processing power so that these companies wouldn't need to invest in additional servers. In this scenario, Ether is used to be a form of payment on a platform.

③ Ripple

The initial release date for Ripple was in 2012, and it was created for peer to peer debit transfers. It is the third most popular cryptocurrency in terms of market value as of the September 2017. Bitcoin's primary purpose is to be a payment method while Ether is meant to be used for smart contracts. Ripple also has a different use. It has become a decentralized solution for financial institutions and acts as both a cryptocurrency and a digital payment network. This situation developed because a wide range of financial institutions began to take notice that the technology eliminates

delays, confirms that a settlement has taken place in real time (about 4 seconds), and can sustain 1000 transactions per seconds while Bitcoin is only averaging 3 to 4.

4 Bitcoin Cash

On August 1st, 2017 Bitcoin forked, and created Bitcoin Cash. This fork was started by Bitcoin miners and developers who were concerned about Bitcoins ability to scale. Bitcoin Cash implemented an increased block size as well as other measures to speed up the verification process regardless of the number of miners supporting it. While these changes have raised concerned about security, it has not prevented this cryptocurrency from quickly rising up the market ranks.

5 Litecoin

Litecoin was released on October 7th, 2011 by Charlie Lee, a former Google employee. It was a fork from Bitcoin and in many ways technically nearly identical. This peer to peer cryptocurrency that is also open source and completely decentralized was created to solve some of Bitcoin's problems. Litecoin has faster transaction confirmation times, better storage efficiency and almost zero payment costs.

6 Dash

In January 2014, Dash was released as XCoin and a little more than a month later the name was changed to Darkcoin. In March of 2015, it was renamed again to Dash - a blend between 'Digital' and 'Cash'. Dash is a bitcoin-based currency that features instant transactions, private transactions and is decentralized. Its goal is to become the most user-friendly and on-chain-scalable cryptocurrency in the world.

7 NEM

Back in its first inception of NEM, the goal was to create a community-oriented cryptocurrency from scratch. This was a big undertaking and had its challenges. Eventually, a stable version of NEM launched on March 31, 2015. NEM's platform has many beneficial services such as like payments, asset making, and messaging.

8 IOTA

IOTA is considered to be the first blockchain free cryptocurrency and instead uses what is known as the Tangle ledger. It has some very unusual characteristics such as not being able to be mined, the number of coins issues is strictly defined, and it is impossible to issue new coins above the preset ones. However, the developers have said this new technology has solved the common problems of Blockchain such as centralization of control, obsolete cryptography, inability to conduct micropayments, partition intolerance, scalability limits, high requirements for hardware as well as others.

9 NEO

Neo is often referred to as "Chinese Ethereum" and is the first decentralized, open-source cryptocurrency in China. In late September 2017, China announced a ban on ICOs which affected Neo but the price eventually corrected itself.

10 Monero

Monero (originally BitMonero) was created in April 2014 and focuses on privacy, decentralization, and scalability. It runs on Windows, Mac, Linux, Android, and FreeBSD. Monero developers believe it is superior to Bitcoin because of its mining algorithm,

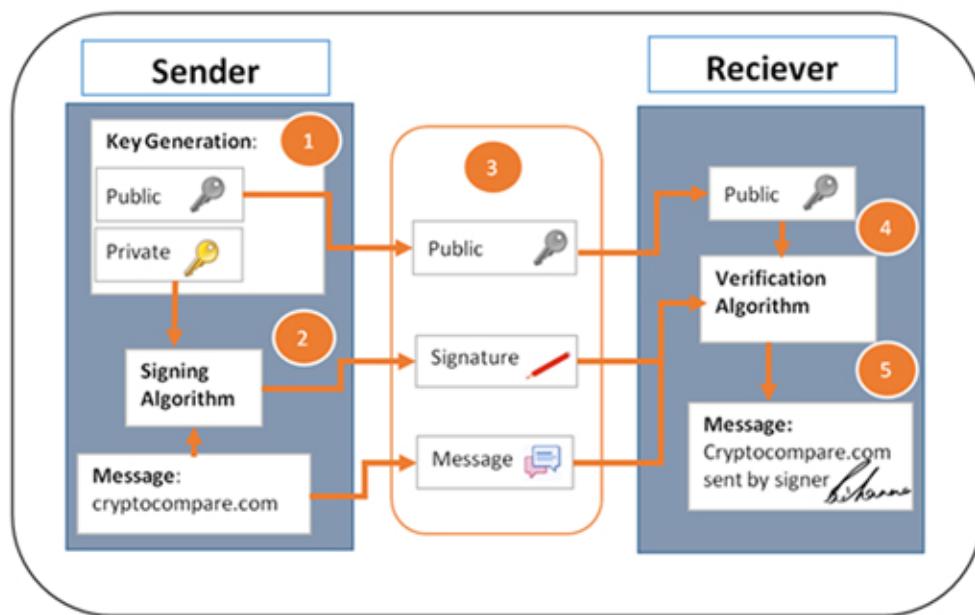
adaptive block limit, strong privacy controls and the quality of their overall development and research teams.

Chapter 2:

The Wallets & The Exchanges

What is a Cryptocurrency Wallet?

In the world of cryptocurrency trading, you are your bank. To start trading in cryptocurrencies the first item you will need is a wallet. Wallets are software programs that store keys, both public and private. Wallets interact with various blockchains to allow users to send and receive cryptocurrency and check their balances. You can think of your wallet like it's your bank account.



Keep in mind that a wallet doesn't store any physical coins. The only two functions of your wallet are to keep your private keys safe and to connect to your coins blockchain. Private keys allow for the movement of funds to other traders and provide the ability to withdraw from your cryptocurrency account. A public key is also used in transactions and is needed to receive cryptocurrency to your wallet.

How Do They Work?

Cryptocurrency wallets function very differently from traditional wallets, so people tend to get a bit confused how they work. As mentioned before, they don't store your coins. They aren't located anywhere physically. Remember, all the records in cryptocurrency trading is being recording and stored on the blockchain of the cryptocurrency you are trading in. Here is the overall process of a transaction:

1. Someone sends you a type of digital currency
2. By doing so, they are giving you ownership of the coins to your wallet's address
3. To get access to those coins, your wallet's private key must match the public address those coins were given
4. If the keys match, you get your coins in your wallet, and the coins in the sender's wallet will decrease.

The only proof this happened is the transaction record that gets added to the blockchain and obviously, extra coins in your wallet.

Things to Consider When Choosing a Wallet

Compatibility

Not all wallets support all currencies. It's common for cryptocurrencies to offer their own wallets. Make sure your wallet is compatible with the coin (or coins) you want to trade in.

Single or Multi Coin Trader

There are hundreds of coins to choose from, each very unique in framework and purpose than the other. You may choose to just focus on one coin, Bitcoin is the most popular for example, or you

may be interested in trying out a few options. If this is the case, there are wallets available that allow for multi-currency use.

Wallet Privacy

This is a tricky area. Your wallet won't be linked to your real identity; it gets an alias. However, as mentioned before, all transactions are stored on the blockchain. They are by the very nature of the blockchain technology and purpose – permanent and public.

Technically your wallet address could be traced to your real-life identity although this is unlikely. Don't worry; there are projects underway to increase privacy and move toward full anonymity.

Accessibility & Usage

There are different types of wallets which we will be discussing in an upcoming section. How you want to use your wallet will affect which wallet you will want to use. You may even want to consider multiple wallet types; dividing your coins into more than one is considered safer. Some common situations:

- If you intend on making everyday purchases that are small and frequent, then consider an online or software wallet. Just put the amount you will need on this wallet and keep the rest in a more secure option like a hardware wallet.
- If you plan on saving up and making infrequent larger transactions than a hardware wallet is a better fit.
- If you plan on playing on a cryptocurrency exchange, then use an online wallet. Be careful though and only put the amount you are planning to trade with on this wallet.

- Is saving your style and you just need storage? Hardware or paper is what you will be using.

Security

The security of your wallets depends on the type of wallet you choose. Online wallets have proven to be the most vulnerable wallet option because the data is stored on a web server. You can be exposed to vulnerabilities which can be exploited by hackers trying to steal your funds. Offline wallets aren't connected to an online network, so this isn't an issue for this type of wallet.

Regardless of the type of wallet you choose, you must take steps to protect yourself and your money. Remember, your private keys are unique to you, and if someone else should get them, they will have access to all the coins associated with that key. There is no way around the problem of losing your keys. If you lose your keys, you lose your money so be careful who you send money to. If made by error, you get hacked or scammed there is no way to reverse the transaction. Again, the blockchain technology prides itself on being tamper proof and permanent.

Additional Security Measures:

- Store only small amounts online for everyday use, keep the rest in a more secure wallet
- Back up your wallet with what is considered cold or offline storage options which will allow you to recover your wallet if it is lost, stolen or there is a computer failure
- Regularly update your wallet software, your computer and mobile device; you need to ensure all your devices have the latest security upgrades

- Set long and complex passwords – don't forget to make sure a password is needed to withdraw funds
- Research your wallet options and choose those that have a solid reputation and provide extra security such as two-factor authentication

Types of Cryptocurrency Wallets

Cold or Hot

Classifying wallets can be confusing as there are groups within groups and the information changes as the technology does. The first classification is whether a wallet is 'cold' or 'hot.' A cold wallet is considered the safest because it is not connected to the internet. Typically, you would store the bulk of your coins in a cold wallet. A hot wallet is the opposite. It is either connected to the internet or is located on it. These transactions happen much faster as being online makes your coins accessible so you would typically use a hot wallet for everyday use.

Software Wallets

Software wallets basically mean that wallet software needs to be installed on your computer or mobile device. Software wallets are the most common type and are both considered to be Hot wallets. In this scenario, the software will store your private key directly onto the device. There are differences and similarities between desktop and mobile options which we will cover.



Desktop

Desktop wallets require you to download software onto your computer or laptop, and they are considered to be a 'Hot Wallet.' They are only accessible from the device that has this software. A desktop wallet is easy to use and considered safer than online or mobile wallets. This entirely depends though on your online security habits. Should your computer get hacked, receive a virus or is damaged enough, you could potentially lose all of your cryptocurrency. Make regular backups of your wallet and store them on a different device to help offset the security issues.



Mobile

Just like desktop wallets, mobile wallets require you to install an application on your phone. Due to the limited space on a typical mobile device, these wallets tend to be smaller and simpler than their desktop versions. However, mobile wallets allow you to use it anywhere that you go and can provide extra features that online wallets don't have. Never keep all your cryptocurrency on your mobile device as it is too easy to lose, just like a traditional wallet.

