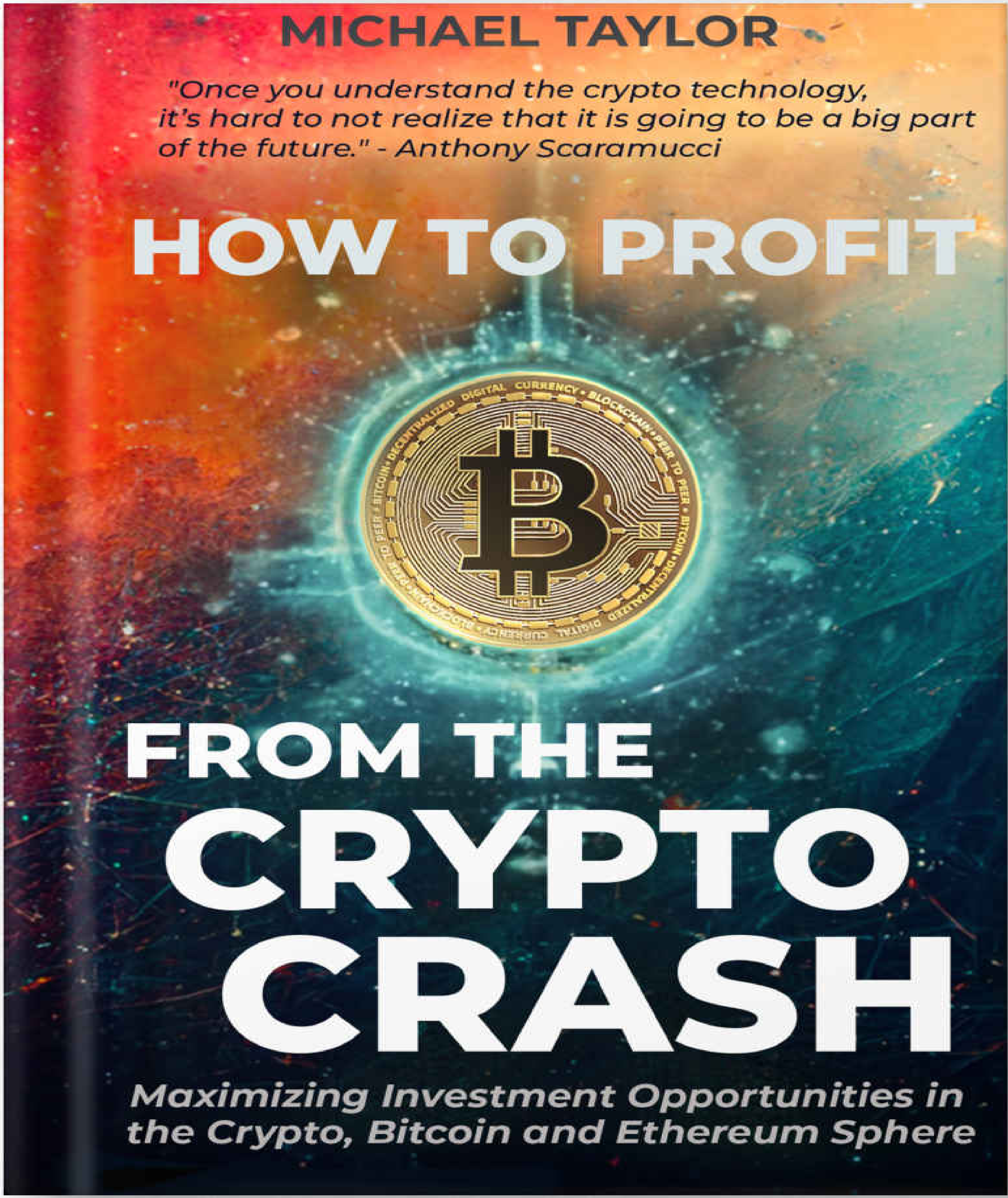
MICHAEL TAYLOR
"Once you understand the crypto technology, it's hard to not realize that it is going to be a big part of the future." - Anthony Scaramucci
HOW TO PROFIT
FROM THE
CRYPTO
CRASH
Maximizing Investment Opportunities in the Crypto, Bitcoin and Ethereum Sphere

How to Profit from the Crypto Crash

Maximizing Investment Opportunities in the Crypto, Bitcoin, and Ethereum Sphere

Michael Taylor

contained within this document, including, but not limited to, errors, omissions, or inaccuracies.

Table of Contents

Introduction

When you come across the words "crypto crash," what comes to mind? Do you see the value of tokens plummeting? People rushing to their devices, trying to pull out before it's too late? Do you see the headlines filled with clickbait material, fanning the public panic that has been building up?

Is it the end of cryptocurrency as we know it?

Or...

Is it the hidden treasure that people have long awaited for? Can you earn money from a crypto crash? Do crypto crashes happen often? You would not be here if you were not wondering about this yourself.

By now, evidence dictates that a crypto crash is not the end, not yet anyhow, and yes, there is a treasure trove that awaits during this time in cryptocurrency. It is just a fact that very few people know and understand these strategies.

Cryptocurrency is full of crashes and corrections. It is cyclical. That means the chances of cryptocurrency rising above its hardships are big, and even during this tough market, there are still ways to make a profit–you just need to learn where to look and what strategies to implement.

It is a market mindset that many people tend to avoid or ignore, simply because it goes against the crowd. However, not following the herd is sometimes the key tool to finding success.

So, start your journey of profiting from crypto crashes today!

Chapter 1: A Brief Introduction to Crypto Markets

I remember the first time I heard of Bitcoin. I didn't think much of it as I scrolled online. Yet, time and again, I could not deny that there was a lot of hype.

A big part of me wished that I had taken interest from the start. However, ignorance held me back. It would not be too far-fetched to believe that ignorance holds the majority of people back, including being held back from the potential of making profits on the virtual currencies online. With the sudden cryptocurrency crash, many people are now scratching their heads, wondering if they should pursue their investment dreams further. Truthfully?

Yes.

However…

You might want to change the route that you were considering. Most people take a 'chance' at luck, buy a couple of coins, store it in their wallet and hope for the best. Savvy investors know a little better than that, which is exactly what you are going to be taught in this book.

Cryptocurrency Explained

Cryptocurrency is a digital currency. In fact, it is the only digital currency that has succeeded thus far. It's secured with a form of cryptography—making it near impossible to make doubles or counterfeit the money.

Cryptocurrency's goal is to remove that strong iron grip of centralized currencies and pave the way to international trading in a cheaper, faster, and more effective way.

Cryptocurrency runs its networks on a type of blockchain technology called a distributed ledger. Blockchain is one of the most complicated factors involving crypto. However, fortunately for most traders, unless you intend to participate in mining, you only need to know the basics of blockchain.

A Brief Look at Blockchain

Blockchain is a decentralized digital ledger that is run through thousands of nodes (networks of computers). All the transactions are recorded for the public to see (however the users remain anonymous–theoretically.)

Blockchain is a piece of technology that was ahead of its time when it was first introduced, and one of the most popular services that blockchain can provide above and beyond cryptocurrency is smart contracts—the ability to automatically execute orders once the terms and conditions have been met.

World's First Cryptocurrency

The first cryptocurrency to have been designed was none other than Bitcoin. Bitcoin was designed by Satoshi Nakamoto, a pseudonym for a person or group of people. This is perhaps the greatest mystery surrounding Bitcoin. No one yet can fully confirm or prove who the creator of Bitcoin really was.

Bitcoin's first block on the blockchain was launched in January 2009 (Likos et al., 2022). The very first transaction took place close to a week later.

At this point, Bitcoin was not worth anything, really, and for the first few months, only crypto miners were able to get a hold of Bitcoin.

But then, on May 22, 2010, a man managed to negotiate around 10,000 Bitcoin (BTC) for $25 worth of Papa John's pizza. At that time, Bitcoin had the value of 4 Bitcoins per penny.

Without diving too deep into Bitcoin's history, it was clear that Bitcoin had a very rocky road the following couple of years, with many people speculating and betting on its failure or success. Bitcoin pushed through but is currently facing another hurdle in 2022.

But, Bitcoin is not the only cryptocurrency to exist. Other coins emerged, including prominent ones such as Ethereum. They are all called altcoins. And currently, there are thousands of cryptocurrencies in existence.

Crypto as an Asset Class

First of all, what is an asset class? An asset class is considered to be a group of investments that share similar traits, and they fall under the same rules and regulations. Asset classes tend to share many similarities when it comes to the marketplace.

There is the belief that cryptocurrency holds all the factors of an asset class that is being formed. It could involve matters such as holding a certain level of value, and some time to make proper use of the digital coin.

With the rise of the possible metaverse and digital world, cryptocurrencies have a whole lot more potential than what has been considered before.

In fact, cryptocurrencies have been called an asset class for a while.

Cryptocurrencies have a whole lot of volatility–but many people do not happen to see the difference between the decentralized character of crypto and the volatility. In fact, Avinashi Shekar, the CEO of ZebPay himself believes that a system that is fully decentralized will reduce the chances of market abuse and manipulation that so many people just so happen to be afraid of.

The volatility tends to come more from the speculative asset, so it is agreed that cryptocurrency is a financial instrument. However, it may still take a while before it has a firmer hold in the market (but it already has a strong grip).

So, what exactly affects the high volatility rates of cryptocurrency? (Considering that crypto‘s volatility plays a big role in the crash, it would be wise to understand just what can trigger the market prices so easily.)

The Volatility of Cryptocurrency Explained

The formal definition of volatility would be that it is a measuring tool of just how much a price happens to be moving up and down over a specific period of time. The more volatile an asset is, the riskier the investment is. However, it would be fair to add that the greater the risk there is, the greater the reward.

Which is exactly why people are so drawn to high-risk investments such as cryptocurrency, as it is notably one of the most volatile investment forms (another example of a volatile investment is penny stocks).

And, as a newer asset class, people have paid a lot of attention to cryptocurrency, as well as looking for the reasons and possible solutions for its level of volatility.

How is Volatility Measured?

So how does one go about measuring volatility? People take a good look at the prices (the number derived from the different price changes of its history. It could often be around 30 days or a year.

And because no one can predict the exact future of price changes, it means that the more volatile/unpredictable an investment is, the greater level of fear rotates around this investment platform.

Understanding the Importance of Volatility

Volatility is incredibly important, as one of the biggest factors that goes into assessing an investment is the level of risk rotating around it. Investors believe that the higher the risk, the greater the reward, but there must be careful control over the amounts placed into the riskier investments; there is always a good chance that people can lose a big chunk of money, if not all of their investment funds, in risky investments. A painful example is Bill Whang, who lost the entirety of $20 billion all within the span of two days.

Factors That Affect Volatility

Factors involved in the volatility of cryptocurrency can range from:

- positive or negative news coverage
- earning reports that are better or worse than anticipated
- an unusual spike in the volume of trading
- a very low volume of trading

In order to reduce a certain level of volatility, there are many strategies that can be implemented, such as the dollar-costing average. And, there are cryptocurrencies that are designed to have low volatility rates, called stable coins.

At the end of the day, we are interested in the high volatility of crypto, specifically when the price spikes down. The beauty of investing is that there is always a way to win, regardless of the direction the market is headed. However, risk levels are still considerably high, and so a word of caution—and you might have heard this a thousand times before—but people keep repeating this same mistake: Do not invest money you cannot afford to lose, especially not with crypto. The whole goal of investing is to place yourself in a financially better situation. Although a loss does not contribute, debt can certainly drive down your ability to win in the markets, or perhaps even pull you out of the investing game early. So, do not take out a loan, do not use your credit card, and do not make use of your retirement funds when it comes to cryptocurrency. The majority of savvy investors will tell you this, and numerous investment books and videos will also explain this in detail.

Some risks are just not worth your while, and risking putting yourself in a financially detrimental spot is not it. Remember that in investing, there is more than one ‘opportunity of a lifetime’–so even if you feel like you are missing out, another opportunity will always find its way to swing by.