Pros of Software Wallets

- Easy to use
- Your keys are stored in your device, not on a 3rd party server
- Mobile versions are more practical for everyday use
- More secure than online wallets
- Data is available at the user's own computer or mobile device
- Easier to backup yourself
- You have control over your cryptocurrency

Cons of Software Wallets

- Wallet is lost if device is lost, stole or seriously damaged
- Desktop wallet can only be accessed at its physical location
- Hackers can hack the computer or mobile and gain access to wallet

Popular Choices

Mobile	Desktop	Both
BreadWallet Mycelium.com	Electrum.org Bitcoin Core Armory Exodus.io	Copay.io Jaxx.io

Online

Online (or web) wallets are also considered 'hot wallets.' They are the most user-friendly of all wallets and just require access to a web browser on any device that is connected to the internet. The most important point to remember is that while they may be the easiest to use, they are also considered the least secure. Online wallets

store your private keys on a server and are controlled by a third party. We strongly recommend not storing the majority of your coins on an online wallet. Online exchanges and wallets are extremely attractive to hackers.

Pros of Online Wallets

- Easy to use and set up
- Accessible from any internet connected device
- Online wallets are usually linked with cryptocurrency exchanges online
- Fastest way to complete transactions
- Ideal for holding small amounts of cryptocurrency

Cons of Online Wallets

- Your private keys are on a third party server
- More prone to hackers, malware, keyloggers, phishing scams and viruses
- Prone to technical glitches
- You have no full control over your coins; the website can limit or suspend your account whenever they want and for whatever reason

Popular Choices

- [Blockchain.info](https://blockchain.info)
- [Coinbase.com](https://coinbase.com)

Exchanges like [Bittrex.com](https://bittrex.com) or [QuadrigaCX](https://quadrigacx.com), and online wallets like [Coins.ph](https://coins.ph) and [GreenAddress](https://greenaddress.it)

Hardware

A hardware wallet is a special type of wallet that differs from software wallets in that they store a user's private keys on a physical device. They are considered to be cold storage or a cold wallet. You are required to install an application on a computer or mobile phone. You need to then connect it to a physical device that looks similar to a USB when making transactions. Using a hardware wallet for transactions is a simple process: You plug it in, enter a pin, send the currency, confirm and then pull it out to store away when you are done. Your private keys (and money) are now stored offline in the device itself making it harder to get viruses, malware, and attacks from hackers.



Pros of Hardware wallets

- Overall better security than other wallet types
- Back up options and password protection are available
- Some devices come with screens eliminating the need to use a computer to back up your keys at all
- Depending on the hardware wallet you decide to use they can support different currencies
- Excellent for storing large amounts of cryptocurrency
- Very portable

Cons of Hardware Wallets

- Less user-friendly than web/online or desktop wallets but easier to use than paper
- You must purchase the device first, and they are often sold out
- Due to their small size, they can be lost or damaged

Popular Choices

- [Ledgerwallet.com](https://www.ledgerwallet.com)
- [Bitcointrezor.com](https://www.bitcointrezor.com)
- [Keepkey.com](https://www.keepkey.com)

Paper

The most basic form of cold storage is the paper wallet. It was also the standard form of cold storage before the hardware wallet. They are easy to use and are the most hacker proof of all cryptocurrency wallets because your coin data isn't stored on any device. A paper wallet simply refers to a literal physical copy or printout of your public and private keys. This usually involves using paper wallet software to generate the keys and then a printer. The document that you print usually has a QR code on it so it can be easily scanned to make a transaction. To transfer coins to your paper wallet, you transfer the funds from your software wallet to the public key in your paper wallet; either by scanning the QR code or manually entering the private keys. To transfer coins from your paper wallet, you do the reverse. This process is called 'sweeping.'



Pros of Paper wallet

- More control on your wallet
- More secure than online and software wallets because both the private and public keys are printed on a piece of paper
- Can be stored and taken care of without internet connection
- One of the most hacker-proof crypto wallet choices
- Not stored on a computer
- Private keys not stored on a third-party server

Cons of Paper wallet

- Can get damaged with time
- If the paper is lost or destroyed, the user will never be able to access their address where the funds are
- Multiple copies to prevent damage make it more prone to being stolen
- More effort required to move cryptocurrencies around

Popular Choices

- Most software and online wallets have this option
- If not, try out BitAddress.org and BitCoinPaperWallet

Where to Buy Cryptocurrencies

After you've chosen the wallet that suits your needs, the next step is to buy your first cryptocurrency. You can pay for your first coins with credit cards, cash, PayPal or bank transfers. Watch out; each has their own issues that you need to be aware of. Credit cards come with high fees, and PayPal has transaction limits. Cash won't get you the best exchange rates and bank transfers are the slowest of all options.

Where you can buy them is another subject altogether. There are a few options that you can use, some depend on where you live:

- **Cryptocurrency exchanges:** We will cover exchanges in this section.
- **Bitcoin ATMs:** These are ATMs located in public places and allow you to use regular currency to buy bitcoins. You need a wallet first to transfer the coins.
- **Voucher Cards:** These are slowly gaining popularity, you may even be able to buy them at regular stores in your area. They look like a gift card, are loaded like one, and you can redeem them online.
- **Direct Trading:** This is done directly on a peer to peer platform, there are no exchanges here that act as 'middlemen.'

Cryptocurrency Exchanges

What is a Cryptocurrency Exchange?

A cryptocurrency exchange is a website where you can buy, sell or exchange digital currencies. You have the option of trading between different crypto coins or for traditional fiat money like US dollars. Everyone trades together regardless of your experience

level.

Types of Exchanges

① Cryptocurrency Exchanges/Trading Platform:

As mentioned earlier there are online sites that connect buyers and sellers. This type of exchange is like a traditional stock exchange. Traders make transactions based on the current cryptocurrency market price; the exchange acts as the intermediary and charges a fee for every transaction. Some exchanges allow you to convert your regular fiat money into cryptocurrency, eliminating the need to go elsewhere to buy your initial coins.

② Direct Trading:

Direct trading platforms allow people to directly trade with another person. These platforms still charge a fee for each transaction. The major difference here is that the sellers set their own exchange rate and don't use a fixed market price.

③ Cryptocurrency Brokers:

These websites allow anyone to buy and sell cryptocurrencies at a price set by the broker. Usually, this is the market price plus a small premium, very similar to 3rd part exchange brokers at airports.

How to Pick Between Exchanges

Where you are located: Some exchanges will limit what you can do on their platform depending on where you are in relation to them. You may have partial use out of the exchange or full. This information is easily found and should be used first to narrow your

list of options down.

Has a solid and well-known reputation: There is a lot of information online about exchanges so be careful where you get yours. Try to get information from multiple sources to compare like industry websites, review sites, news and individual users. Make sure to look at the most recent data you can find as this industry is rapidly changing.

Shop around based on exchange rates: The exchange rates between exchanges can vary quite a bit so look at this early in your research.

Open about fees: Fees can be very different between exchanges so don't assume there is a standard. If the fee information about deposits, transactions and withdrawals aren't clearly outlined- don't pick that exchange. Make sure you fully understand what you are reading, no need to rush, take your time to research your options.

Available payment options: The popular exchanges will offer the most payment options, credit card, debit card, wire transfer or PayPal. An exchange may or may not work for you if there are fewer options. Remember the drawbacks to each payment method mentioned earlier in this chapter.

Privacy: This is a big issue for some traders who prefer to remain completely anonymous. Many trading platforms require ID verification. However, verifying the identities of traders does decrease the likelihood of illegal activity on the exchanges.

Exchange Reviews

Coinbase

Coinbase is an all in one cryptocurrency wallet-exchange-broker hybrid service that makes it easy to securely buy, use, store and trade digital currency. It is considered to be one of the most popular and well-known exchanges in the world. Coinbase traders can purchase Bitcoins, Ether (Ethereum) and now Litecoins through a digital wallet. For more advanced users, Coinbase has another product called GDAX which is an exchange for more advanced users wanting to trade in the same three currencies.

Pros:

- Good reputation
- High level of security
- Reasonable fees
- Very beginner friendly
- Mobile app is available
- Can purchase coins through credit card or bank wire
- Stored currency is covered by Coinbase insurance

Cons:

- Customer support service
- Limited payment methods
- Limited countries supported

Kraken

While Kraken is a US-based exchange and trading platform, it also operates in Europe. One main drawback is that you can only use

bank transfers to purchase Bitcoins. This platform, however, does allow you to trade from bitcoins to other popular fiat currencies and cryptocurrencies. Kraken is considered a better option for those who are more experienced and comfortable in trading.

Pros:

- Good reputation
- Decent exchange rates
- Low transaction fees
- Minimal deposit fees
- Great user support
- Secure
- Supported worldwide
- In general, follows regulatory guidelines

Cons:

- Limited payment methods
- Not suitable for beginners
- Unintuitive user interface
- Can't operate in every state in the United States; if you live in a state or country with strict rules Coinbase might be an option

How to Trade Cryptocurrencies

Cryptocurrency vs. Forex

The foreign exchange is also known as the Forex. This is where all the world's foreign currencies are traded on a decentralized global market. Both the Forex and cryptocurrency markets are influenced by supply and demand. The cryptocurrency market is structured to work identically like stock market trading with extreme price swings, stop-loss protections, profit objective orders and volatility that comes with currency speculation in the Forex.

There are few differences between cryptocurrency trading and Forex trading. The biggest difference that sets these two markets apart is most cryptocurrencies have a limited supply. New supply is added at a predetermined and decreasing rate. Another difference is the size of the markets. Forex is estimated at 5 trillion while the cryptocurrency market is younger and smaller at 3 billion. A crypto coin's value is heavily influenced by the cryptocurrency eco-system while the Forex is influenced by the economics of the individual countries that are being traded. And finally, cryptocurrency can be traded all day, every day while the Forex is only open all day for five days.

How to Buy & Sell Cryptocurrencies

Now that you have a better understanding of the structure of the cryptocurrency market, it is time to review the general process to

buying and selling cryptocurrencies.

Should You Buy Bitcoins or Altcoins

Bitcoins are a popular option for starting out in cryptocurrency investing and trading. Although at this stage while they are high priced, they are also the most stable cryptocurrency. Bitcoins are available on most if not all the crypto exchanges operating today. In Europe, you can use Bitcoin.de and Kraken. In the USA, Coinbase is a popular choice, and in Asian, there is OKCoin and BitFlyer. These are only some of the options you have available to you.

Altcoins are defined as any cryptocurrency that is not Bitcoin. There are hundreds and hundreds of altcoins. They are considered riskier, but there are a few options that have risen in the market. These are more stable and are still at a lower price per unit than Bitcoin making them an ideal entry coin for traders. If you would like to trade in an altcoin, there are plenty of exchanges that offer alternative coins to Bitcoin. Some strictly will sell a specific altcoin, some will trade a few, and a few of the bigger ones will trade them all. There are literally hundreds of altcoins in the market so you may have to search for the best exchange that trades in the coins you want.

During that search, consider where you live as that will play a role in which exchange you can use. In the USA, there is a limited number of exchanges that are allowed for example. It is better to try and select an exchange that is as close to your geographic location as possible. If that isn't an option, choose an exchange based in a country with a strong legal system. This practice increases your chances of being able to retrieve your money if you fall victim to illegal trading activities. The size of the exchange also will have an impact. The larger the exchange, the easier it will be to acquire the

coins you want in the amounts you want. Smaller exchanges will have limited supplies, and it may take longer to reach your trading goals. Many of the altcoins exchanges are smaller and aren't regulated or poorly regulated so do your research on the reputation a particular altcoin exchange before you decide to use it. Some exchanges have gone bankrupt with little notice, leaving investors in the cold.

Buying Now or Later?

Cryptocurrency markets are volatile; this can't be repeated enough. While it can make for stressful trades, this is a good characteristic for traders trying to get into the market. The market is prone to bubbles that can come and go rapidly. The worst time to buy in would be at the peak of a bubble and the best time would be when the price is stable and at a lower level. As a rule, you shouldn't compare cryptocurrency bubbles to that of traditional market bubbles. Remember there is more volatility with cryptocurrencies. A small percentage may mean a bubble in the Forex, but that is considered general daily volatility in the crypto market. A bubble at 1,000% is more common with cryptocurrencies, but again, there is no guarantee it won't continue to grow. Figuring out if a bubble is at its peak or the crash is at its lowest is the challenge. Watch the coins you have chosen for a while to learn their patterns. Just like the Forex, the cryptocurrency market will show trends and patterns. In a later chapter, we cover fundamental and technical analysis techniques that can help you decide when to buy and sell.

Simple Steps to Trading

Any exchange you choose should have step by step instructions to guide you through their interface. The bigger exchanges many even offer instructional screenshots or videos. To get the overall idea, in

this section we will cover the general steps to buying and selling Bitcoins. These are also the same steps you would follow for all cryptocurrencies.

Step 1: Choose Your Wallet

If it hasn't been made clear yet, let's repeat another important lesson – never leave a third party in charge of your coins. Specifically, this means getting your own wallet and managing your keys. Crypto coins require two kinds of keys or addresses to be stored and traded. These are your public keys and your private keys. A public key is used for incoming deposits and sales. It is a unique set of numbers or a QR code that you show people for them to send you cryptocurrency. A private key is used for outgoing withdrawals and payments. This is the most important key because it shows the entire blockchain what you have in your wallet. It also provides access to everything in your wallet. If someone, get access to this key they can withdraw whatever they want. The safest route is to store your keys and most of your coins you aren't using on a daily basis in an offline or cold storage wallet. A paper wallet is an example of this. You can transfer what you want to trade to an online wallet when you need it.

Step 2: Buy Your First Coin

To start trading, first, you need coins. Starting off with Bitcoins is the easiest option then you can trade your Bitcoins for other cryptocurrencies on the exchange. You can also purchase popular cryptocurrencies directly on some of the major exchanges with fiat money as they also act as brokers. Coinbase is a very straightforward and popular exchange and broker to buy coins with fiat money.

Step 3: Picking Your Exchange

The exchange or broker you use to buy your first coins with the fiat currency of your choice doesn't have to be the one you trade on. In a previous section, we covered several exchange options that you can start your cryptocurrency trading journey with. You will need to set up an account, and this may require ID verification. This step helps ensure fraud or other illegal activities are kept to a minimum and that there is a greater chance of legal repercussions. While ID verification might make some of you uncomfortable because you want to retain your privacy, this measure is in use to help protect you. If you still aren't comfortable with this process, you still have the option of using a platform that allows for direct trading with other users. Each side sets their price, and the price isn't based on the underlying market. However, if you decide to use an exchange, the verification process can take a couple of days. Once this is complete, you will send some of your Bitcoins to the exchange so that you can use them to purchase your altcoins. These will be stored in an exchange wallet and are ready to be used in trading. The exchange will keep track of your balances, and they also provide charts and other analysis tools you can use to make smarter trades. Please remember to not keep the bulk of your coins in these hot wallets. Exchange wallets are considered the easiest for hackers to break into.

Step 4: Entering Your Bid

Entering your bid is the same as buying coins. It is a simple process. You will find the exchanges order book and what the current asking price is for your chosen coin. If you set your bid (buy order) for a higher price than the seller's price (lowest ask), your order will be filled quickly. If this isn't the case, you will need to wait longer for your order. Once someone accepts your bid, the order is filled, and

your chosen coin will be transferred to your exchange wallet.

Step 5: Sell Your Coin

Selling your coin is also referred to as 'setting an ask.' There are three scenarios where you will typically want to sell your coin. If your coin has gone up in price to where you wanted to sell it, it's fallen in price, and you want out before it goes lower, or you want to cash out and convert your coins into fiat currency. To do any of these three, you need to set an ask. Here, you set a price which you would like your trade to happen at. You can sell one coin at a time, or you can do what most do, sell a batch. When a buyer accepts your ask price, the trade will be completed, and again your coins will end up in your exchange wallet. The actual process of buying and selling is that simple.

Mining Cryptocurrency

What is Mining?

Mining is the process of authenticating cryptocurrency transactions in its ledger. Your computer ends up being an all day, everyday computer accountant verifying transactions. Every cryptocurrency has its own ledger that has a record of every transaction from the very first to the most recent. Every time a new transaction happens, it will need to be added to the cryptocurrency ledger or blockchain. Transactions are then added up until there is enough to reach what is known as block status. Then this block is sent off to miners.

This process happens on many mining computers, all connected to a single peer to peer network. Miners use special hardware, software and data keys called 'nonces' to encrypt the block of data into a 'hash.' A hash is an identification sequence that includes all the block data. This sequence is added to the block which authenticates it. Then the block is officially added to the blockchain. It is now part of the permanent history of this cryptocurrency. To encourage people to willingly verify the network, miners get reimbursed for their efforts with cryptocurrency when they complete a block. Payment comes in the form of crypto coins and how much depends on the coin you are mining.

Things to Consider Before Mining

Initial & Ongoing Financial Investment:

To be able to mine you will need to have a computer system powerful enough to handle the task. Whoever verifies the block first gets payment, so the better your system is at outperforming slower miners, the more you will make. You will also need to pay to upgrade your equipment regularly. Competition is fierce for some coins, and people are constantly updating their equipment. This includes your software, wallet, and hardware. Stay on top of mining news and never feel like you can't change your mind about the coins you are mining.

Time Commitment:

Mining is not a casual task. If you aren't technically inclined you will need to learn about hardware, the specific software your chosen coin will need, encryption, and be willing to monitor the conditions of the market for the coin you are mining.

Bitcoin vs. Altcoins:

Bitcoins have become very difficult to mine for individual miners. Entire mining pools have been created for the sole purpose of mining Bitcoins, and the difficulty level of Bitcoin has surpassed what an individual miner can achieve. The hardware cost alone could prove to be too much. You do have the option of mining an altcoin though such as Litecoin. The difficulty level, hardware requirements, and power consumption usage are generally less and the payouts high enough that it is worth the effort. Choose wisely; there may be significantly fewer transactions for less popular coins. Do your research to see what coin is worth the effort.

Mining Pools

If you still hope to mine Bitcoins or aren't quite ready to mine alone

then joining a mining pool is the recommended path to take. When mining solo, payments are only awarded when you are the first to validate a block or whatever other milestone that coin has. If you aren't the first, your efforts go unrewarded. If you are competing alone against stronger mining computers, you may never receive a payment. This is where mining pools come in. Users band together to mine as a group, and all payments are divided amongst the group. It is split based on how much computer power you have been contributing. As you can see, this increases your chances of payouts.

Generally, each altcoin has different mining pools. Some pools will actually switch between currencies based on that coin's position in the market. To find a pool, you can find the community site for the coin you are interested in places like Reddit. When deciding which pool to join there are some important questions you need to have answered. How long have they been in existence? What fees do they charge? Do they divide coins by computer power or another measure? On average how often do they find blocks? What are the reviews saying about them? What ways can you withdraw?

What You Need to Get Started

What you need to get started might vary between coins but let's assume you would like to start mining an altcoin such as Litecoins. Here is a general list of what you will need to acquire to make that happen after we cover a few of these requirements in a little more detail.

- ① **A wallet:** This is a password-protected container that stores your currency.
- ② **Mining software:** This is free, and for Litecoin you will need

CGminer and Stratum.

- ③ **Mining pool acceptance:** Assuming you would like to join a pool, which is recommended for beginners; working together increases your chances of earning coins.
- ④ **Register with a cryptocurrency exchange:** This is where you will trade your mined coins into another cryptocurrency or fiat money; not all exchanges accept all cryptocurrency types and/or exchange for fiat money.
- ⑤ **The best internet you can afford:** You will need a reliable full time and fast connection speed. If you live in an area where this is difficult, mining might not be possible for you.
- ⑥ **A cool space:** Your machine will give off heat, and this could be a lot in some cases. You will need a spot in a cool basement or other constantly air-conditioned space to help keep your system from overheating.
- ⑦ **Your mining computer:** Yes, you can use your regular computer to start mining, but you won't be able to do anything else on it while you are mining. Instead, use a dedicated desktop or custom-built computer to mining. Forget trying to use a laptop, tablet, cellphone or game console to mine. They aren't powerful enough to be effective.
- ⑧ **A GPU or ASIC Chip:** A GPU is a graphics processing unit, and an ASIC chip is a special processing device used specifically for mining. This is where your pocketbook is going to take a hit. The cost will be anywhere from \$90 used to \$3000 new for each GPU or ASIC chip. The GPU or ASIC will take care of the processes needed in mining validation. With the growing popularity of mining, there

been supply shortages of both so you might not be able to find either to purchase.