What Regulations Will Bring to Cryptocurrency

One of the biggest advantages crypto as a whole can boast of is its lack of centralized authority figures. That means that no single individual or group of individuals can control crypto–theoretically.

So, when the thought of regulations gets put on the table, it can be viewed in quite a controversial light. After all, is this not exactly what cryptocurrency is against? Well, yes and no.

Keep in mind that the majority of the people enjoy crypto because of the lucrative financial opportunities–so they spend their time on centralized exchange platforms to make money in a more secure environment; and, cryptocurrency’s value is determined by what people believe its value to be.

Secondly, there is no denying the heavy risk that comes with having such a volatile market–it has cost people a whole lot of money. So, although it’s perfect for its alluring risk/rewards idea, it remains exactly that–a form of investment, not a trade, which is what currencies are legitimately made for.

Cryptocurrencies are meant to be a digital version of the fiat currencies. A person should be able to access their coins online, make purchases in shops, or transfer it overseas to people. Cryptocurrency is in fact more accessible to some people than banks–why? Because an internet connection is quite readily available, as well as electronics.

But because of crypto's risky nature, people are still hesitant, and mass adoption is still something hanging in the future rather than being embraced today.

What Can Regulation Then Do for Crypto?

To start off with, regulations can bring a whole lot more stability to the volatile crypto world. We have all seen the start of regulations, and more will come. Much like a swing, a person is putting a firmer hand against the ropes.

Regulations can also protect long-term investors, prevent certain levels of fraudulent activity, and give companies a clear guide to how they should design and contribute to the crypto economy.

The reality is, it's not about the regulation, but more the fear of bad regulation that people are opposed to. In the view of anti-regulation crypto enthusiasts, regulations would be a threat to the decentralized nature of cryptocurrency itself. You would have to decide for yourself where you stand in regards to cryptocurrency regulations, but the majority of decisions and regulations are made by what the governments of each country believe in–which is why some countries such as China, Egypt, Morocco, and Nepal, to name a few have, have completely banned crypto as a whole.

So, for the general public, the views on regulations over crypto remain conflicted, but it is impossible to deny that the market needs help–and sometimes exercising more rules can reel in the chaos running in the markets today.

*Tip: As an investor, it would be wise to keep an eye on the regulations of cryptocurrency in your country in order to make sure that you comply, but also to understand potential market swings. Regulations are also bound to influence the markets.

With so much discussion of volatility within cryptocurrency, it is best to look at the history that made crypto garner such a reputation.

Chapter 2: History of Prior Crypto Crashes

Well, this should not come as a surprise to anyone, but the crypto crash in 2022 is not the first one that has occurred. In fact, many of the top cryptocurrency currencies have come to face many difficulties–some so radical, many did not believe in their recovery.

To understand the present, a person needs to learn from the past. So, this chapter is dedicated to understanding some of the biggest crypto crashes, starting off with Bitcoin.

Bitcoin is still a particularly important cryptocurrency, and there are many indications that whatever tends to happen to Bitcoin tends to affect the rest of the crypto market. When Bitcoin goes up, many of the other coins go up. When Bitcoin goes down, so do the markets. So, keeping an eye on Bitcoin regardless of whether or not you are investing in this token is mandatory for any savvy cryptocurrency investor.

Bitcoin Crash and Bear Markets

So, let's start with taking a sneak peek at some of the lowest prices the markets have reached in Bitcoin's history. Any corrections that peaked less than 40% are not going to be mentioned, despite that still being quite a radical difference.

Starting off with history, in the year 2011. Bitcoin really soared from $2 to over $32. A person can imagine that this price jump caused many people to profit from this venture. That was until the incident with Mt. Gox on June 19. Mt. Gox, at the time, was one of the largest crypto exchanges in the world, but it fell under a huge cyber-attack. Criminals had managed to hack into hundreds of different accounts and had stolen millions of dollars' worth of Bitcoins.

The value of Bitcoin dropped to that of one penny in that year, a radical crash.

Then, in August 2012, it dropped by over 56%. In that month, the public had come to discover the notorious Ponzi scheme within this cryptocurrency that had been going on the previous couple of months. People got naturally spooked, and many bolted from the markets. The promised returns of 7% that came from the Ponzi-schemer were eventually discovered. The person was then found, charged, fined, and imprisoned. It was discovered that through deception, the schemer had managed to steal around 700,000 Bitcoins. Naturally, the trust in crypto and Bitcoin was crippled.

Then, Bitcoin had become its own worst enemy when the investors stormed onto Mt. Gox. Mt. Gox could not handle this surge, which in turn made it crash, and hackers pounced on this huge opportunity. This sent Mt. Gox spirally into a shutdown, which caused the prices to drop from $260 to $50.

Then, in December 2013, China placed a ban on Bitcoin. Because of this ban, Bitcoin lost 50% of its value in one night. China’s relationship with Bitcoin became rocky as they kept adding more restrictions.

But, Bitcoin was not destroyed by the ban, and it slowly rose and peaked to around $20,000 in the year 2018. Then on December 27, 2018, it came crashing down, and the price started simmering below $12,000. Bitcoin had been struck by an investors bubble. Bubbles normally cripple investments to the point of no recovery.

But, in April 2021, Bitcoin reached an astonishing $64,000 for each coin. Then, in a single flash, $1 trillion was chalked off when Elon Musk reverted his promise to accept Bitcoin as payment for Tesla cars.

And, China gave its own blow to crypto again when it cracked down on Bitcoin mining. Investors and miners found themselves at the mercy of forces out of their control.

Ethereum Crash and Bear Markets

Considering that Ethereum takes second place within the crypto markets, a lot of people are counting on its success. However, Ethereum has also faced many crashes, such as crashing as low as $0.10 when it was once around the value of $319. This was blamed on a “multimillion-dollar market sells” order that had occurred. However, since this crash, it rebounded to around $352 in 2017.

Indications of a Crypto Crash

So, what are the tell-tale signs that a crypto crash is looming? In order to understand a crypto crash, you need to understand what a bear market is.

A bear market is when the market is experiencing extended declines. Generally, it is labeled a bear market once its value falls under 20% or more–this is commonly caused by negative investor sentiment or widespread pessimism (through social media or the news). The price decline should last for two months or a little longer.

Bear markets generally arise when the economy is struggling. A good example is the recession. Bear markets are often contrasted with bull markets, the upward trends.

One key indicator is to look at the Market Value to Realized Value–MVRV. This is a ratio comparing the market cap of crypto to the realized cap. The realized cap is defined as the cost basis of the coins, and the market cap is the actual value of the overall supply. This indicator shows whether an asset is being overpriced or undervalued at any point in time. An undervalued coin generally has a large amount of unrealized profit ready to be released and would be great to consider with the buy low and sell high strategy. The buy low and sell high strategy is expanded on in chapter 8.

Now, when an MVRV reading is over 3.5, this is a top formation, and generally an indication of a price rise. When the MVRV drops below this, this is normally when you see a drop in Bitcoin price.

Another indicator to normally check out is the Bitcoin Outflow and Inflow. This is recent data provided by Crypto Quant, which shows when whales are removing the supply–generally an indication of a price increase. This can allow you to see where or not there are going to be effects on the overall demand (crypto prices are heavily dependent on overall supply and demand).

And although many investors had tried to use Bitcoin as a hedge against the traditional market, this year it has been evident that this is not often the reality. That means investors should also keep an eye out on the traditional markets and their direction so that investors can have an overall idea of what is occurring in the economy. Chances are, cryptocurrencies are going to be riding the heavy wave right along with the stock markets, inflation, etc.

In fact, Bitcoin's prices dropped and rose before Nasdaq's prices, and at times moved the same time as the traditional markets happened to move.

Then you will want to check out all consumer sentiment when it comes to cryptocurrency. During this year, the sentiment certainly has been falling, and the market has lost a whole lot of investors. The strategic confidence in investors is weak–despite prices that are recovering. However, the negative sentiment is slowly starting to evaporate again.

Why Did the 2022 Crypto Crash Occur?

There are a few key incidents involving 2022's crypto crash that you need to be aware of. From 2018 to 2022, Bitcoin and the other tokens had faced serious slumps after climbing quite high in 2017. Then, the market got saturated with thousands of initial coin offerings

(ICOs). People were pouring into other markets left, right, and center, but the majority of the projects ended up crumbling or being scams.

So, there was a crypto crash in 2017, and after the hype vanished, the bubble burst.

Then, in 2022, Stablecoin managed to knock TerraUSD (an algorithmic stablecoin) out and eventually we saw the collapse of this token. Then we saw the collapse of 3AC. Many of these coins had a huge following, which rattled investors.

However, the destruction of 3AC had proven how many companies on crypto build their businesses through excessive loans with one another. And again, businesses that keep building on the backs of debts are going to be the most vulnerable. Naturally, the crash and burn of this token sparked concern for cryptocurrency as a whole.

Another key reality was the rapid skyrocketing of inflation rates (historical rates and many other macroeconomic factors that have truly knocked the confidence that people have in investing into risky assets). Think of it this way; If there are rumors of war going around, a person will certainly feel that their assets are in danger. Unlike a global pandemic that forced people indoors (and had a hard knock on the economy), conflict threatens far greater dangers to the economy and has more permanent damage. People are more inclined to protect their assets.

Furthermore, the policies and regulations on cryptocurrency have been tightening worldwide, China being particularly aggressive. The government had declared on September 24, 2021, that making any transactions with cryptocurrency was illegal, thus cutting China completely out of the crypto market.

And, in order to slow inflation, the Biden administration had ordered the United States federal agencies to develop tactics to have clear crypto oversight in the future–a startling reminder that crypto remains a brand-new technology.

With all of these events around the world stacking up against each other, as well as understanding Bitcoin and other tokens riveting volatile nature, it should come as no surprise that crypto crashed this year.

The question now, is, how are you going to respond to it? And is this the end of cryptocurrency as we know it?

Chapter 3: Blockchain Technology and Why It's Here to Stay

Normally, it does not take a lot of time for a phase of technology to die out. Consider Myspace and other ideas like it that simply faded out of existence. What might have been a phenomenon at the time was soon replaced with something better.

But one of the biggest reasons why blockchain is here to stay is perhaps the reason why it was designed in the first place. It picked off the scissors and snipped the need for institutions and middle parties. Why was this exactly necessary? Well, it is time to take a little trip into history about some of the largest incidents involving banks and institutions.

Eliminating the Reliance on Institutions: AHistory

The United Kingdom's (UK) Royal Bank of Scotland (RBS), as well as America's Knight Capital, had both undergone massive process failures in 2012. At this time, the RBS was completely unable to process any payments due to a technical failure caused by an upgrade.

This caused a whole lot of people to be left stranded abroad, incapable of any access to income. Many were charged for late payments, and one customer even received threats within a Mexican hospital that his life support machine would be terminated if the bill was not paid. All this chaos was caused through a singular failed upgrade from a bank. The impact was devastating, to say the least.

In fact, the crash cost a total of over £175 million in total. This was due to the hefty amount of refunds that customers needed to be paid. It also included the overtime work of staff who needed to keep the bank open for extra hours to catch up with the disaster that had occurred.

Knight Capital had incurred losses of over $440 million all within the limited time span of 40 minutes, all because of the heavy reliance people had on these third-party institutions.

There was also another shocking realization that third-party institutions can indeed fail—the massive time zone differences as a settlement risk that caused Herstatt German Bank to be seized by regulators and forced to be liquidated. This was because of a massive mistake; they received a large amount of Deutsche Mark (DEM) which was supposed to be exchanged into U.S. dollars (USD) and needed to be transferred to New York. They forgot to take into consideration the time differences, and failed to do their critical task.