- 9 **A fan:** Like we mentioned before mining generates a lot of physical heat. You will need a strong fan to constantly blow air across your computer. If you can manage to get a case with multiple heavy-duty fans built in that would be a bonus.
- 10 **Time:** This isn't something that you set up to run on your computer, and you step away. The best miners spend hours every week constantly learning about ongoing technology improvements and how they can improve their mining performance.

The Hardware

Let's dive a little deeper on the topic of mining hardware. You will need to decide whether you are going to use a CPU miner or a GPU miner. Some mining software is specifically designed to use your computer processor (CPU), and others are meant to your computers graphics processor (GPU).

It is true that GPU miners are more efficient than CPU miners but only if you have a discrete graphics card. Many places will recommend that you use AMD cards for altcoin mining. Be aware that supplies might be limited, and these prices might have increased dramatically because of this detail. If you are planning to mine on a less powerful computer with integrated graphics, then use a CPU miner. You are going to need to watch the heat and power usage from either setup. There are diagnostic tools available specifically to monitor common mining issues like those.

ASIC boards are meant to mine Bitcoin primarily because many altcoins use a different mining algorithm called 'scrypt' that isn't

compatible with ASIC boards. So, unless you plan on taking on the challenge to mine Bitcoins, stick to a GPU or CPU.

Your Wallet

In a previous section we covered all the different types of wallets, you can purchase to use to store cryptocurrencies. They all come with different features, including amount limits and payment frequencies. If you don't have a wallet, then it best to review the types that are better for mining. It isn't uncommon for traders and miners to have more than one type that they use. Learn how to use them before starting to mine and ensure that you know your keys and they are kept safe!

The Software

It's time to choose the mining software that best suits your needs, and there are many options to choose from. This software should allow you to control your mining process as well as check out your mining computer to make sure it is all running at optimal levels. For those with a background in computer technology, it will seem familiar as some features are like overclocking a processor. If you don't have much experience in this area, then [GUIMiner](#) might be a good choice for you. It has a very easy interface to learn. If you have more experience, you can try out [50Miner](#) or [BFGMiner](#). For those of you on Mac computer, you aren't excluded, try [MacMiner](#).

Trading Strategies

To start trading, every person needs to think about what their trading style is. From there you can narrow down some common strategies that suite your style and then with experience, build on them. There are some general factors to consider when you are trying to narrow down what style fits you best such as: how much money you have to work with, the amount of time you have available to devote to trading, the level of trading experience you have, and your level of risk tolerance.

Some strategies require more time than others. Passive traders can spend a few hours a week on their investments or even step away completely by handing the work over to a cryptocurrency broker. Scalp trading which is a short-term strategy requires a full-time commitment and every minute of a trading session is spent actively managing trades. You also don't have to stick to one specific type. You may decide that you are comfortable using more than one style. In this section, we will go over both active and passive strategies.

The Active Trader

The active trader is focused on short-term financial gain. They typically don't hold individual currencies for long, so they don't need to consider long-term trends. However, it is critical these types of traders spend a considerable amount of time using charts, researching and staying on top of the news in the market to understand what will happen in the short term.

The Passive Trader

A passive trader is more interested in investing for the long-term and relies on the age-old thinking that markets eventually always go up. Active trading requires constant commitment, but a passive trader doesn't want to spend their free time studying the markets, trends and other factors that can influence the cryptocurrency market. Instead, they create a plan, do their initial research, invest, then sit back and wait – only monitoring occasionally. As long as their coins don't decrease in value to a certain level they have predetermined, they will leave their investments alone. This is a strategy for those with patience, are not aggressive and not looking for quick returns.

Why would a person want to use this long-term strategy in a quickly changing market like cryptocurrencies? The main advantage is that over the long term if they manage their portfolio well and keep a level head, there are greater opportunities for profit. The key is to set a balance. You shouldn't completely ignore your portfolio; you need to periodically re-evaluate the performance and consider long-term market trends. But also, don't get in the habit of constantly checking your progress. This market dives and soars drastically in sometimes short periods of time. You may become uneasy with the constant changes and sell at the wrong point; abandoning your long-term plan for short-term gains that are far less.

Active Trading Strategies

At this point, you may be forming an idea of whether you lean toward being an active trader or a passive one. Keep in mind; you don't need to be one or the other. You may choose to invest in some coins for the long term and have a smaller portion to use in an

active trading strategy. For active trading, there are typically four common types of strategies. Swing trading is short-term with a holding period of a few days to a few weeks. Day trading is an aggressive form of short-term trading and only should last the day. Nothing should be active overnight. Scalp trading is by far the shortest term trading style; you could possibly hold a coin for only a few seconds to a few minutes. Let's go over some trading strategies for both active and passive traders, then you can decide.

Day Trading

This is the most well-known form of active trading and involves buying and selling crypto coins on the same day, never overnight. Decisions are usually based on technical analysis, not fundamental analysis which is what passive traders would look at first. These types of traders have the potential to make or lose coins quickly. They attempt to profit from the daily price changes of a specific coin they are trading in by making multiple trades throughout the day, usually in batches. Note, this is a strategy for those who have some experience in the market. You will need to devote almost fulltime hours to this task due to the time needed to research the factors that influence the market, perform the proper analysis in short periods of time and immediately be aware of any interruptions like power outages.

Swing Trading

A swing trader takes advantage of price swings that are short-term but last a few days to a few weeks. Unlike day trading, you would hold your coins overnight during this time. When a swing trader can see a trend forming or breaking, they will set up their trades and get into position just before it is predicted to happen. Swing traders create a set of rules based on both forms of analysis - technical and

fundamental. These rules are designed to help the trader better pinpoint when to buy and sell. Swing traders can work effectively in both upward and downward trending markets, but a sideways market is risky for them. This style doesn't always require constant attention like a day trader would need to. So those individuals who are comfortable performing analysis, are good at spotting trends and have the part-time hours to devote to trading do well with this style.

Scalping

Scalping is the fastest paced strategy of all active trading. It involves making hundreds of trades per day to take advantage of small price differences usually between the bid and ask prices. This works by buying at the bid price and selling at the asking price to receive the difference between the two price points. Scalpers ideally don't want to stay in these positions long as it greatly increases their risk if they do. They also don't try this strategy with large volumes or differences in price. They focus specifically on small moves with small volumes but more frequently. Using this strategy means that their profit per trade is small so they focus on more in demand coins that will trade more often than lesser known cryptocurrencies. This strategy is considered very risky because you are relying on winning a lot of trades that give you enough profit. Precision and constant attention are required for this trading strategy as only one or two wrong moves can wipe out all your profit for the day.

Position Trading

Position trading is sometimes considered to be a passive buy and hold strategy and not part of active trading. However, there is a difference between the two. The typical buy and hold strategy only involves hold trades for very long periods of time and therefore

profiting from the belief the market always rises. Position traders can use both long and short-term strategies. Position traders use longer-term charts with other analytic methods to identify trends in the market. Depending on the trend, this type of trade could last days, weeks and sometimes longer which is why it often gets confused as a passive trading strategy. These trend traders look for trend signals like higher highs and lower lows. Once a trend is found they will position themselves to jump on once the trend has established itself and when the trend ends they will exit. This way they benefit from both the up and downside of the trend movement. However, when the market is very volatile, as in the case with many of the altcoins, this style of trading is difficult to pull off, and profits are lower.

An Active Strategy to Avoid: The Pump and Dump

A 'Pump and Dump' is a scam strategy that is illegal in any market. However, a cryptocurrency market is especially vulnerable to them because it is hard to enforce the law on a decentralized network. A pump and dump scam require two groups of people. The scammers buy a large amount of a cheaper coin over a period than as a group, increases the price by promoting it. As excitement around the coin builds, the soon to be victims, buy this coin believing that an upward trend is developing. Trading volume increases and the value of that coin goes up. Once the coin reaches the point the scammers desire, they sell all their coins. Everyone else who sees this often panics and begins to sell, sending the coin crashing downwards. Often everyone else but the scammers lose.

How to Detect a Potential Pump and Dump

There are a few signs that a coin is going to be used in a pump and dump scheme. You may notice the price is falling and there will be

little rises each time a scammer buys. They do this to load up on the cheap coin without anyone noticing. Once they have reached their desired amount of coins, the promoting beings. They will use several different accounts to do this, and there may be a large group of individuals involved. They will head over to forums and other public places within the cryptocurrency community and heavily talk up their coin. They continue to do this until there is enough momentum and people start buying. This feeds the lies the scammers are telling everyone and drives the price up. Once it is high enough they will sell small amounts of coins as fast as they can without impacting price. You will see a greater number of buy transactions than sell, but the sell transactions will be small and consistent. These are indications a pump and dump scam is happening.

Passive Trading Strategies

The Buy and Hold

A buy and hold strategy is the epitome of a passive trading strategy and involves holding cryptocurrencies for long periods of time. This is often why this is considered to be investing rather than trading. As the cryptocurrency market matures this could eventually mean holding for decades just like in traditional investing. This way the buy and hold investor can ride out the many rounds of market volatility which can be very severe with cryptocurrencies. You will rely heavily on fundamental analysis and on occasion, technical analysis to confirm your choices. There are a few steps involved in this strategy.

First, you need to determine your investment objectives, timeframe and risk tolerance. Ask yourself, are you saving for a big purchase? Will you need the money sooner rather than later? Perhaps you

would like your crypto coins to be part of your retirement portfolio along with your other mainstream investments. Where you are at in your life plays a part in this as well. The younger you are, the greater risk you can tolerate, and you can focus on growth. If you are older, you will have less tolerance for risk and may want to focus on being able to draw coins to supplement your income.

Second, you need to choose your cryptocurrency mix. You will want to eventually not have all your money tied up in one type of cryptocurrency. Diversifying allows you to protect your overall portfolio. You may want to have a larger portion of your money in coins that have proven themselves such as Bitcoins, Ether, and Litecoin. Then have a smaller portion in younger coins that are doing well in the market. Finally, you may be interested in investing a very small amount in an ICO or newly released coin with no market history.

The final point is that you should invest regularly and remember to review your portfolio at least annually to rebalance if needed. As you gain experience and understand the market more, you can choose to invest additional money into cryptocurrencies to build your portfolio. You will be able to have bigger gains and therefore meet your investment goals within your timeline. Once a year, you will review your objections, the performance of your portfolio and adjust as needed depending on your life circumstances. You might even consider doing this on a semi-annual basis when you first start to ensure that you have made the right selections with your crypto coins.

Emergency Tactics

Any trader, regardless of their skill level, is capable of losing all of

their profits they have earned their entire trading career in just one or two bad trades. If you are considering using some of the active trading strategies we have reviewed in this eBook then understanding your options to minimize risk is critical.

Stop-Loss & Take-Profit

Using stop-loss and take-profit points are two ways to plan ahead in your cryptocurrency trading. These are the two best ways to remove emotion from active trading which is the main reason people lose out. They allow fear or overconfidence to rule their trading decisions. Fear will make you hold on to coins longer than you should, losing more than you needed to. Greed and overconfidence will make you hold on to coins trying to get more profit, which usually means you will only sell when the price begins to fall.

A stop-loss point is the price you are willing to sell at and take a loss on the trade. This could happen for many reasons, in the end, the coin didn't perform as you hoped, and a stop-loss will prevent you from holding onto a bad coin. A take-profit point is the price you are willing to sell a coin and take a profit. This limits you from holding on too long as mentioned before.

Setting Stop-Loss Points

To set your stop-loss and take-profit points, you will need to use both technical and fundamental analysis. Moving averages which are covered in a later chapter are the most popular way to set these points since they are easy to calculate and widely used. You will apply them to your coins chart in a charting platform of your choice and use the key moving averages of 5, 9, 20, 50, 100 and 200-day averages. Then you will be able to see if your coin has reacted to any of these points as either a support or resistance level.

The Final Step: Calculating Expected Return

In order to use stop-loss and take-profit points, you will have to calculate the expected return. The formula used is: [(profitability of gain) x (take profit % gain)] + [(profitability of loss) x (stop loss % loss)]. This formula calculates the expected return for that particular coin. This formula is very important to use as it will help you think your trades through, allow you to compare coins and select that ones that make the most profit.

Short Selling

Short selling allows you to borrow a cryptocurrency from a person or organization and sell it at the current market prices. You receive money to then buy the cryptocurrency back at a later date. Bitcoins are the most common coin used for this type of activity. The trick here is that you need to buy the same currency back when it is lower than you purchased. This will allow you to repay what you borrowed and still have a profit. Let's run through a simplified example. You borrow one bitcoin and sell it when the unit price is \$3,000 on the market. You now have \$3,000 in your wallet. You wait until the unit price dips to \$2,000, buy the coin back that you owed, return the Bitcoin back to the borrower and you keep the profit of \$1,000.

Understand the Risks

This method of trading sounds appealing and an easy way to recover losses you have already incurred or make large profits quickly. Which it can, however, it is considered a high-risk trading style. If you are new to trading, you may want to wait until you become more familiar with the cryptocurrency market before attempting this trading method. With normal trading, you only can lose what you put in, but in short selling, your losses can go beyond

what you initially have put into the market. If you don't read or time the market right, your coin might go up rather than go down when it is time for you to buy. Let's use the previous example to illustrate this problem. As before you bought one bitcoin and sold it when it was \$3,000. You received the \$3,000 in your wallet. You wait for the price to go down but instead, it goes up to \$4,000. If the borrower calls the loan now and you must invest another \$1,000 in order to buy the coin to return to the borrower.

In short selling, the borrower can call the loan at any time, and they are required only to give you short notice. This means they may do this before the price drops! Make sure you read any regulations or guidelines for covering any coins you short sell. Only invest if you are very confident the prices will drop and if you have the money to cover any losses.

Still Interested in Short Selling?

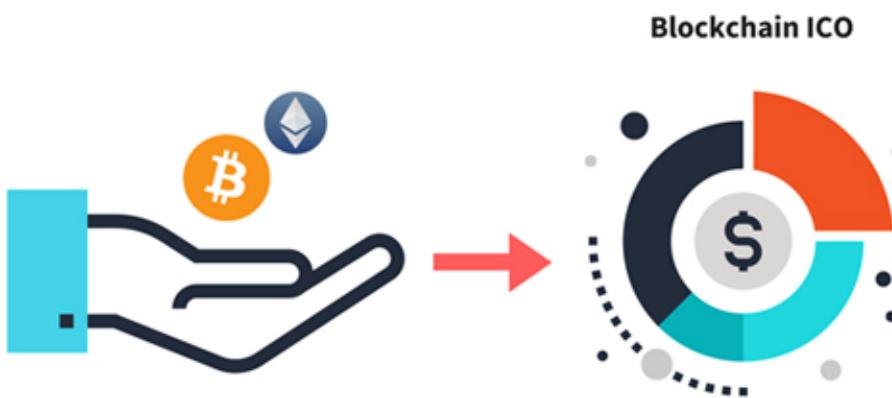
If you are confident in your skills, then you can try short selling with Bitcoins. There are trading agencies and platforms that will sell Bitcoins from their own supply. CFD (Contract for Difference) trading platforms will allow short selling, Bitcoin exchanges like Kraken offer this option as well. Pick a borrower with a good reputation and manage your coins well.

Chapter 6:

ICO's (Initial Coin Offering)

What are ICO's

An Initial coin offering (ICO) is a type of crowdfunding or crowd investing tool using cryptocurrency and most are done completely on top of the Ethereum blockchain. By using a smart contract, Ether or Bitcoin is collected and is exchanged for the new type of token. The process takes place entirely P2P without any exchanges or brokers. It is commonly used as a source of capital for start-up companies and to fund the development of new cryptocurrencies. Companies can presell units of the new cryptocurrency or tokens in exchange for already established cryptocurrencies like Bitcoin and Ether.



The campaign process usually starts off with the presentation of a whitepaper. This whitepaper provides all the key information such as the business model details, the technical specifications of the project, the project timeline, the target budget where they detail how the future funds will be used and finally distribution. Distribution is a key area to include in your research as it tells you

about the available token supply and how many coins the team intends to keep for themselves.

The Short History of ICOs

Initial coin offerings are still a new concept, however, on August 7th, 2017 CNBC reported that initial coin offerings have raised \$1.2 billion and now surpass early-stage venture capital funding for internet companies. This is an impressive achievement considering the first possible ICO was for Ripple in early 2013, and in late 2013, Mastercoin ran their own ICO campaign. The Ethereum project broke all crowdfunding records to date in 2014 within a 4 week period. The Ethereum blockchain has come to play a very important part in the gaining popularity of ICOs as its platform has simplified the process of issuing tokens. This technology can be directly related to the recording break ICOs that have occurred in 2016 and 2017 – the most notable was when a project called The DAO which was able to raise \$150 million.

CIO VS Crowdfunding VS IPO

ICOs have common traits with both crowdfunding and IPOs to which they are often compared. While they do share traits, they end up being more a hybrid.

ICOs and IPOs (Initial Public Offering) both offer their investors potential future profit but also potential risk and failure. An IPO will sell a stake in the actual company so that investors have a portion of ownership. Most ICOs to date haven't sold what are called tokens that act as a stake in the platforms. The only exception to that rule was in 2016 when the DAO campaign offered tokens that were attached to voting rights.

Also, an ICO is supported by those who want to invest early in a product or service that hasn't been launched yet. This makes them different from IPOs and more like crowdfunding campaigns. Then again, crowdfunding usually is based on donations while investors in an ICO hope to gain a return on their investment. ICOs are therefore a mix between a donation and investment.

Law & Regulations

ICOs are still largely unregulated, and this is a dangerous situation for investors who lack education. Circumstances are changing rapidly because of the extreme success of ICOs like The DAO bringing ICOs and the cryptocurrency market into the light. There are geographic areas where they are regulated similarly to that of share and securities sales although enforcement is still a challenge. Standards, regulations, and laws may help to protect both investors and entrepreneurs. However, it will most likely come with some negatives such as the cost and effort to meet compliance could reduce the advantages of an ICO over regular funding options.

ICO Types

Due to the lack of regulations mentioned above, developers and startup companies can run ICOs in any way they choose. This has lead to a variety of different approaches on how campaigns are run and makes it very difficult to cover each situation. Some common types of pricing have begun to rise above the rest. We will review these options.

Price will increase: The ICO is set up to run in stages, and the exchange rate for tokens is increased with time. Early investors who took the biggest risk get the best price per coin ratio.

Price will decrease: The Gnosis team introduced the Dutch auction method where the sale starts at the highest price per token and is lowered until there are enough bids to sell all tokens. All the tokens are then sold at that price.

Price is fixed: In this scenario, all tokens are sold at the same fixed price. Investors find this an appealing method because large investments will not generally influence the price. After the offering ends, it is not unusual for there to be a period where the investors are not allowed to transfer their coins. After this cooling off period, exchanges can list the token and have other people trade it at market price.

Price is not determined: This happens when the development team or start-up company decide not to sell at a fixed price. Instead, they collect whatever amount investors choose and at the end distribute new tokens in proportion to the amount given by each investor.

Researching ICOs

The Whitepaper

Instead of a traditional business plan or formal prospectus, ICOs use technical white papers. A well written ICO whitepaper will tell you a good deal of the information you need to know before investing. They should cover how the platform will work, the potential uses, the ICO pricing structure, the development plans using the ICO proceeds, etc.

The Website

Whether it is a landing page or a full website, every ICO will have some sort of official online presence. Don't be fooled by a flashy layout and smooth marketing language – they mean very little to your research. If a coin or ICO website/landing page easily provides you with a good deal of information to answer your questions in a straightforward manner – that is a good sign. They should provide access to their whitepaper and could have other useful links to supporting information. But if you leave feeling confused and/or not having learned very much, beware.

Social Media, Discussion Boards & News

The cryptocurrency market and ICOs are becoming a very popular everyday topic. You should be able to easily find information, people's opinions, expert reviews, etc. on a variety of different online channels. Reddit and other cryptocurrency forums are an excellent way to discuss amongst enthusiasts, especially if you are a new trader. You will find plenty of individuals who can answer questions that you may have or share information that you may have missed. Try to see if the ICO has any social media channels running or if they show up in any themselves. The more active they are on social media, promoting and keeping the public aware of their developments, the better it is for investor confidence and research potential.

ICO Rating Websites

ICO rating websites are a very good resource to be able to compare different ICOs, read ICO news, become aware of any alerts or cautions and finally, to find ICOs to participate in. Here are a few options to get you started listed:

- [Coin Schedule](#): A little overwhelming when you first visit but this site provides solid analysis on current and upcoming ICOs
- [Smith and Crown](#): A curated list of ICOs as well as current market information on established cryptocurrencies
- [ICO List](#): A popular international ICO site that categorizes its information by ICOs that are over, starting soon and ongoing
- [Token Market](#): This site not only includes information about ICOs but about already established coins as well
- [Sense Token](#): Shows countdowns for upcoming ICOs and a wealth of other information like whitepapers, videos, alerts you should be aware of, etc.