When a bank seems to be undergoing a crisis, people will storm their deposits because they believe that the bank is going to fail. However, these sudden forced withdrawals will spark the liquidation of the majority of the bank's assets, ironically becoming the underlying cause of the failure. So, during a panic where many banks are failing, this puts a heavy disruption on the monetary system.

Creditors will lose a whole lot of their money, and depositors will only receive a small percentage of their value. As you can see, that can be a huge problem for people trusting the majority of their assets and their net worth to a bank.

The UK, and majority of other countries, have made the guarantee that if the bank were to fail, that customers will be able to reclaim a percentage or capped amount from the government. This guarantee is often called deposit insurance.

Deposit insurance was first installed in America after the Great Depression. The entire purpose was to prevent such a huge financial disaster from ever happening again. So, deposit insurance was set in place to create a higher level of trust in case an institution should fail.

The Federal Deposit Insurance Corp (FDIC) (is the agency that creates and deposits the insurance should a bank have failed. The FDIC has the full backing of the U.S. government, but as a total cap of $250,000 per depositor. However, for anyone whose savings and deposits exceed this amount, they can still make a substantial loss if the bank were to fail (Goldberg, 2022).

So, with the reality that a significant loss of your assets remains a possibility, is there any other answer? Yes. Cryptocurrency.

Never Have You Been Able to Hold Title to Your Assets in Such a Real Way

Cryptocurrencies are assets you own and have complete control over. What this means is that you are the one able to keep your assets safe. No one can freeze them, and no third-party company can make a mistake or fail.

The fact that you only must trust yourself and that no third-party would have control over your assets is one of the most appealing aspects to cryptocurrency, and is a very big reason as to why cryptocurrency and blockchain technology is not going away any time soon. (Keep in mind, this is only applicable when your crypto is in a cold wallet, and not in an exchange. If your crypto is held in an exchange, then you are subject to the same risks that you would find in a bank.)

The Technology Behind Blockchain and Crypto–The Different Potential Applications

One of the most popular forms of technology that has sprung from blockchain was through Ethereum's platform. They are called Smart Contracts, and they are a very powerful application for blockchain technology. A smart contract is a computer program that handles all aspects of the operation, and once the terms of the operation are met, it will self-execute the 'payment' or 'purchase' as agreed upon. Again, it wipes away any need for third-party handling, and the smart contract is pretty much set in stone. It is entirely self-enforcing and self-executing.

These services that smart contracts can provide are more secure, as well as a more automated alternative in comparison to traditional contract law. Smart contracts are also cheaper and faster than the majority of traditional methods.

And, the potential of making use of smart contract technology is practically limitless. It can be used in all sorts of businesses. Although, the one thing they cannot replace is old-fashioned diligence.

Smart contracts are still very new, so do not assume the technology is a 'better' technology than the people who created the smart contract. People have found loopholes with the contracts, and as a word of caution, a person needs to read the smart contract thoroughly.

Identity management is perhaps one of the biggest issues the internet is facing in this day and age. You understand catfishing. It is everyone's nightmare when interacting with people online. However, with blockchain technology, a person can have far better control over their identity. Blockchain can provide a huge level of security. This is largely thanks to the independent verification process that takes place with people at random on computers on the blockchain network.

This verification method can very easily be applied in all sorts of applications extending beyond cryptocurrency. For example, the technology can also be made with important records such as titles, estate ownerships, and more.

This can thoroughly cut off the need of the human element, and the possibility of errors within a complex and very important process.

Blockchain also holds the possibility of running the metaverse (mentioned in chapter 7) in a decentralized world. So, it is fair to believe that blockchain will have a whole lot of uses in the future.

Potential of Crypto Growth Sectors to Keep an Eye On

Alright, so it would be wise to keep a steady eye on the direction that blockchain is going–especially within the corporate business world. However, this might take a substantial amount of time, and corporate businesses are slow to undertake new technology without knowing the possible pitfalls and consequences.

After all, there are many things in this world that look good on paper, but when it comes to reality, are an entirely different story. But cryptocurrency has successfully extended beyond paper, and there are many different types of cryptocurrencies that are starting to share the limelight. Following are a few cryptocurrency coins that have shown real potential for growth within the year 2022 and beyond.

Bitcoin (BTC)

Bitcoin is the first and obvious choice. It is the leading coin in the crypto market, and whatever happens to Bitcoin tends to affect the rest of the market as well. Bitcoin holds a lot of power in the market. However, Bitcoin is not the only form of cryptocurrency out there, and not the only one that holds a whole lot of potential.

Ethereum (ETH)

Ethereum holds a whole lot more potential than simply being the ‘second’ largest cryptocurrency on the market. It was also commonly referred to as Ether, and has been the platform used as the foundation for many different metaverse projects such as Star Atlas, Axie Infinity, and even The Sandbox. Ethereum also holds the majority of non-fungible tokens NFTs) that have exploded quite recently.

Ethereum also happens to lack scarcity (much unlike Bitcoin, which happens to be capped at around $21 million).

Ethereum has been experiencing quite a slump, but there is big possibility for change as it starts to go through the ‘merge,’ where the blockchain is being converted from proof of work to proof of stake. In fact, quite recently, it certainly has been able to crawl out of its whole a lot further than Bitcoin

The reason why this merger is a huge deal is over the fact that proof of work makes use of excessive amounts of energy. Additionally, the more people who work on the platform, the slower the platform becomes, simply because there are not enough miners and processors to compensate for this volume. However, when turning to proof of stake, it cuts the whole energy process to a fraction of the amount, and vastly improves the overall efficiency of the platform. With the Ethereum ‘merge,' it is slowly transferring to the proof of stake platform.

However, with the low prices recently, many investors are speculating that now would be a good opportunity to buy into the market, as there is a strong chance for growth within the near future.

Binance Coin (BNB)

In terms of different trading volumes, Binance has so far been incredibly successful. Like Bitcoin, Binance happens to have a capped limit. This is around 165,116,760 tokens in total. This has aided in the price increase at around 165,116,760 tokens. BNB also reduces the bottlenecks that Ethereum happens to face, and is extremely vulnerable through the burning and removing of tokens from the markets.

Binance also happens to be one of the most popular crypto exchange platforms, and focuses on being more regularity friendly. The platform itself supports around 50 cryptocurrencies. After they launched Bifinity, a fiat-to-currency payment platform, they could then also allow major payment networks such as Mastercard and Visa.

However, Binance is undergoing an investigation by the Securities and Exchange Commission on whether there were any improper acts at the launching of the Binance token. If something were to be found, they would undergo a huge fine or sanction, which in turn could knock BNB prices down.

Tether

Tether is called a form of ‘stablecoin.' Its ultimate design was to create a more stable form of cryptocurrency. How they managed it was linking the value of the coin to that of another asset. Now stable coins can be connected to any form of fiat currency or even other cryptocurrencies. In Tether’s case, this stable coin happens to be linked to the U.S. dollar. This link helps to fight fluctuations and price swings.

One of the biggest problems deriving from stablecoin, however, is the fact that it is not fully decentralized, which removes an element of independence and control that so many people desire in cryptocurrency. However, stablecoin companies work on being as transparent as possible, as any indication of hidden costs or discrepancies can cause supporters to rapidly pull out.

Tether, along with all of the other stablecoins, is a possible solution to help fix volatility and still contain many of the benefits involving cryptocurrency in the future. So, it would always be wise to keep an eye on the number one stable coin, especially considering that it has ranked much higher than other popular cryptocurrencies. This is proof that many people are indeed willing to sacrifice some of the decentralized nature in order to receive a better element of security.

Decentraland (MANA)

Decentraland is not a cryptocurrency on its own. Rather, it is a virtual reality game that has been built on Ethereum's platform. Users climb onto the platform and they can do all sorts of activities: They can purchase land and visit other players, and they can even create and even make money out of their own content that they design on the platform.

Considering that the digital gaming industry is already a billion-dollar industry, there is a whole lot of untapped potential when crypto and gaming happen to get combined. The token MANA’s price has been on a steady increase, and it is the largest gaming cryptocurrency when one decides to look at the market cap. It does have competition, though, such as ApeCoin and Sandbox; plus, the assets within the game are expensive, so there are a couple of factors counting against cryptocurrency.

Algorand (ALGO)

This crypto was designed and rounded by a well-established computer scientist named Silvio Micali. It has also placed itself as one of the competitors against the blockchain of Ethereum. Algorand also runs on a proof of stake mechanism, which in turn offers a very high degree of scalability and security in comparison to even Bitcoin. Algorand can take on a larger audience and reduce the ecological impact that has been a main source of criticism towards many of the cryptocurrencies – Ethereum and Bitcoin having taken the majority of the brunt. Bitcoin mining had even faced a lot of regulation when it came to energy consumption (some places even making Bitcoin mining illegal). So a cryptocurrency that starts to veer away from P-o-W already comes with a greater advantage and people tend to have a more positive viewpoint on them in general.

Polkadot

Polkadot is another open-source blockchain with the design to connect separate blockchains, making it interconnected. This network offers a framework and level of flexibility for developers who would like to use specific components with their blockchain. Polkadot also allows developers to launch different chains and applications while under the protection of Polkadot's security model (Ethereum does not have this function).

Polkadot has also managed to raise nearly $200 million in the market cap. However, Polkadot is competing against other general purpose cryptos such as Ethereum, Tezos, and Cardano. It's a high-stakes game that a person always needs to be aware of.

Kusama

Kusuma was designed by Gavin Wood, Ptere Czaban, and Robert Habermeier, who also happened to be the co-founders of Polkadot. Additionally, Gavin Wood was one of the co-founders of Ethereum.

Kusama is a canary network of Polkadot that focuses on allowing blockhain developers to test out their applications before they launch them on Polkadot. They can scale and accommodate any number of projects without facing any sort of reduction to their speed. Kusama is truly decentralized, and highly secure too.

However, much like Polkadot, they are undergoing a whole lot of competition while remaining a testing ground for Polkadot. Basically, they go hand in hand with each other.

How Does One Go About Determining Which Cryptocurrency is Going to be a Winner?

A whole lot of that has to do with how the digital assets are perceived. Although practical function is certainly a useful asset, Dogecoin is proof that public opinion ultimately wins in the end. Dogecoin, based on a meme, was originally designed as a joke. But, because of this unique origin story, and the fact that Elon Musk became a supporter of it, Dogecoin is still one of the most popular cryptocurrencies in the world. And yet, it’s quite a simple platform, and does not share many of the advantages that Cardano, Ethereum, or even Decentraland can. Dogecoin’s simple design but likable origin built a steady platform of loyal investors. As you can imagine, that contributed to the positive opinion surrounding Dogecoin.

But this is just the tip of the iceberg. There is still so much to learn about cryptocurrency and what it can achieve in the future. The chances of cryptocurrency withering out are very small. And if something as radical as that were to happen, the world is going to feel it. The crypto market is a trillion-dollar industry–so the reality remains, even if you steer clear of crypto because of the risks, if it were to shatter, the entire world will feel it, just like everyone could feel the global pandemic.

With the level of potential crypto holds, as well as the technology running it, cryptocurrency is not likely to disappear anytime soon. In fact, a whole lot of tokens have potential crashes, only to spin around in a radical U-turn and push right back up again–going against the logic setup for traditional markets.

And because of this very reason, it is virtually impossible to predict the direction that cryptocurrency is really going to go. A person can only watch, study, and make educated guesses based on past and current events.

So, when looking out for the ‘next-big-thing,' a person needs to go the extra mile for research, and trust their own instincts. When it comes to crypto crashes or a rise in a popular token, fear of missing out (FOMO) is one of the biggest plagues that haunt the community. FOMO causes people to rush in and out of the markets blindly.

And now is the time to look at the different strategies that you can undertake when a crypto crash occurs, or when you want to take part in profiting from a crypto crash.

Chapter 4: Strategies to Benefit from the Crypto Crash

You cannot walk into a mall with a blindfold, nor can you hike a trail without a map. So why do people try to invest in a highly volatile cryptocurrency market without a strategy? A strategy is like a GPS for investors. All savvy investors tend to take on similar rules and steps. This is exactly what you are going to be learning in this chapter. We are going to start off with the most basic but critical strategy that all professionals undertake.

Portfolio Diversification

A portfolio tends to make or break your overall strategy in the long term. Portfolios break down your assets into different categories and allow you to see the bigger picture. So how can portfolios help you with your goals in cryptocurrency?

What is a Portfolio?

Breaking down to the core basics, a portfolio is categorized as a collection of various financial investments that you have made over the years. It can vary from bonds and commodities to stocks and cash equivalents. Basically, anything you put money into in hopes of making a profit in the future. So, when you start working with cryptocurrency, one of the best ways to keep track of your success is the efficient use of a portfolio.

Portfolios are often represented as pies. The pie is divided into different sizes, listing the different asset classes. The goal of any good investor is to design and build a portfolio that has a risk-return.

The risk-return level depends entirely on the risk tolerance that you as an investor have. As you may have guessed, investing in cryptocurrency is quite a high-risk investment, and therefore will be placed into that category.

However, keep in mind that there are different types of portfolios out there for you to use–including digital apps and software to work out the percentages of the number of coins owned etc.

Portfolio Diversification Explained

Diversification is a critical investing strategy. It is a technique specifically used to reduce the level of risk across various financial industries, instruments, and other categories that investments can fall into. Its goal is to reduce losses through investing in different categories which will have different reactions to the same event.

It does not guarantee to work against loss, but diversification is one of the best tactics to reach a person’s long-term investment goals while minimizing the level of risk involved. And, with a high-risk asset such as cryptocurrency, you can see why diversification is so incredibly important.

How Can You Diversify Your Crypto Portfolio?

So how exactly does one go about diversifying their cryptocurrency portfolio? You can start off by investing in cryptos that happen to have different uses or purposes. For example, although cryptocurrencies are used as a means of exchange, that is not often the leading role they are playing.

Take Bitcoin, for example, which can be used at certain stores for certain values. It can also preserve and grow a person's wealth over an extended period of time. Which means that Bitcoin does make a compelling long-term investment opportunity.

But take Ethereum then, the second-largest cryptocurrency out in the market with a vast variety of uses that extend beyond trading. Ethereum's smart contracts are one of the key selling points that Ethereum happens to hold, as well as the fact that it's the leading platform for NFT's and holds the potential to host a part or the entirety of the metaverse. And, with the rise of the 'Merge'—where Ethereum is converting to the proof of stake platform, it is a whole different ball game in comparison to Bitcoin.

Investors can also consider allocating some of their funds to stable coins, cryptocurrencies that have tied their value to fiat currencies such as the dollar or other cryptocurrencies to stabilize the rollercoaster of price fluctuations. Tether is one of the most popular stable coins out there, followed along with the USD coin. Both have greatly eased the level of volatility within crypto markets.

You can also focus on investing in different crypto blockchains. Although the majority of people might not understand how blockchain works, blockchain is the very foundation of cryptocurrency. So focusing on investing in different blockchain technology is a good way to focus on the heart of the ever growing crypto industry.

Market capitalization is another key focus for investors, and another category for you to pick your cryptocurrencies from. Bitcoin happens to have the stronger hold in the market, coming in first place at around $810 billion. Coins that hold a larger cap tend to have stronger levels of growth, or potential for growth. However, smaller caps could also hold similar levels of potential. Take Kusama for example. It has a market cap of $1.3 billion in total, and has so far been a very promising cryptocurrency that has been deployed on the Polkadot network.

You can also diversify your cryptocurrency through the level of risk that it happens to hold. It is important for your risk tolerance to be one of your key guides when it comes to your portfolio. The same principles that you find in asset allocation in traditional portfolios most certainly apply here as well. So you will want to start your portfolio by focusing on cryptocurrencies that are more stable such as Bitcoin and Ether, considering that they have been the longest on the market.

The Risks and Rewards of Staking

Staking is slowly creeping into the spotlight, shoving cryptocurrency mining into the corner. I believe this is a good thing. Staking is a fairly complicated idea, considering it revolves around blockchain. However, this does not scare many potential traders and investors, as they understand that staking is a great way to earn rewards without really having to pay anything extra. Even if you are just looking for staking rewards and not planning on building software yourself, there are a few key things you need to understand.

So How Does Staking Work?

For one, there are certain cryptocurrencies that will allow you to stake if you happen to own them: Tezos, Cosmos, and Ethereum (as the promised merge has finally started to take place), for example. You can, in essence, ‘stake’ (like placing your cryptocurrency into an investment bank) and start earning a percentage-rate reward over an extended period of time.

It means that if you do intend to invest in crypto for the long-term, there are other ways for you to benefit from it other than letting it sit around in your cold wallet.

Why do you earn rewards through staking? Well, staking your cryptocurrency means that blockchain is going to put it to work. Cryptocurrencies that work through the proof of stake mechanism verify and secure transactions without needing a payment processor or bank. When you stake your crypto, you essentially become a part of the verification process.

Now this is sure to muddle your head a little. Truthfully, unless you want to build your own blockchain, it is not necessary for you to understand all of it. It gets very technical, and the majority of people only need to understand a fraction of it in order to work with it (much like driving a vehicle, you understand the gears and tools, but you do not need to understand the oil filter or necessarily where the spark plug is placed).

Do remember that Bitcoin and the majority of other cryptocurrencies do not allow staking–yet. Most blockchain programs are run through proof of work, which involves mining, lots of hardware equipment, and a hefty electricity bill, as your computer takes on a lot of energy to run the mining software. Proof of work focuses on verifying transactions through throwing a heavy cryptographic puzzle. The winner is the first to solve this puzzle. They will then be awarded with the ability to verify the transaction and receive some of the cryptocurrency in return.

Although it is a profitable venture for cryptocurrencies such as Bitcoin, it acted more like a bottleneck when it came to the more complex platforms like Ethereum. Why? Because too much activity on a platform can result in a whole lot of chaos. Which is exactly why so many cryptocurrencies are not ready yet for mass adoption. Their systems are not built for too much activity, but proof of stake reduces the costs and the energy intensive process involved when a transaction is made, thus preparing itself for a larger audience.

So, What Are the Cryptocurrencies You Can Stake In?

Here are a few listed cryptos that have already adopted the proof of stake consensus mechanism:

- Ethereum (ETH)
- Polkadot (DOT)
- Cardano (ADA)
- Solana (SOL)
- Luna (LUNA)
- Avalanche (AVAX)

Now, you can both stake and mine Ethereum as it is in the middle of the transition, but later, it is highly likely that ether mining is going to be weaned out.

Risks of Staking

So, what are the downsides when it comes to staking?

Staking often requires a specific lockup period. That means you will not be able to move your crypto for a certain section of time. Although it is not a major train smash, it can quickly become one if your tokens are staked during a rapid price shift. So, you always want to do your research on the crypto you are staking and keep an eye on the markets before you start.

And because of the volatility of cryptocurrencies, sometimes the drops in price can very easily outweigh the number of rewards you are earning. Staking is certainly more suitable for those who intend to invest in this asset for a longer period. Also, if you want to withdraw your tokens from the staking pool, you will still have to wait a while before the blockchain can get your coins back. If the validator also does not do a proper job and happens to get penalized, you will be missing out on the rewards.

And then, there is the one elephant in the room that no one likes to talk about: Staking pools can be hacked, which means you can lose your staked funds. Because staking pools are not under the protection of insurance, there is very little hope of getting your money back through compensation. So, when investing in staking pools, security should be on the number one priority list.

Rewards of Staking

Staking is a fantastic option for investors who want to keep generating yields during their long-term investments and are not too concerned about short-term fluctuations. It is important to be aware that the rewards do happen to change as time goes on, and the fees will also have a level of effect on the rewards (as fees are deducted from the rewards of a person's work).

However, the fees that are deducted vary from pool to pool, and the different blockchains as well. You can focus on finding pools that have lower commission fees and a good track record of validating a whole lot of blocks. It also reduces the risks of being stuck in a pool that gets suspended or penalized during a validation process.

When you stake your cryptocurrency, you are contributing to the level of security and efficiency on the blockchain projects that you are currently supporting, making it a whole lot less vulnerable to attacks.

The Risks and Rewards of Liquidity Pools

What exactly is a liquidity pool? A liquidity pool is classified as a digital pile of cryptocurrency that has been locked up in smart contracts. The goal behind this is to increase the level of liquidity in the markets, as the digital assets are traded through an automated system instead of the traditional buyers/sellers' market. This automated system is commonly referred to as AMMs, or automated market makers.

The AMM platform can supply a liquidity pool filled with tokens, and the price of the tokens are strictly determined by a mathematical formula designed by AMM itself.

Liquidity pools have played an important role for yield farming as well as online games that are based on blockchain.

The Rewards of Liquidity Pools

When you are participating in liquidity pools, you will be able to receive greater levels of liquidity, rewards, and interest when partaking in yield farming. Liquidity pools serve you with the ability to make exchanges rather than the traditional trades. It means you do not have to concern yourself about finding a partner, as you will come across investors trying to sell their coins at excessively high prices. You will need outstanding abilities to negotiate, which is not something you will always want to have to do as an investor.

Liquidity pools focus on the value of the cryptocurrency depending on the rate of the platform. The transactions will be smoother, and you can avoid unreasonable sellers trying to make far more than what the value of the coin happens to be.

And, if you participate in yield farming, it is another income generation platform. It has been shown to be a very profitable strategy. Customers will be depositing their tokens into the liquidity pools, and then receive more tokens depending on the algorithm of the platform.

But What Are the Risks?

It is important to understand the bigger picture to really move forward. There are risks such as smart contract-based risks. If you ignore them, you can incur huge losses. Remember that when you contribute your tokens to a pool, the pool is the one that officially owns them, and the contract acts like a custodian.

So, if you sign up with a contract that has a flaw in the system, you can lose your funds forever (called a flash loan). So, you always want to conduct advanced research and gain access to the risks. You need to practice extra caution if you see that the developers can change the regulations of the pool. It means they have some privileged access to the code of the contract and have the ability to do something as malicious as seizing control of all the pool’s funds.

Another reality is the fact that the pool of funds acts against the decentralized nature, which puts it as a higher risk of hacking exploits (due to poor security). You are also at a higher risk of rug pull and exit scams. The best way to prevent scams such as these is thorough research, but even that does not minimize all the risks.

Assessing Crypto Lending

By now, it must be quite eye-opening to see all the variety of choices you do happen to have when it comes to cryptocurrency. There is a whole lot more than simply buying or selling, and each strategy comes with its fair share of rewards and risks.

Crypto lending is the last strategy mentioned in this chapter, and it involves the process of depositing a crypto into a platform where people can borrow it (and in return pay some regular interest payments). The payments are made in the form of cryptocurrency itself, and can be compounded on either a daily, weekly, or even monthly basis, depending on the amount and your overall goals.

There are two types of lending platforms on crypto: decentralized and centralized Both offer the benefits of high interest rates (sometimes as high as 20% annual percentage yield), and both require borrowers to deposit a specific collateral to have access to the crypto loan.

The Risks and Rewards of a Crypto Loan

There are some clear benefits that come with participating in a crypto loan. You will receive a significantly high interest rate, and you can also, in some cases, create your own repayment schedule. You will have the ability to make a whole lot of money in one go. Furthermore, there is another aspect called margin calls–if the value of the borrower's collateral drops, then you as the lender can require the borrower to increase the holdings. Or, you might even be allowed to sell some of the assets to increase the loan-to-value ratio. This is quite common with cryptocurrency, so you as a lender will want to keep a steady eye on that.

But lending does not come without its own fair share of risks.

You will not have any access to your assets. So, if the price drops significantly or you need cash in a hurry, you won't be able to gain access to this.