ICO & Coin Rating Checklist

Here is a compiled list of questions you should gather information on when performing your market research. These questions apply in both situations – deciding on an ICO to participate in or on an already established coin in the market.

- **Does the coin have a clear objective?** A coin needs to clearly state its purpose since not all coins are meant to act like a traditional currency.
- **Does it solve a real problem or have a strong use?** The more common a problem or greater the impact of the problem the coin solves, the better value the coin will have. If the coin is the first of its kind and has a strong use, then it will have a strong advantage over the competition.

- **Is the info provided full of fluff?** When you do your research, can you get to the facts or is it full of hype? The more marketing jargon designed to sell you typically means you should probably stay away. If you can only find a website or landing page, you should avoid this opportunity.
- **How does the whitepaper read?** Is it well written and structured? Does it handle well against experts' opinions? Does it explain the technology in depth? The stronger the whitepaper, the more confidence potential investors will have, and better the coin will perform in the market.
- **Who is backing the project?** If the project was and/or is still backed by prominent investors, then the coin will appear to be more credible.
- **What is the Consensus Mechanism of the coin?** This is how changes to the decentralized systems are decided upon. Common examples are Proof-of-Work or Proof-of-Stake. It is very good to know how the coin works.
- **Is the coin centralized or decentralized?** This is a basic but important to know how the network is structured. Cryptocurrencies are meant to be decentralized in nature. However, centralized coins do have their own advantages.
- **Is there a development plan?** You can gauge the development team's commitment by whether or not there is a clear timeline for the development of a coin.
- **How much money has the ICO raised and how much was spent?** Any financial info on spending habits will show you a great deal about the team behind the coin.

- **How different is it from the nearest competitor?** If the coins are all the same, there is little incentive to try something new.
- **How strong is the target market?** Coins that appeal to small niche groups won't be strong in the market. The group needs to be large enough to support growth but still well defined.
- **Any legal barriers?** This technology is new and always changing. The legal and government bodies are still trying to catch up. So, you need to make sure there are no issues with the coins you choose.
- **Founding Team Members?** The success of a coin depends largely on the core founding team. This is important regardless if you are looking at an ICO or a more established coin.
- **Are they actively communicating?** The more open a team behind a coin is, the more they appear to be committed and the larger their desire to succeed appears. Do they openly talk about their development progress and stick to that timeline or is everyone pretty much in the dark?
- **How many coins will there ever be?** Many coins have a finite supply, and this makes a coin have a stronger value. All coins with defined supplies have that information posted someplace. Usually, you can find out how big the total supply is and how much has been released so far.
- **How many of those coins have been given to the founding team?** The higher the percent of coins given to the team, the worse it looks. Also, if most of the coins are owned by a few people, then this is a bad indication as well. These individuals can easily manipulate market price.

- **What is the market capitalization of the coin?** This is easily found online on many exchange sites and is the measure of the coin's value.

ICO Launch & Participation

Let's look at the entire ICO process. In this section, we will cover what needs to be done by the ICO team and you; from when the ICO is announced all the way to when you cash out.

ICO Team: The Announcement

Announcements usually take place within cryptocurrency investment communities such as Bitcoin Talk, Reddit, and similar sites. The project team usually give a presentation typically on the purpose of the ICO project along with a whitepaper, other documentation, timelines, goals and any other information a potential investor might need to evaluate the opportunity. Then the team makes themselves available to receive any questions or comments that the community might have.

ICO Team: The Offer

After the announcement, adjustments based on the community's feedback are made to finalize the business model and whitepaper with further details. This is a very important step as ICOs happen before a project is completed; making it crucial that the team is transparent and thorough with their documentation, so investors trust the ICO. An offer proposal is created and includes all the details and terms of a project such as desired investment amount, project deadlines, etc. The financial instrument is always in the form of tokens. At this point, the start date of ICO sale is announced and marketing kicks in to target smaller investors.

You the Trader: Register with a Cryptocurrency Exchange

Your first task to participate in an ICO is to buy cryptocurrencies that you will use to purchase the ICO tokens. Again, this is usually Ether or Bitcoin. ICOs don't accept fiat currency. The recommended way to purchase enough Bitcoins or Ether is through an online exchange. You will want to do this well before the start date of an ICO sale as the registration process can take a few days. Once that is done, simply transfer money from your bank account to your cryptocurrency exchange account. For those who either don't have bank accounts, credit cards or would rather not use their ID in this process, you can still buy Bitcoin/Ether from a crypto ATM, or you can try a peer 2 peer exchange and trade locally.

You the Trader: Exchange Traditional Money for Bitcoin or Ether

Assuming you decide to use an exchange and not some other method of obtaining your cryptocurrency, the process is simple. Using your registered account, you exchange your fiat currency like USD or EUR for the cryptocurrency you want to buy which take a few seconds. Exchanges typically provide you with an online wallet when you register so that is where your new cryptocurrency will show up. However, don't keep a large amount of money in this wallet as online exchanges are targets for hackers and these hackers have been successful in the past. Instead, you will be transferring your new cryptocurrency money to a more secure wallet.

You the Trader: Set Up Your Wallet & Transfer Your Coins

Security is the main reason you shouldn't keep most of your cryptocurrencies in an exchange wallet when you are normally

trading. Participating in an ICO is another one. Unless the exchange you used clearly stated that its wallet can participate in the ICO, you will need to use another wallet or you won't be able to access your new ICO tokens. It is very difficult, if not impossible, to get your tokens from an unapproved exchange wallet since many exchanges are overloaded with requests or won't allow it under their general 'terms of use.'

Most ICOs happen on the Ethereum network, and so you will likely need to acquire an Ethereum wallet. Sometimes an ICO will recommend a type of wallet because not every wallet is a good choice to use when participating in an ICO. One example of an ICO suitable wallet is MyEtherWallet. This is a website that allows you to create, send and receive Ether but you keep control over your private keys. You can generate a wallet and then protect it with your own passwords. You get a downloadable file with a public-private key pair. To send Ether, all you need to do is upload the file and provide the password.

ICO Team: The Launch

The official start date of the ICO sale or launch date is when cryptocurrency tokens are made available. The preferred currency to purchase ICO tokens is usually Ether or Bitcoin. The ICO company will provide a method to buy the tokens on the launch date which was outlined in the offer. ICOs usually last at least a few weeks but can be open-ended with no end date. The project will try to raise as much money as possible but a good practice to look for is when an ICO places a cap on the total amount raised. Once they have reached their target, the project can continue.

You the Trader: Time to Buy

If you haven't for some reason already, you need to make sure you read the token purchase agreement and the general terms of the ICO that was covered earlier. You will have access to step by step instructions on how to participate from the ICO team which will make the process easier for you. Other useful tips are: make sure you convert the ICO start time to your time zone if the ICO starts by time, watch the ICO news online just in case there are issues, and an ICO might start by block number so check out the Ethereum [block explorer](#) to monitor that. When the token sale starts, you will have to send the Ether payment to the address specified by the team.

ICO Team: The Close

An ICO usually closes once the investment cap is reached. ICO tokens can be listed on cryptocurrency exchanges once the ICO is complete and the project is launched. Note, that there may be a mandatory cooling off period right after tokens are released to investors. During this cooling off period, you will not be able to trade. Once this period is done, you are free to trade them for other cryptocurrencies or back into a fiat currency.

You the Trader: Cash Out & Secure Your Tokens

Once you have received your tokens in the wallet you set up for the ICO, you will need to transfer them to a more secure wallet. You will need a bit of extra Ether in your wallet to pay for the usual wallet to wallet transaction costs.

Chapter 7:

Analysis & Indicators

Fundamental Analysis

In the traditional investments world, fundamental analysis involves evaluating the financial health and viability of a company using its financial statements in order to figure out its true value. This doesn't work for cryptocurrencies since there are no financial statements. At its core, it focuses on solving the question of "WHY" the price is moving in the market the way it is and helps us anticipate future prices. In order to do that we look at the basic drivers of any economic situation – supply and demand.

Demand

Several factors affect the demand of a cryptocurrency such as user adoption, trading, and transaction activity levels. User adoption is perhaps the strongest factor in determining a cryptocurrency future. Bitcoin, the original cryptocurrency, is the highest used of all coins. It is becoming more mainstream every day. Other rivals such as Ether from Ethereum also have a strong adoption rate.

Trust is another demand driver. This might be the trust in the coin's security, the strength of its blockchain, ability to hold its value, the commitment of the development team, etc. If the market feels any of these are threatened in any way, the value will go down. Government involvement has also gone a long way to increase the trust level of these digital coins. There hasn't been as much resistance as speculators original thought there would be, partially

since these large institutions see value in blockchain technology.

Speculators make up a strong driving force in determining value on an asset. Since there are always new updates, developments, ICOs and regulation changes, speculation is constantly happening and shifting. This is one reason for the high volatility of the cryptocurrency markets, often soaring one day and swinging down to crash in a few short days.

Supply

Determining demand for a cryptocurrency is complicated by its very nature. However, it's that nature that makes the study of supply simpler. A cryptocurrency usually has limits on its total supply and even on the rate of when new coins are released. These limits are built into the code itself and can't be changed. The total supply amount can be found through research online easily, as well as information on when supplies will run out. However, there are the cases of 'dead' coins. These are coins that haven't moved in a long time for whatever reason perhaps because a wallet was damaged or keys were lost.

Other Indicators that Determine the Optimal Price of a Coin

The optimal price of a coin is determined by several important factors other than supply and demand such as the blockchain difficulty level, media influence, innovation, etc. Let's go into detail on some of these key factors.

Energy Usage

You might be surprised to learn that the required electricity needed

plays a large role in mining. This is because the energy required to secure blockchains can be very high. Proof of Work (POW) blockchains which are the most common and also require the most energy. To put this into perspective, the amount of energy required to manage the Bitcoin blockchain is equal to the amount a small country would use in a year. This puts a strain on the resources of miners, an integral part of the cryptocurrency market.

Difficulty Level

Mining difficulty refers to the measure of how difficult it is to find a hash below a given target. Blocks must have a hash below a pre-set target to be considered valid. The perceived value of a cryptocurrency will increase the more secure a blockchain is and the higher the mining difficulty. It also increases the energy usage needed and makes it more difficult to get coins through mining.

Utility

The use of a cryptocurrency also plays a role in its value. If it doesn't have a strong use, like acting as a form of currency (Bitcoin) or to execute smart contracts (Ether on Ethereum), then there will be lower perceived value.