Also remember that the money you loan is not insured, which means if the exchange happens to fail, you do stand to lose everything. The interest account withdrawals have also acquired the reputation of being slow. You can generally request a withdrawal whenever you want, but it could take a couple of days for the platform to release the funds.

Again, with a very volatile market, it could end up damaging the value if your asset price drops at a rapid rate and you cannot work on trading them.

So, in all fairness, crypto lending can be quite risky for both the borrower and the lender. You will have to make your choices wisely on whether you are willing to take such excessive risks.

An Introduction to Short-Selling

Although short-selling is quite often a part of day trading, it is one of the key strategies in making money during a crypto crash–which is exactly why it is so suitable here.

Short selling is defined as a trading strategy that speculates on the decline of a stock or other asset's price. However, this is an advanced strategy, and much like day trading, you will need extra experience in order to successfully pull it off.

Traders make use of speculation, then they borrow the shares of a cryptocurrency they believe will decrease in value. Investors then sell these shares to buyers who are willing to pay the market price. Then, the trader waits for the shares to decline, and they then purchase back the crypto at a lower cost.

This is a very risky form of trading, considering that the price of any asset can climb excessively high. If that happens and you get your speculations wrong, then you are racking up a heavy loss for yourself.

How Can I Short Sell Bitcoin?

The first coin you might consider short selling is Bitcoin, and even if you want to consider other coins, this is perhaps the best coin to make an example of. You can choose to:

- Directly short sell the Bitcoin, where you sell Bitcoin at a price you are comfortable with, hopefully the price drops further, and you purchase Bitcoin again at a lower price.
- Margin trade. Many investors short sell Bitcoin through the use of margin trading that is directly dedicated to cryptocurrencies. You borrow money through a broker, make the trade, then hope your bet pays of in the long haul.

However, because short selling focuses a lot on speculation, it is even riskier than the buy-low-sell-high strategy also recommended in this book.

Strategies to Manage Your Crypto to Avoid Theft or Loss

Holding onto your cryptocurrency means you are solely responsible for its safety. Although you rely on the security of many different software companies and exchanges, this does not mean that you can just leave it up to them for your assets. Especially if your assets are not insured, as the companies are not always held liable for the incidents that takes place on their website. Here are some key steps to smartly reduce one's chances of theft or loss.

With this section, it might seem like the whole world is out to get you, but you will greatly benefit with this approach.

To begin, cold wallets are key when it comes to protecting your larger investments such as Bitcoin, Ether, or others. Although digital exchanges do have precautions in place against theft, they are not entirely immune to being hacked.

One of the best ways to protect your investment is your wallet. There are two primary types of wallets. One is called a cold storage or wallet, which comes in the form of a hardware device, and is by far the safer option. This is because cold wallets operate offline, which means hackers will have to steal the physical hard drive or flash drive, as well as your private key, to decrypt the wallet. However, if you lose your password key, you will never be capable of retrieving the items in your wallet.

When working on digital currency exchanges, it is recommended not to keep your primary holding on the exchange for two key reasons. One, if the exchange is hacked, you can lose all of your assets. Two, if the exchange crumbles, you might not be able to recover your holdings. These are two prominent threats that comes with a crypto exchange.

Avoiding Scams

Perhaps the most common type of thefts are hacking and phishing. You want to boost your computer’s security, such as using a paid virtual private network (VPN), as free VPN’s are more dangerous than just having your IP address exposed).

Avoid phishing scams. These are scams commonly related to getting your online wallet, and scammers specifically target getting your private keys to gain access to the funds that are in your wallet. They like to make fake websites and try to lure recipients through email to sign in their key information on the fake website. Once they get a hold of all this information, they then steal the crypto from the wallet.

Another key tactic they love to use is to partake in fake apps, or fake celebrity endorsements, or they promise a giveaway scam.

However, one thing that is clear is that they love to instill a sense of urgency, making sure you do not have the time to think straight and respond accordingly.

Be especially careful if someone just so happens to call you out of the blue, with no good reason–those are especially common scams within crypto. Whenever you are approached with an offer on social media, consider why people would just randomly message a stranger on the web to offer them a favor.

The best way to protect one’s coins is to visit official websites (not any links sent via other platforms), make use of the website's contact points, and always verify the messages sent via email directly. It is generally best to ignore social media direct messages.

Always make your passwords complicated, but do not lose them. Invest in a secure anti-virus and anti-ransomware program, make use of a VPN, and never give out personal information to any platform that you do not explicitly trust. Be very wary of the emails you receive, and never be rushed into making an investment decision.

By following these top tips, you will radically reduce the chances of losing your crypto via theft or other types of loss.

All in all, these strategies are all good if you have a great sense of what is going on in the market and the ability to quickly pick up on trends. But now it is time to focus on the key aspect of this book– crypto crashes, and how to predict a crypto crash.

Chapter 5: Preparing for the Next Cycle

Alright, so now it is time to strap on our seatbelts and get ready for the next rollercoaster ride within the realm of cryptocurrency. But it will be completely useless if you have no idea of what to look out for. Much like you are searching for some fruit to drop from a tall tree when you are inside the house, the same can be said for expecting cryptocurrency to fail without the research.

There are a fair share of tools and charts you can use to predict the downfall of a token. The same tools that you use to try and predict the rise of prices, you can also work on checking out the failing of others.

So, although you share many similarities to polar opposite strategies, your goals with using the information will be radically different. When people are exiting the market, you are entering it. When people feel keen to climb on board again, that is when you climb off and bid your audience goodbye.

Cryptocurrency markets are no stranger to high levels of volatility. For example, the total market capacity had indeed fallen from $740 billion to around $42 billion in the span of four days in 2022 (Coinmarketcap.com). Just looking at history, it does turn out that such things have happened to occur ever since January 2014.

And the 2022 crypto crash was certainly boosted through the fact that Bitcoin and crypto have now become common household names. Instead of lingering in the shadows, they are in the spotlight. That means there is a larger audience that hears about the news in the crypto market, and when the news sounds even remotely bad, people could immediately pull out, not even giving a second thought towards verifying the information.

However, information spread on popular platforms should not be excluded from careful verification either. Which is another tactic to keep in mind as you push forward in your investing journey. Big name media corporations such as CNBC, Reuters, and Bloomberg have time and again failed to spread correct information, including making mention of crypto bans within South Korea that had not even taken place yet.

Misinformation adds fuel to the fire and panic of the public, who tend to take things at face value majority of the time and create the wave of fear of the entire market collapsing. However, as mentioned before, cryptocurrencies have been proven to be cyclical; and although the direction they head is altered by the course of events worldwide, sometimes the reasons are not what you might expect. A good example of this would is when people are heading towards the new year and need extra money to take time off and perhaps travel to their home to visit family. A good chunk of people would then sell their crypto to make profit, and in turn this would have a large effect on the market–but for a much less sinister reason than what is shared on the news (Young, 2018).

What to Look Out for During the Next Crypto Crash

To look at the common signs and symptoms of a crypto crash, you need to understand the signs and indications shown in the past. There have been a couple of them mentioned already in this book, but how exactly do you go about finding out whether misinformation is being spread, and whether or not traders are starting to panic? You will need to make use of a certain number of tools to predict a crash, and in the same way you work out whether or not the prices are rising, you will want to see whether or not the prices are dipping.

Tools to Predict a Crash

So, a crypto crash normally occurs for several reasons. Here are some of the most common causes:

- News and events are a common cause of panic for traders, especially if the news might give any indication that a crash might occur, spiraling it into greater levels of chaos–and probably being an instigator of the crash.
- A whale dump. This occurs when an individual purchases a large amount of digital currency, causing a spike in the market price. But when they decide to sell all their coins at the same time, it can cause a huge swing in the opposite direction.
- Regulation changes within countries can easily cause a crash as well. Although regulations are there to help protect investors from scams, they are commonly misunderstood by investors, leading to a sudden drop in prices.
- Pump and dump schemes. This is when people try to work on pumping up the price of a crypto token that really does not deserve all that attention, then sell it quickly and leave. Generally, pump and dump schemes target the newer, less experienced investors who might not ask enough questions or find out enough information about the tokens being recommended. Social media is also a hot spot platform for them to use. Pump and dump schemes are illegal, but again, very hard to recover or prove considering the level of anonymity on the cryptocurrency platform.

So now that you understand some of the common causes, you will naturally want to keep a steady eye on these matters – including the news, the charts, and social media.

Top Crypto News Apps

A person does not want to spend all their time filtering out inaccurate or irrelevant news from the news that has an influence on the markets. So instead of searching on the common news platforms and sites on social media, here are a couple of apps you can pay a visit to instead.

StockTwits

This is one of the best customizable news sources for cryptocurrencies, giving you everything you need to know all on one platform. The reason why this is important is it saves a whole lot of time.

When it comes to a volatile market, every second counts. Also, apart from the stock trading analysis, the designers have started adding crypto prices, making it one of the favorite trading apps within the community. You can also create your own persona; customers search to find out the news circulating the specific coins you happen to be paying particular attention to. So, if you hear about funny news on social media, you can make use of this app to verify whether or not it's just a rumor or legitimate news–a step to combating misinformation as an investor.

The app is also completely free for you to download, as long as you do not mind diverting and ignoring all the ads that might pop up from time to time–and there are no in-app purchases offered on this app.

Reddit

Now, this recommendation might come as a bit of a surprise, yet Reddit has time and again proven itself to be one of the best sources to catch onto early news before you find it out on other social media platforms. You will also discover new rules and regulations, as well as relevant information, regarding Bitcoin. Truth be told, Reddit also has a very smooth interface, and browsing different content is no longer much of an issue. But it might still be tricky to discover the top Reddits considering that a whole lot of SubReddits do tend to pop up from time to time–so you might have to learn which accounts to follow and which accounts to simply ignore.

Bitcoin, Ethereum, IOTA Ripple Price and Crypto News

Another popular resource in order to gain as much information on a wide variety of Bitcoin, Ethereum and other currencies. You can also check out the graphs and see the detailed reports. The app will also hold a basic currency converter for you to use, but many of these extra features do come with a price. You can download the app for free, but you will also have to make do with ads on your screen.

Blockfolio Bitcoin

This is another tool that can help manage your spending, as it can help you to keep records of the crypto transactions you make as well as receive notifications on value dips or rises. The interface is especially user friendly, and you can keep track of nearly 2,000 cryptocurrencies globally. This cryptocurrency app is free, and compatible with the majority of devices (except for an old Nokia brick phone–but I think that is a fair exception).

CoinDesk

A simple application designed to keep you up to date with the latest information on Bitcoin and all the other cryptocurrencies that you need. You can set up different notifications you would like to receive (including the possibility of a price reaching a specific threshold) and it is easy to navigate as a whole. It even has a whole dedicated page to Ethereum, if you are invested in this cryptocurrency specifically.

TradingView

Time and again, you will be hearing about this chart software. TradingView is one of the most popular charts and technical analysis tools for traders in the market out there. In recent years, they have pushed for the integration of their tool set to some of the most popular cryptocurrency exchanges. Therefore, you will be able to access this charting tool on some of them. Also, you can have either a free or paid account. A free account has limited technical indicators, but is perfect for someone just stepping into the market for the very first time.

Reading Charts and Finding Trends

If there is one key factor you will have to learn to face a crypto crash and have better chances at winning, it is making an effective use of a crypto chart. Charts are your best friend within the trading world, and you will have to have a thorough understanding of how to approach a chart to implement many of the different trading strategies (including the buying-low-selling-high strategy down in chapter 8).

So, to start off with, candlestick is the main price indicator used for cryptocurrency price charts. Candlesticks are popular because they represent a whole lot of compact information in one go. Each candlestick on a chart reflects price activity within a specific period of time–it could be 10 minutes, it could be5 or it could be 30.

Candlesticks show the highest and lowest price points. On most charts, if the candlestick is green, this is an indication that the price is bullish and is moving on the increase. If the candlestick is red, it is a reflection that the price is bearish, and the price is on the decrease.