Public and Media Perception

Cryptocurrency has had its share of both positive and negative public perceptions. The media has played its role in reporting these positive and negative developments which are to be expected. People can react positively to the innovations that come from this new technology. They can react strongly to the often volatile nature of the cryptocurrency market. It also has had some negative associations with illegal activities. There have been hacks to major

exchanges that have affected the coins as well. These types of situations can have a huge impact on the price of a coin or the entire market.

Bitcoin's Health

Bitcoin is the oldest and strongest of all cryptocurrencies. It is perceived to be almost like a 'reserve currency.' When the price of Bitcoin fluctuates, it often influences the price of all other currencies.

Investors

Investors have more of an effect on coin prices than you might think. For example, when an investor or small group of investors buy a large percentage of a coin's supply, they can spark an upward movement of the coins market price. The ability to affect a coin's price this way is especially true when investors buy large amounts of smaller, lesser-known cryptocurrencies. It is true; some investors might do this to try then to 'pump' the price and then 'dump' their coins for a greater return – an act that is illegal. However, changes in prices because of their large investment can be accidental as well. When investors, particularly well-known ones, make a large investment in a small coin, this can provide others with the confidence to also buy. This increases demand and therefore the price of the coin.

Scams

Unfortunately, there have been cases where cryptocurrencies have been developed as a scam. This usually takes the form of heavy marketing efforts promising the next big technology but little development facts to support the claims. In these situations, it is

typical that the developers ‘premine’ the coin supply before being released. They hold a large amount of its supply, and after the coin is valued, they sell their coins. The dump into the market will crash the value for any other investors. These scammers will have a large sum of money for their efforts. As mentioned before, this ‘pump and dump’ strategy is considered illegal. Sadly, it is difficult to prosecute them as the law has not caught up with cryptocurrency markets fully throughout the world.

Market Dilution

More and more new cryptocurrencies are entering the market at a rapid pace. Many of these are heavily based on the Bitcoin source code, don’t offer any new innovations or have little to no practical utility. This market dilution makes it increasingly difficult for promising altcoins to compete.

Innovation

Bitcoin gave us blockchains, Ether is used with smart contracts, Peercoin uses a combination of both POS and POW systems. Despite market dilution, coins do come out with new innovations in technology. It doesn’t guarantee a currency will become strong in the market, but it does affect the price.

The Law and Government

In some countries, cryptocurrencies are banned while in others they are being integrated into society. For example, in the fall of 2017, both South Korea and China banned ICOs because of investment practice concerns. The laws and tax policies surrounding cryptocurrencies are being formed at a rapid pace in hopes of keeping up with the growing market. However, due to the limited

ability to control cryptocurrency by the very nature of its network, law and rules can't always be enforced.

Instability

This is a new type of financial market which means that there will be and is instability. The price of a coin can change rapidly, especially when you consider all the factors that have been covered in this section. This does make investing in cryptocurrency riskier. However, volatility is decreasing over time. Always make sure you properly research your options and know your limits before investing.

Bear & Bull Markets

The term bear and bull markets originally were used in relation to the stock market, but the same principals of these trends can be applied to the cryptocurrency market. An easy way to remember the difference between the two is by the animals they refer to. A bull will move its' horns upwards to attack while a bear will swipe down with its' paws. If the market shows neither pattern, it is a sideways market, and it is best to delay any transactions until a direction begins to show. However, it can be difficult to predict when trends will shift because both trends are based on the emotions and speculative opinions of traders and experts.

Bear Markets

A bear or bearish market is one that is showing lower highs and lower lows. For example, let's say the price of cryptocurrencies fall because of strict regulations from a large government body. The market sees this, their trust begins to waver, and some begin to sell. This continues as the markets dip more and traders anticipate

continued losses.

There is a difference between a bear market and just a correction. A correction is often short-lived, lasting fewer than two months. Corrections are a positive situation, allowing investors to buy into the market at a discount price. However, bear markets are the opposite. There can be no guarantee when the losses will stop and where the bottom might end up.

Bull Markets

A bull or bullish market is when the market is showing higher highs and higher lows. Bull markets are created by high optimism, confidence and increased trust that values will hold or increase. A bull market is a good indication of a strong and growing economy. In the case of cryptocurrencies, improvements in technology, increased adoption rates and positive changes in regulations can be triggers.

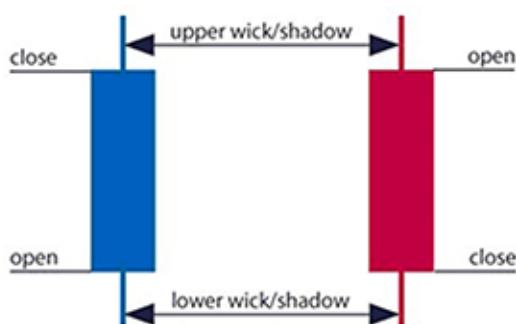
Technical Analysis

Technical analysis is the study of historical price movement by using charts and graphs. The goal is to be able to identify patterns, and price patterns tend to repeat themselves in the markets. This form of analysis along with fundamental analysis will help you make better predictions and become a stronger trader.

Whenever we are using technical analysis, we are using a variety of charts that measure different aspects of the price movement. We refer to these charts as technical indicators or indicators. There are dozens of indicators that you can use whenever you're trading. Each of these indicators will have at least one strategy that you can apply to anticipate the future price action.

To access the indicators, we will need to use a charting system that will allow us to look at a variety of indicators and even change some of the parameters of the charts to personalize our analysis to the type of trades that we will execute. Some of the popular charting systems are MetaTrader, FreeStockCharts, or NetDania. Each of these platforms has a slightly different layout and offers different features. Most of the websites are either free or offer a free version that will allow you to decide which one suits you and your trading style. Some examples of technical analysis indicators are RSI, moving averages and, candlesticks. We will be reviewing these and others in this chapter.

Candle Sticks



The most important technical indicator that any new cryptocurrency trader should learn is the Japanese Candlestick chart. It's a technical indicator that was developed in Japan by rice traders in the 17th century to monitor the rice trade. Most of the technical indicators that you will learn in the future will fit perfectly on top of the Japanese candlestick chart. In fact, it is highly recommended that you learn 2 to 3 other technical indicators. When combined, you will be able to make wiser trading decisions.

Anatomy of a Candlestick Chart

The chart itself works on an X (horizontal) and Y (vertical) axis. The X-axis shows us the time that has passed up until the present time, and the Y shows us the price of the coin. The candlesticks exist between the two as colored blocks. Depending on the charting system you use, the blocks could be red and green, or other charts use red and blue. Some of the blocks will be long, some will be short, some will have lines coming out of the top and bottom of them and others will have no lines at all. Alone, a candlestick doesn't offer much information. The more candlesticks you have, the more you can analyze how the candlesticks interact with each other, and that will allow you to understand better how the price will move in the future.

The body of the candlestick represents a period of time and are colored to show us which direction the price moved. Depending on the time frame that you have set your charting system to, each candlestick could represent a variety of time periods.

The color of the candlestick will let us know whether the price went UP or DOWN during the period. Different charting systems can show different candlestick colors. If it's a blue or green candlestick, this means that the price moved up for that period of time. If we have a red candlestick, it's just the opposite. It means that the price is moving down for that time period.

The top and bottom of a candlestick have their meanings too. The top of a red candlestick shows us what the price was whenever the candlestick started. The bottom of a red candlestick shows us where the price stopped. For a blue or green candlestick, it's the opposite.

Shadows or wicks of candlesticks are the lines that come out of the top and bottom. They show us the full price movement during the candlestick's time period as the price constantly moves in the

market. For example, if you see a red candlestick with a line coming out of the top of it, it means that the price moved higher than where that candlestick started during its time period. If you see a wick coming out of the bottom of the candlestick, it just means that the price went lower than where it closed during that time period. The same holds true for blue and green candles.

Using Candlesticks to Analyze Trends

When looking at a candlestick chart, you are trying to see a pattern where the price is clearly moving in one direction for a period of time. You can spot a trend when a series of candlesticks are traveling in a direction. Therefore analyzing just a handful of candlesticks isn't very helpful. Trends can be done in an hour or last months. There are upward trends where buyers are in control of the markets, and the price is moving in a general upwards direction. There are also downward trends where the sellers are in control of the market, and the price is moving in a general downward direction.

Fibonacci Retracements

A Fibonacci retrace is a tool used in technical analysis. This tool refers to areas on charts that show expected areas of support and resistance; when the price of a coin stops going lower that is the support level and when the price stops going higher that is the resistance level. This is useful information because it can identify the best places for price targets, stop losses and other transactions.



Areas of support and resistance are visually represented by horizontal lines at key Fibonacci levels. These levels are created by drawing a trendline between the highest and lowest price of a period. The tool will then divide the vertical distance by key Fibonacci ratios of 23.6%, 38.2%, 50%, 61.8% and 100%. These ratios are mathematically significant numbers that occur in nature and often for some reason in financial markets. Historically, after a significant price movement up or down in the market, the new support and resistance levels are often at or near these lines.

These levels don't move with the chart as moving averages would. This allows traders to better predict and react to the market when price levels are tested. These ratio levels show places where it is usually expected that the market will struggle then fall lower or break to a new height.

The most significant Fibonacci retracement level to watch for is the 0.618. This is the inverse of the golden ratio, 1.618 or phi. The 0.618 retracement level tends to be the maximum pullback zone where fear climaxes as the final sellers throw in the towel and bargain hunters rush into the stock to resume the uptrend. On downtrends, the 0.618 price level should be where the final buyers are exhausted as sellers take the opportunity to unload their positions and short-sellers jump off the fence to push down the price and resume the downtrend.

Fibonacci retracement levels can be used as triggers for buy order or drawbacks in an uptrend. In a down trending market, you can use these levels to short sell. As mentioned before, use more than 2 to 3 indicators to strengthen your predictions. For example, a 200-day moving average that overlaps with a retracement level would indicate an even stronger support or resistance point. Tip: Always look at the 0.618/61.85 level as it is the most important one. This is

where the market tends to bounce back out of fear.

MACD Indicators

MACD stands for 'moving average convergence divergence.' It shows the relationship between two moving averages of prices. While the name may sound complicated, it is simple to use. MACD is popular because of its ability to help quickly spot increasing short-term momentum which is helpful when creating your short-term strategies.