Both common charts and candlestick patterns are placed into bullish/bearish patterns. Bullish patterns indicate that the future of the price movement is going up and increasing in value. A bearish pattern is if the future of the price movement is likely going down and thus decreasing in value.

Understanding Shooting Star Candlestick

The shooting star candlestick is the bearish pattern that tends to appear at the end of a price uptrend. This is when the candlestick's body is short and situated near the very bottom (where the wick is long and extends upwards). This is a sign that the prices have gone slightly down, despite having reached higher prices along the way (so like a slowdown in high prices).

This is generally a sign of resistance, and that a sell-down (bearish incident) is likely to come around the corner. It is a good indication for you to sell before the prices drop (if you are a short-term trader) or if your long-term investing strategy is reaching its finale.

Inverted Hammer Candlestick

The inverted hammer candlestick looks a whole lot like the shooting star candlestick, only in reverse. This is an indication that prices went up slightly at the end of the trading period and are highly likely to start increasing along the way. If you happen to see a candlestick pattern holding this downtrend, it is a good sign for a rebound. So, it is a good tell-tale sign to consider buying into the market.

And when you zoom out of the individual candlesticks to check on the crypto charts in general, you will discover even more patterns. One of them is commonly called the head and shoulders pattern. This is where you see three valleys/peaks where the head looks like it is overshadowing the neighbors and the shoulders are giving a moniker-like pattern. If you see this pattern on the left side of the chart with a green color, it is an indication of an upswing. But if you see one shaded in the color red on the right, this is an indication of the downtrend.

*Tip: take your time to Google some of the patterns and to have a visual representation of these patterns. Challenge yourself to climb onto TradingView (or any reliable charting platform) and see where you can spot the different charting scenarios mentioned above. These are the most common ones you will want to look out for, especially during a crypto crash. After all, who doesn’t want to check and see the oncoming upward trends during a bear market?

Do Not Try and Time the Top Perfectly

Once you have gotten your strategies and tools down to a T, you might be tempted to jump into the market and implement it perfectly. But perfection is impossible in an unpredictable market, and the more you wait for your ‘perfect’ market enter or market exit moment, the more likely it is going to turn into a classic loss. This is especially true for anyone taking on day trading.

Always Have an Exit Strategy

Exit strategies take priority over entry strategies–which does make sense considering that the exit strategy determines the overall outcome of the trade. So, before you dip your toes into the market, you need to know when and where you are leaving. Always choose your reasonable profit and loss goals.

What this does for you is it helps you to avoid the worst repercussions. A good example I like to use is a gymnast. When they are swinging on the poles, there is always someone standing there, waiting to push a protective covering to prevent the gymnast’s hands, legs, or other body part slamming against the metal pole if they have miscalculated their move. This saves them from injury. But sometimes, what happens is the person pushes the protective cushion onto the pole even though the gymnast made no mistake, causing them to drop from the pole anyways. However, this protective cushion protects more than it prevents opportunities.

So, when you choose your maximum loss before pulling yourself out of the market, you are giving yourself a protective hedge (normally setup with a stop-loss). If you also choose the maximum profit and pull out, yes, chances are you might have made more if you waited a little longer, but you are protecting yourself from a possible swing in prices.

And when working with crypto during a crypto crash, this ‘protective cushion’ is one of the best strategies you can implement for yourself. It is a key factor that you will want to take with you through to the next chapter, which discusses day trading in depth.

Chapter 6: Day Trading—It’s not for Everyone, Is It for You?

Day trading is quite a common practice when undertaking a crypto crash. You might just be benefiting from a one-day crash, or a crash that has been happening for a couple of weeks. Either way, day trading is one of the more suitable strategies when you are working with a highly profitable platform.

So, here is day trading 101 for you. However, it is most certainly not for everyone, and there are a couple of things you need to know before you take a leap into a more advanced form of trading in general.

When to Day Trade and When to Sit Out

Let’s start with the top reasons why you should consider day trading:

- You enjoy the independence. Day trading works a whole lot like running a small business. You are in charge, you call the shots, and you are solely responsible for any of your failures and successes. You will be working by yourself, and you will be responsible for everything. Some people really enjoy that high level of independence, as well as the thrill of the risk. They might also enjoy the challenge of it all. If that sounds like you, then you should certainly consider day trading as one of your key strategies.
- You can work anywhere you like as long as you have the tools and the WiFi.
- If you are comfortable with technology and eager to stay up to date, then this is certainly a key strategy for you to consider.

- If you have a passion for the markets, then you won't have too much trouble with day trading. To put it quite bluntly, if a person does not hold an interest in the markets, they will find it boring. If they find it boring, they will not be spending the time, energy, or resources when it comes to trading in general.
- You already have some market experience. If you have not spent some time opening an account, purchasing stock, or investing within a mutual fund, then you may not be quite ready yet for day trading. You will want to truly familiarize yourself with the markets before you start taking on a more complicated strategy (as day trading is a level higher than many other trading strategies involving crypto).
- You have done extensive studies on the trading system and you do have a good understanding of what works for you. A whole lot of the day trade all involves you buying and selling orders–understanding how it worked in the past and testing to see just exactly how it works now. Finding a strategy you are comfortable with is going to take a good amount of time, but it will certainly be worth your while. Certain day traders will take even months developing and testing new day trading strategies.
- You can afford to lose the money. Now obviously you are not walking into a trade expecting to lose, but you should walk into the trade considering the possibility that you might lose. And if losing is not an option for you, then you should not consider cryptocurrency as a whole.

Signs That Day Trading is Not for You

- You are starting investing through day trading–a big no. Nothing should stop you from managing your own investments and learning the basics of finance. However, day trading and investing are quite different from each other, and you will need to to master the basics of finance, diversification, and balancing risk and return before you enter the day trading market.

- You are short on both time and capital. Day trading works a lot more like a business than long-term investing, which means you need to dedicate a whole lot of time to it while investing a good load of money. So if you do not have enough time to learn technical patterns or money to bear through the brunt of rough cycles, then you should not day trade.
- Day trading is very much a solo activity, which means you really cannot work as a group.
- If you are not a detail-oriented person, then you will struggle with day trading. You have to pay attention to every little thing going on during your trade. If you do not enjoy too much responsibility, or multitasking, then day trading might not be for you.
- If you are impulsive and crave excitement, then that is another big no-no. Trading might seem very exciting–the movies tend to portray it as such—but much like the career of a lawyer and the career of a writer, it involves hours and hours of sitting behind a computer, reading the news and charts. And, impulsive decisions might get you your new favorite flavored ice cream, but gambling with day trading will get you out of the game fast.
- If you struggle to stick to boundaries and stay disciplined, then you may need to think about day trading as well. Day trading requires discipline and the ability to stick to your plan.

How to Day Trade 101

In order to achieve success with day trading, you will have to master a few skills. Many of them cannot be covered in this book. However, in this section, I can provide you with a useful guide to everything you need to learn in order to master day trading. You will need to learn:

- how trades work;
- when you should buy and when you should sell;

- how you should read a price chart and start recognizing the patterns; and,
- how to start limiting losses on your trades.

The amount of money you make as a trader all depends on your level of experience, the discipline in your strategy, your ability to limit your losses, and the total amount of money you are using to start your trading.

Some other tips to remember are:

- Start trading with smaller amounts, such as $500 to $1,000.
- You will need a reliable internet connection, a computer or laptop, a trading platform, and if you want, a broker to start trading. However, unlike traditional trades, you do not actually need a broker to get started.
- Make excess use of limit orders when you are buying and selling.
- Time your trades well–you can make use of this through the different strategies discussed in this book.
- Keep practicing your strategies with the use of paper trading. You want to use a demo account.

When you start to trade, you want to do extra research on the coins you are interested in, and keep an eye on the news and the trends.

Day trading is useful to crashing cryptocurrency, because it is not so dependent on the long-term results of investments. It is more focused on the day-to-day and hour-to-hour.

Mistakes to Avoid as a Day Trader

Day trading might seem quite simple at first. The price goes up and down, and you purchase and sell accordingly. However, unlike long-term investments, a person has to focus on the technicalities–the short-term price swings are far more unpredictable.

A person often forgets that when they participate in the market, they are competing against a vast variety of other traders out there. Where someone makes a win, another person makes a loss. It works like a tug and pull, and you want to make sure you tug first in order to win.

The trading world really is full of surprises, and when you first step into the world, you are likely to make many mistakes. Each mistake might cost you in the long run. Therefore, it makes sense that you learn from the mistakes of others first to reduce the costs and other problems you might be coming face-to-face with.

Trading Without Any Plan

Alright, most people would think this is a no-brainer, but it is one of the most common mistakes people make. People often mistake day trading as simply a side job, and do not want to dedicate the time it takes to actually work on trading.

Whatever your reasons might be for day trading, you will need clear and outlined goals that will allow you to have a step-by-step plan gaining that level of success. You really need to focus on what you want and understand how you are going to get it. Otherwise it is very much like looking for a needle in a haystack instead of in the thread shop next door.

Start Trading Too Quickly with Too Much

For beginners, and even for people who have had extensive experience that comes with trading, it might be tempting to push your limits in hopes of getting richer a whole lot sooner.

But there is such a thing as over enthusiasm in trading. Over enthusiasm could work either in the volume or the value, and will only be boosting the risk to levels that you cannot afford. When you start overreaching and overspending, you are setting yourself up for failing before you barely even begin. Many people enter the trading markets with the idea that they are going to win millions from the start. However, by the end of the day, a person needs to have a lot of skill and patience in order to achieve the success they set out for.

Emotional Trading

Everyone enjoys that great feeling of a successful trade. But the sense of victory can actually be detrimental if you let it determine your next move in the training game. Emotional trading is probably one of the biggest factors that cause people to lose money. Emotional trading could be through panic, anger, excitement, or greed.

Guessing

As much as guessing can cut time short, it will cut your money short, too. If you walk in there without any form of preparation then you are making a drastic mistake that many new traders have made as they start entering the market.

No effort in the market will lead to any results soon. You need to focus on your education as well as your overall understanding on how the markets work. If you do not have much experience, then you should consider climbing onto a paper trading platform first. It is a simulation where you can practice different strategies, learn to read charts, and make mistakes without losing money.

Simulations are the best practice grounds for people taking on day trading, especially with cryptocurrency. Not only will you be familiarizing yourself with a different market, you can also try out different coins and cut out the need to guess.

In fact, it should be one of your key rules in day trading—no guess, period.

Stop-Loss Order

When you trade without a stop-loss order, it's the equivalent to jumping out of a plane with no parachute. It is just far too dangerous for you. However, despite this reality, most traders go ahead, working in the markets without this tool.

A stop loss order can help to guard your money when you are not monitoring the markets. Considering it is likely that you have another job and other matters to attend to, you cannot watch the markets 24/7. And when you are working with a highly volatile marketplace that swings in any direction over small reasons, you do want something constantly watching the markets, ready to pull you out or put you in the game. That is what a stop-loss order essentially is. When you make proper use of a stop loss, you can legitimately avoid getting yourself into too deep of a loss. One of the key goals of trading is to pull out of the market as soon as possible when you see things going south.

Taking Far Too Many Positions

Alright, diversifying is a good strategy, but too much of anything is not actually good, and this includes diversifying in too many markets. This is especially relevant when it comes to day trading. You have to be hands-on, so when you take on far too many trades, then it can stretch you too thin. Your attention will slip, and you will end up making common and avoidable mistakes.

So next time you are going to trade, be very mindful over the certain amount of trades you are taking in a go, especially as a beginner. You want to focus on a few trades at the very beginning. You want to learn how to enter and how to exit them. Then start trading again when you pick up on similar opportunities.

Once you have a clear and better-defined trading strategy, you will find it easier to spot the trading opportunities and pick the best ones.

Revenge Trading

This is closely connected to emotional trading. Chances are high that you hate to lose. Who does not hate to lose? And if you face a loss, you want to jump right back into the market in order to prove that you are a winner.

This is the thinking commonly coined as revenge trading. When you lose, you want to get even, or at least make up for the amount of money you have lost. Is that not too hard to ask?

In the emotional state that you are in during a revenge trade, you are far more likely to bring more pain into the equation than gain. Consider this–if you want to partake in revenge trading, you are still stressed over the last trade. So if you find yourself in a string of losses, take a step back first, figure out what went wrong, and learn how to relax first and recover from this loss.

Remember that jumping into a trade immediately after a huge loss is not necessary. New opportunities to recover the amount lost will arise. It just does not have to be today. It does not necessarily have to be tomorrow either. You know you are ready when you no longer get angry or ‘antsy’ when you start trading again.

Understanding the Risk of Exchanges

You might have heard of eToro, Binance, and Coinbase, all highly popular crypto exchange/broker platforms. And as a day trader, you will be spending an excessive amount of time on these platforms. But there is one major point I want to draw your attention to–hackers.

As mentioned with Bitcoin’s history, a big reason for the Bitcoin crash revolved around Mt.Gox, and specifically hackers. Although hackers cannot intercept transactions through the blockchain network, that doesn’t mean the system is invulnerable. Rather, hackers target individual’s wallets, or the exchanges themselves.

So, when choosing an exchange, you will want to work on a platform that prioritizes security above and beyond anything else. Due to crypto's unregulated nature, cryptocurrency is not insured, and reversing transactions is also near impossible. That means once the money is spent to transferred, it is gone.

Also, some exchanges do offer compensation themselves should they incur a security breach. Either way, you need to practice good online security. You also want to avoid scams as much as possible, and there are a few key things to take note. A scammer will:

- create a sense of urgency to make you respond immediately without thinking
- promise/guarantee returns for a specific investment
- promise/guarantee extra returns if you bring people into the investment (Ponzi/pyramid scheme)
- approach you on platforms out of the blue, with no reason
- build look-a-like platforms to trick you into giving your wallet details

Mentioned above are the most common tricks hackers and scammers online like to use. So be careful, be smart, never trust a link randomly sent to you, and never allow any 'company' or 'individual' to rush you into making decisions without doing the appropriate amount of research first.

Understanding Conviction Hype Cycle

The Hype Cycle is a graphical representation, specifically of the life cycle stages of different technology, starting from its design through to the maturity down to widespread adoption.

The Hype Cycle was designed by Gartner (an IT research and consultation company), and the Hype Cycle's stage is often used as a reference point when reporting on marketing and technology.

Many businesses make use of the Hype Cycle as a guide to make decisions on technology, and investors can also make use of this life cycle to help determine the different risks and opportunities that are available.

There are five overlapping stages for you to be aware of:

1. The Technology Trigger. This is where the idea of the technology is designed and prototypes are being made, although there are no functional products or market studies that have been implemented yet. This does trigger media interest, though.
2. The peak of inflated expectations. Once the technology is implemented and early adopters take a chance on this technology, this then shares a whole lot of publicity, both with successful and unsuccessful applications.
3. Trough of Disillusionment. All the flaws and failures are placed under the spotlight, leading to a level of disappointment within the company. This is normally when the technology either gets dropped or improved.
4. The Slope of Enlightenment. If the technology survives and improves, it starts to become more widely accepted as well as understood. More companies are starting to implement it and test it out in their own environments.
5. Plateau of Productivity. This is when it becomes implemented on a broad scale; the applications and market are well-grasped.

Where is Crypto and Blockchain on the Hype Cycle?

Although blockchain applications are booming, the permissioned/successful enterprise blockchain projects are still quite scarce. There is a lack of understanding of how much blockchain can improve and support innovation.

Therefore, , blockchain itself is currently passing through the trough of disillusionment and hopping onto the slope of enlightenment

(Litan, 2021).

And, cryptocurrencies are also gradually progressing through the Trough of Disillusionment (which at this point and time, makes a whole lot of sense).

This is another key factor for you to keep an eye on as an investor, because as crypto keeps progressing and gains a wider level of adoption and understanding, the more stable it will become in the future. However, that might still take a lot of time.

Exchange platforms are labeled under Step 1–Innovation Trigger, and blockchain platforms are approaching the Trough of Disillusionment. Both are key platforms revolving around cryptocurrency itself.

With this in mind, let’s take another look at what the digital future does potentially hold for us as a whole.

Chapter 7: The Metaverse—Not Just a Game

The metaverse sounds like something that is coming 100 years from now. Or it looks like that tagline scribbled at the bottom of Facebook or WhatsApp. There are whispers going around all about the possibility of a powerful digital universe. Could it be the next big thing? What will be needed to achieve such a reality?

One thing I have learned is that nothing is truly impossible when it comes to technology. Technology keeps moving forward. I do still feel like a child if I walk through doors and they open for me with the use of sensors. Why? Because these automatic doors were only science fiction when I was younger. Now, watching it open as I walk closer makes me smile regardless of how simple or old the idea already is.

And now the head tech CEOs such as Mark Zuckerberg and Satya Nadella discussing the realities of the metaverse, it seems like this digital 'science fiction' is closer to turning into reality than ever before. In fact, it has already been a couple of months since Facebook has been rebranding to Meta to prepare itself for the coming "Metaverse."

However, the Metaverse is still in its start-up stage–and much like the telephone, television, and any other aspect of technology, a start-up is going to undergo some radical changes before it is really sophisticated enough for the general public.

But before we dive any further into discussions of the metaverse, let us cover one key factor.

What is the Metaverse?

The Metaverse has many ideas attached to it. It means you won't find a solid, outright, clear definition of what it is. However, the general idea is that it is an online digital world you can experience first-hand. And this is more than just virtual reality (VR) gaming (however it is a good reflection of how the Metaverse intends to work).

The Metaverse is meant to give you access to all sorts of applications using one door; Just like how you can make use of search engines on the internet to discover videos, make payments, play games, and chat online.

One of the best common examples is the book (as well as the film adaptation of) *Ready Player One*–hopefully without the grim reality. However, the idea is that everyone can enter this platform from anywhere in the world. People can be anyone they want to be, do everything they want to do, and even own items that they are incapable of owning in the real world–a classic example is a baker owning a submarine, just in VR.

It is meant to be an upgraded version of Web 2.0–the internet era we are currently living and using.

However, there is just one stickler that does come to mind. Many people are hoping to take a big step away from the control the mega-corporations have on the digital world, and rather enjoy greater levels of freedom using decentralized platforms–a possibility that can become a reality after the invention of blockchain.

But there is no denying that big tech companies are putting their all in to being ahead of the competition, and pushing to have majority control over this futuristic digital world. The chances are still incredibly high that the Metaverse is going to be split between the centralized world and users, as well as the decentralized world and users.

A good example of start-up "metaverses" (digital worlds that are currently the closest reality you will be able to get as the Metaverse) are Decentraland, Horizon, Fortnite, Axie Infinity, and Roblox.

It makes sense that the majority of the Metaverse will start up with gaming, as that is where a lot of the funds are coming from.

NFTs Integral Role of Digital Ownership

NFTs–also commonly referred to as Non-fungible Tokens—are an offspring of blockchain and a cousin of cryptocurrency. Non-fungible means that it is completely unique, and you will not be able to find an identical copy of it. Much like a fingerprint or concert tickets for a specific seat. Fungible could be shown as any form of fiat currency or cryptocurrency. If you swap one Bitcoin for another Bitcoin, no one in the world would be able to tell the difference–the only thing that would matter is that you simply wasted your time swapping out one coin for another.

It is quite easy to design and create one's own NFT, as it can be any form of digital file. However, not a lot of people are making money from selling their tweets about what they had for lunch that afternoon. Rather, the NFT's art world has essentially exploded. It has become the digital form of 'art collecting'–where people can buy, digital artists' original work for a hefty fee.

Now, NFT's ability to be untampered as well as permanent has opened up the possibility to create solid digital ownership. For example, if you were in a digital land and you bought a plot of virtual land, your 'proof of ownership' can come in the form of an NFT. It is far more secure, and safer, as people cannot replicate the coding of an NFT to a T.

This means that NFTs are likely to play a firm role within the Metaverse itself. Whether people are collecting artwork online, game characters/icons, deeds, and proof of ownership within the digital world–NFTs are the best go-to point within the Metaverse design.

To top it all off, Ethereum has managed to get a solid grip on many Metaverses-like platforms, and holds the potential to host the Metaverse itself (with a couple of upgrades and changes). Many people have been building software on Ethereum.

Cryptocurrency’s Integral Role in the Metaverse

Now that we are talking about cryptocurrency again, it is time to face the reality that crypto, right now, is the best choice for currencies within the digital world. A person cannot make an exact replica or counterfeit of a digital token, and the blockchain’ are transparent, allowing anyone to gain access to the transactions and remove any attempts of tampering.

So, if the Metaverse starts gaining more ground as it gets designed, chances are high that cryptocurrency will be gaining more power, too. As more people start to accept crypto as a whole–and have a certain level of the volatility sorted–cryptocurrencies are going to become a dominant investment in the market. But this is only a speculation.

If a cryptocurrency crashes too hard, or something radical happens in the world that shatters everyone’s faith in crypto, we might see a spiral down in the markets that they may not recover from. The odds of that happening are significantly small.

Or, cryptocurrency will remain struggling for validation and value as people continue to have mixed feelings. That is also a possibility.

But with the rise of the Metaverse, chances are high we are going to be seeing an increase of cryptocurrency usage–not just for the sake of investing, but for the sake of necessity, to properly function within the Metaverse world.

Now, cryptocurrency, NFTs, and the Metaverse itself are all forms of speculation. Cryptocurrencies do exist, and we’ve covered the likelihood of why crypto is here to stay. NFTs are still very fresh despite having been invented in 2014, and the public has not all quite bought into the idea of digital ownership; and, the Metaverse is still being designed, with many close lookalikes and potential coming across our path.

As an investor, regardless of your strategy, you will want to keep an eye on the developments of the Metaverse, as well as figure out the involvement of crypto inside. You want to find out what cryptocurrencies people will be able to use on the platforms, as well as check out cryptocurrencies that just did not make the cut (which could be involved in a sinking of value/crypto crash) depending on how radical and fast the Metaverse gets up and running for a larger audience.

Chapter 8: Identifying Opportunities for Long-Term Investments

Now why on earth would the thought of a crypto crash spark any thoughts of long-term investing? Seeing a radical price drop tends to cause people to run the other way. However, there is always a chance that eventually they stop running. They then turn around and start considering investing again once they see that the smoke has cleared.

However, imagine if you were not one of those running back but running forward. You decided to take the opportunity to buy into the market, speculating that eventually it will turn around. So instead of relying on the crash for profit, you will rely on the possibility of recovery.

You are not the only one who thinks this way, and a crypto crash might just be what you need to get your foot in the door. With prices sinking down to more affordable levels, you decide to undertake a more long-term point of view.

So now you can see there is a strategy that swings in the polar opposite direction of day trading. Although day trading is a very practical option, it is not an easy one, and could very well be unsuitable for your goals.

So How Does One Go About Taking Advantage of Low Prices? Considering a Long-Term Investment.