The MACD is calculated by subtracting the value for the long-term moving average from the short-term average. In MACD calculations, 12 and 26-day exponential moving averages are used. The MACD can be customized to fit any strategy, but the defaults are these 26 and 12-day periods. The result of this calculation is plotted on the graph. A signal line is plotted on the MACD chart by using a 9-day exponential moving average calculation and works as a trigger for buy and sell points.

Reading the Signs

Crossovers

When the MACD falls below the signal line, it is a bearish signal. This typically means it may be time to sell. When the MACD rises above that signal line, it is a bullish signal, and the price is likely to continue moving upward. It is a safe strategy to wait until the MACD has risen

above the signal line for a short period to avoid jumping into position too early. Otherwise, it could dip back below the signal line quickly which is a common market correction.

Divergence

Divergence refers to when the two 12 and 26 days exponential moving averages begin to move apart. What this really means is a price low is not accompanied by a low of the MACD. This situation usually signals the end of a trend.

Rising Dramatically

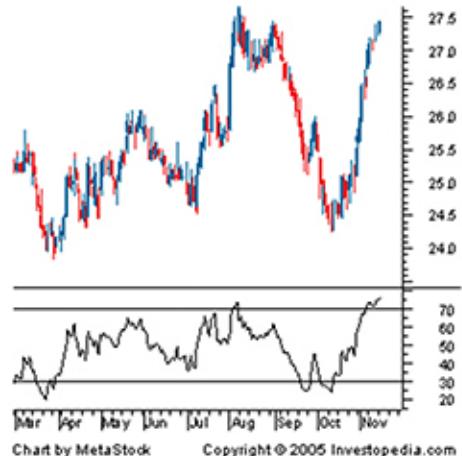
When the short exponential moving average pulls away from the long-term version, it will show as the MACD rising drastically. This tends to be a sign that the cryptocurrency has been overbought but will return to normal levels soon.

Position to the Zero Line

Another signal to watch for is the position of the MACD in relation to the zero line. The zero line is often shown by a solid horizontal line on the charts. It represents the long-term average and acts as a support or resistance level. Upward momentum is represented by the MACD moving above the zero line meaning the short-term average is above the long term. Reverse this situation, and a downward trend could be forming.

Relative Strength Index (RSI)

The relative strength index (RSI) shouldn't be confused with relative strength which compares the performance of a coin's price to the overall market average. RSI is a tool you can use to figure out if a coin has been overbought or oversold which can provide you with entry and exit signals. It can also help spot or confirm reversals through monitoring for divergences. It is a momentum indicator that measures the speed and change of price movements. Values move back and forth between 0 and 100.



When the RSI goes 70 or above, it indicates the coin has been overbought or overvalued. If it goes 30 or below, then it has been oversold or undervalued. In both situations, it is vulnerable to a trend reversal. The default time frame for comparing up periods to down periods is 14 trading days.

The RSI is also used to spot divergence. When the price is rising, but the RSI is falling, this is known as a bearish divergence. When buying momentum is slowing like this then this is a warning that the price could soon correct lower. Bullish divergence is when the price is falling, but the RSI is rising. It warns the price could soon move higher since selling momentum is slowing.

Each coin will move differently and could have different ranges. When you notice the pattern, adjust the level to suit the movements. This could mean 40 may be a better entry point than 30. False buy or sell signals can happen in the RSI if there are sudden large price movements. To offset this issue, some traders use higher and lower values such as 80 and 20 as buy or sell signals.

However, it is very important to use other technical indicators to confirm your predictions when using the RSI indicator.

Moving Averages

There are several types of moving averages, regardless of the type, they are all considered to be lagging indicators. Lagging indicators are all based on what has already happened while predictive indicators help us figure out what might happen in the future. Based on this information

you may think they aren't very useful. This isn't true; they can be used to determine the strength of a market trend as well as help decide between actual market reversal points and common rate fluctuations. Only 3 are commonly used by traders. These are the simple moving average, the weighted moving average, and the exponential moving average. It will take some testing to determine which of the moving averages fits your trading style. We recommend you start with the simple moving average based on the last 20 prices.



Simple Moving Average and Weighted Moving Average

Simple Moving Average

The simple moving average is calculated by taking a set of prices, adding the prices together and then dividing the total by the number of data points. It is the simplest form of moving averages. This is calculated in a way to move in response to the most recent data that was used. If you choose to include 20 of the most recent

exchange rates, then the oldest will be the rate to drop out of the calculation when a new price takes effect. As each new price is included, the oldest one drops, this calculation type ensures that it is only based on the most recent 20 prices.

Weighted Moving Average

A weighted moving average is calculated in the same way as the simple version. The only difference is this calculation uses values that are linearly weighted. So, the oldest rate in the calculation would receive a rating of 1; the next oldest would receive a 2, and so on until the most recent rate. This ensures that the most recent rates have a greater impact on the average than the oldest. Some traders find this method more relevant for trend determination, especially in a fast-moving market. However, there is a downside. The average line that is created could be more ragged than the simple moving average version. This means it could make it more complicated for you to figure out if a trend is happening or just a fluctuation. Solution: you can use both versions on the same price chart to see how they line up.

Exponential Moving Average

Just like the weighted moving average, the exponential moving average is similar to the simple moving average. The difference between the two is the simple moving average will remove the oldest price when the new one is in effect. An exponential moving average calculates from the starting point you choose the average of all the historical ranges. Let's go back to our initial range of the last 20 prices. The first calculation you receive will be identical to a simple moving average because there are 20 prices (or reporting periods). This is where an exponential moving average differs. When a new price becomes available, instead of taking the most

recent 20 as with the simple average, you will now have the average on 21 reporting periods. As new prices take effect, they are included in the total pieces of data used to find the average.

Chapter 8:

Risk & Money Management

In this final chapter, let's cover some of the important tips and advice to follow when managing your money and your exposure to risk when trading.

Safe Trading Checklist

Be Realistic: Trading in cryptocurrency isn't something that will make you rich overnight. Set some realistic returns on your trades for set periods of time to monitor yourself. Use stop-loss and take-profit points to manage your trades and remove emotion from your transactions.

Manage Your Emotions: Create a plan and stick to it. Research and use credible sources to base your decisions on. Don't fall victim to fear and follow the herd when they are moving in the wrong direction. When you feel a little too excited or worried, slow down, think, use your data to make decisions that are best for your success.

Diversify: It is cliché but don't put all your eggs in one basket. It should be obvious that you shouldn't put all the money you have into cryptocurrencies. However, there is no need for you to put all the money you are able to part within one type of crypto coin. A majority should be in a stronger coin like Bitcoin, Ether, and any in the top 5 of the market. A small percentage can be in new coins that have been performing well while the smallest amount should be in ICOs or coins with a little history.

Ease into Trading: If you are new to trading, start small and start slowly. There is a lot to learn and experience with cryptocurrency which can overwhelm even traders with experience. Test out a few coins and a few exchanges with small transactions. Watch some videos of miners before potentially spending thousands on your own mining machine. Want to start with an ICO? Only invest a small financial amount so you can get the hang of the process before committing more funds and increasing your risk. When you are ready, you will have a better understanding of what type of trader you are, what your strengths are, what your weaknesses are and how best to execute successful trades.

Check Your Sources: When doing research or just interacting with other crypto traders, make sure to be wary of scammers. Don't fall victim to a 'pump in dump' or fake ICO scheme. Do your homework, use trusted sources and make sure you are monitoring the market.

Don't Trade with More Than You Can Lose: The cryptocurrency market is a volatile one. There are times when it seems what is hot one day is tanking the next. To protect yourself, don't trade with more than you can realistically part with. You can start with a very small amount and build over time as you become a stronger trader.

You will Lose at Some Point: It will happen, there will be an off day, and you will make a bad trade. Maybe even have a series of bad trades. You are no different from anyone else and immune from this happening to you. So, don't put all your coins in one trade and when you do make a mistake, learn from it and move on.

Research, Plan, Chart, Monitor: Don't rely on guesswork, gut feelings or the advice of others to trade. No matter how much trading experience you have, don't try to predict the market on your own. Follow long-term market trends, learn to read and understand

the charting tools we have covered in this eBook, follow the news, watch videos, and learn new tips. Use both fundamental and technical analysis to get a good sense when it is a good time to sell or buy.

It's About the Big and Small: Speaking of charts, it may be very tempting to monitor your coins in short timeframes on your graphs. As a beginner or intermediate trader, it's better that you focus on research and monitoring long terms trends than get caught up in short-term movements. These fluctuate rapidly and can cause you to make emotional decisions that go against your plan.

You Are the Boss: There are platforms out there that allow you to copy the exact trades of successful traders. While tempting, doing this teaches you nothing and puts the control (and your cryptocurrency) in someone else's hands. If things go wrong, you won't have developed the experience or emotional control to deal with the mess and potentially fix the situation.

Don't Brag: This may sound like an odd risk management suggestion, but there is truth in it. Bragging about your success in the cryptocurrency community will alienate you. If that doesn't bother you then keep in mind, it also makes you a potential target for scammers and hackers. By learning everything that you do and how your trading set up is, they may be able to find weaknesses and exploit them. Be careful what you share and to whom.

Dive Deeper into the Code: The best part of cryptocurrency is the innovation behind the technology. You should try to dig deeper and understand everything that cryptocurrencies can offer besides being a form of currency. Some of the most recent coin successes have been because of the innovations these cryptocurrencies have brought to the market. Look for coins that provide solutions to

needs not already met in the market and avoid clones of Bitcoin that have minimal changes.

We've come to the end of our step-by-step guide to Cryptocurrency trading & investing eBook. We hope that by now you have a better understanding of how Cryptocurrency work and how to start trading on your own. Here at CryptoMeister.io we also offer our video series, where you can learn way beyond the basics we just covered.

CryptoMeister's Cryptocurrency Trading Video Course!

This course is a series of detailed videos complete with informative visuals and instructions. We take you from understanding the basics of cryptocurrency all the way to developing strategies.

This video training course was designed so that everyone can become a trader regardless of their experience level.

Each chapter will build your knowledge so that you can confidently join this exciting market and take advantage of all the opportunities cryptocurrency trading has to offer. Then we break down each chapter into several lessons, which makes learning for the first time easier and brushing up on topics later faster.

Don't Forget Our Bonus Resource Area - Only for Members!

For those who want to take their learning to the next level, CryptoMeister has developed a bonus resource section. This section is split up into various popular categories with dozens of helpful links, materials, and tools in each. This area is an exclusive bonus to our registered members only and completely 100% free!

From all of us at CryptoMeister.io, we wish you the best of lucking in your cryptocurrency trading learning!

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