The very first half of 2022 has been a terrible time for the crypto market. Here are some factors surrounding crypto that you should be looking out for:

- Bitcoin and Ethereum have sunk to over 50% from their all-time highs during late 2021. There has not been any resurgence, and the markets are still stalled. There is speculation that the market might fall even further before taking any steps towards recovery.
- Bitcoin did strike an all-time high in 2021, and afterwards came a huge drop–a common indication that a major company has been buying in. The same happened with Ethereum. And lately, the Biden administration and U.S. government have been taking particular interest in the regulations surrounding cryptocurrency.
- The interest in cryptocurrency has not evaporated despite the crypto crash—it remains an extremely hot topic.
- The industry is still very much a toddler, and still growing and adapting, making it difficult to predict which way crypto is headed in the long-term.
- If stricter regulations are not introduced, it is more than likely that many more investors are going to get hurt. And many experts agree that clear regulation will be removing huge hurdles from the path of cryptocurrency. People are going to be more confident as they operate on the platform when there are concise guidelines for them to follow. So, despite the major controversy surrounding the regulations, it might just be the one ticket crypto needs to keep steadily plodding along.
- We are also seeing mainstream companies taking an interest in crypto. For instance, AMC has announced that they will accept Bitcoin payments. Tesla accepts Dogecoin, but is on shaky ground with Bitcoin (considering Bitcoin's controversial environmental impact).
- There has been an increase in the amount of attention crypto is receiving, so despite the tough year, it remains a growing industry.

What the Future of Crypto and NFTs Could Look Like

Making payments for items in crypto is not very common now, despite it being a popular virtual currency, but more retailers are starting to accept crypto payments. When more people start to accept cryptocurrency as a legitimate form of payment, the more alterations we are going to see in the financial landscape within the future. Chances are we are still an exceptionally long way off, but if you buy and store crypto for the long haul, and crypto becomes more useful, we will then see the demand and value of cryptocurrency increasing. Which, as a long-term investor, is exactly what you want.

NFTs are also going to play a more prominent role, as mentioned in the previous chapter. NFTs will be able to represent digital ownership for a wide range of intangible items. This has drawn the attention of both celebrities as well as big companies, ranging from Gucci through to the American Express.

In fact, NFTs are a riskier investment than crypto, because NFTs work like gambling. Most people cannot tell the difference between good or bad NFTs, and some NFTs explode in popularity for no reason while others quietly sink, never to be heard of again. You are far better off paying attention to crypto while keeping an eye on NFTs. It is one thing to take on a risky investment, but another when you are gambling your hard-earned money over a ‘what-if.’

Adopting the Buy-Low-Sell-High Strategy

So, when cryptocurrencies are diving down, would this be the time to step in? How do you go about assessing the risks? Although there is a clear possibility of crypto growing and surviving a crash, there is also a chance of it sinking deeper and deeper.

And there is also the realistic possibility that some cryptocurrencies will push through while others will shatter under the financial pressure. So, it’s not a matter of when crypto fails, it’s more a matter of which one.

How to Conduct a Risk Analysis on Crypto—Common Risk Strategies

1. When a savvy investor looks at cryptocurrency, what are the questions they ask themselves, and how do they assess the risks that come with investing in this defi (decentralized) currency?
2. The best way to start your journey is to gain practical experience. Just like I could explain to you to release your clutch slowly to get your car moving forward, I can only tell and explain so much, the rest will be up to you and your experience.
3. Spend time on the markets, and participate in paper trading. Paper trades are excellent simulations that are often a direct copy of the markets (only you don’t spend any real money). This way, you can implement your different strategies to different coins, and see how well it happens to work. It will also determine your ability to accurately predict market dips and surges. Then, you can focus on the following steps:
4. Conduct an "AML" risk assessment. An AML is a money laundering risk assessment that processes the business’s risk and exposure to that of financial crime. Now this might be quite a radical assessment, however, cryptocurrencies do not plunge and fail for no reason–crime happens to be a common answer. In order to conduct a proper AML risk assessment, a person should take a look at:
    a. The size, complexity, and nature of the business/cryptocurrency.
    b. Do you know who is running the show? If you cannot identify the creators of the coin, or they lack the

qualifications, then it is a big red flag.

c. Where is this cryptocurrency based? Again, even if a specific crypto exploded into popularity, this does not mean it isn't a fraud or used for crime. Consider the Squid Game token.
d. How much of its popularity comes from social media hype? It might be an odd question to ask, but social media is the perfect platform for fraudsters to hype up a coin for the sake of market manipulation.
e. If you feel that there is no proper reason for the price rise of the coin or the sinking of the price–you cannot find it in the news, online, or for any logical reason–be careful. Although it is near impossible to predict Bitcoin’s ups and downs, if you dig deep enough, you will be able to find legitimate reasons.
f. Figure out your risk per trade. To put it briefly, this is the percentage of the trading balance. It can either go from 0.1% through to the 4% for each trade.
g. Check out the position sizing. This is the definition of how many assets are going to be either bought or sold. This is a direct relation to the risk per trade value. Leveraged markets often open a bigger position but come with a smaller capital. But if the position is not managed well, a person could rack up some significant loss.

5. You want to check out the risk-reward ratio. This is the relationship between how much risk the crypto is in comparison to what you could get out of it. You want to establish trades that have an asymmetrical risk-reward ratio as much as you can–smaller risks in comparison to larger rewards–but the goal of how much you want to earn should be realistic, even if we are talking about cryptocurrency here. So, once you have learnt about reading charts, focus on the resistance area, as you can happen to make a good lot of profits before you see a reversal trend.
6. Understand how to measure risks: How much money are you willing to lose if the trade does not happen to go according to

plan? Of all the steps in risk assessments, this one takes the cake, because you can study crypto with a microscope and still lose. You also want to keep the 1% rule. The 1% rule is a suggestion to never put more than 1% of your total capital into a single trade. Some traders who have higher levels of capital go even lower than the 1%. The best way to reduce your losses is to stay between 1-2%. So, in the worst-case scenario, if a coin goes south really quickly, you only lose 1% of your total capital.

And, if you are undertaking day trading, following trading risk management rules should work just as well.

Taking on the Buying-Low-and-Selling-High Strategy

So now you are ready to move on to the buying-low-and-selling-high strategy in cryptocurrency. You have identified around four to five coins that have a low price, but a good history, and a good possibility of picking up the price again. You intend to focus on undertaking a long-term strategy and will only invest 1% of your total capital into each coin. What do you do next?

Well, buying low and selling high is quite a tricky strategy, and you never truly know when the price is going to hit its highest peak or its lowest point. If you try and nit-pick, chances are you will miss your window. The best tip is to determine the earliest points you are planning to buy and/or sell.

When determining the prices for buying and selling, the majority of investors make use of moving averages to help them figure this out.

There are two common moving averages they make use of:

1. The 50-Day Moving Average (tracking the short-term performance over the last 50 days).
2. The 200-day Moving Average (tracking the long-term performance over the last 200 days).

Your first approach could be to buy the shares when the 50-day average has risen above the 200-day average. And then you will sell when the 50-day average falls below the 200-day average. Mind you, this requires an effective ability to read the charts.

When the 50-day is higher than the 200-day, this is a signal that the prices are going to rise quite significantly. So, if you purchase at this time, you will likely make a profit. But when you see the 200-day going higher than the 50-day, this would then be your signal to sell and leave the market.

Or you could make use of the reverse method, where you buy the shares when the 50-day average falls below the 200-day average and sell when the 50-day average rises above the 200-day average. How does this work?

The logic behind this strategy would be for you to buy a larger number of shares at a lower price, and that you will receive a good reward for the investment if the coins rebound–and that can be a very big if you do not know what is causing the price drop. However, it is an effective strategy to use as well as a long-term strategy.

Be aware that there are market extremes that do occur. A good example is the internet bubble of the late 1990s, as well as the market crash 2008–an excellent example of when people benefited from the buy-low-and-sell-high strategy. A reflection that a successful investor should not always be swayed by short-term trends and stick to the objective methods of determining when it is a person’s time to buy and a person’s time to sell. When it comes to crypto, a person should at least be aware of the trends, but it should not be the determining factor of the role you want to play in the market.

What are some of the pros and cons of the buy-low-sell-high strategy?

Pros:

- This strategy goes against the herd instinct of investors and focuses on capitalizing on the fluctuations of the market.
- If you are successful, you can generate high returns.
- You can buy a whole lot of stock for a much lower price.

Cons:

This is a challenging practice, as much of this strategy is based on timing the market correctly. There are times when the charts are deceptive and unpredictable, which could tally up to a bit of loss.

- It remains hard to predict when a person should buy or sell.
- It is still easy to get caught up in the herd instinct.
- The biggest issue is that it is hard to predict when the stock prices will bottom out, or is reaching its peak–and with crypto, you have a very brief window that can come without much notice.

In the end, the biggest issue that comes with investing and making use of the buy-low-and-sell-high strategy is that it's not a perfect plan. Mistakes can still be made, and the market remains unpredictable. However, the more experience and practice you gain, the better the odds are for you to make the right choices.

Long-term investing in a volatile market remains a daunting choice. And although it requires less of a 'hands-on' approach than day trading, a person still needs to actively monitor the market. The majority of long-term investments can be left alone and sometimes even 'forgotten' for an extended period of time. But the same cannot be said about cryptocurrency.

Hopefully, in the future, this sort of approach can be done safely!

Conclusion

And so, all good books must come to an end. But although this might be the end of the book, it is merely the start of one's journey. Cryptocurrency is a daunting investment choice, but it can certainly be a rewarding one.

Now that you have learnt of a unique approach while working with crypto–making use of a bad event with a good strategy to gain a profit from it. With using both the buy-low-sell-high and buy-high-sell-low strategies.

The year 2022 has certainly been a troubling time, as we are recovering from a crippling global pandemic, only to walk into conflicts and tensions in different parts of the world. Uncertainty is rife, and the economy is quivering under the weight of all these events. Yet, it is fair to say not all hope is lost.

If anything, this book has proven that anyone can benefit from a bad market, or a market that is struggling. Cryptocurrency has been taking a whole lot of blows, and we have all been watching the prices sink lower and lower. Yet, time and again, as proven in chapter 2, cryptocurrency does hold the potential of rising back to its feet. The initial panic that had arisen from crypto's sinking prices is slowly starting to falter. Less people are panicking, and more are considering whether the initial exodus on cryptocurrency was perhaps a little too rushed.

It is likely that the overhyped projects of crypto and the weaker coins are going to be crushed in this bear market (Writer, 2022). Some of the coins that shattered are Celsius and TerraUSD. However, this is nothing short of what many experts had predicted in the past.

And in this difficult time, it would be wise to keep a steady eye on the markets. Although your goal is to profit from the crash, there is still an underlying risk that crypto might go down even more. Although the likelihood is very small, it would be unwise to ignore this possibility entirely. Which is why the end of this book starts with both a word of encouragement and a word of warning.

All markets are undergoing heavy pressure as of right now– cryptocurrency is not the only asset in the market that is struggling. However, when things go south, they are bound to bounce back up, and a person should certainly not ignore the potential opportunities rising from the extended bear market.

So only invest what you can afford, practice extra caution, and do the necessary research. If you are not confident in the choices that you make, linger back and take some extra time with your plan. Uncertainty kills results, just like panic kills the prices.

Take it one day at a time, and remember that when you partake in investing in cryptocurrency, crash or not, that you are participating in an exciting piece of technology, still waiting to be explored even further.

Glossary

ALGO: Algorand

Asset Class: A group of investments that share similar traits

Bear market: When the prices are lowering and continue to lower over 20% for an extended period of time

Bitcoin: The world's first cryptocurrency, designed by Satoshi Nakamoto

Blockchain: A digital, distributed ledger

BNB: Binance Coin

Candlestick Chart: Most popular charts used with cryptocurrency

Conviction Hype Cycle: A graphical representation of the life cycle stages of different technology

Cryptocurrency: A digital currency secured by a form of cryptography

Ethereum: Second-largest crypto in the market, can run multiple applications on the same platform

FDIC: Federal Deposit Insurance Corp

FOMO: Fear of missing out

MA: Moving average

MANA: Decentraland

NFTs: Non-Fungible Token

Portfolio Diversification: Dividing your assets into different categories

Regulations: Rules implemented to protect investors and gain more control

RNDR: RenderToken

Smart contracts: Software that executes an agreement once the terms of both parties are met

Stablecoin: A cryptocurrency that has their value linked to another asset

Volatility: A measuring tool for the rate and speed prices move up and down

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