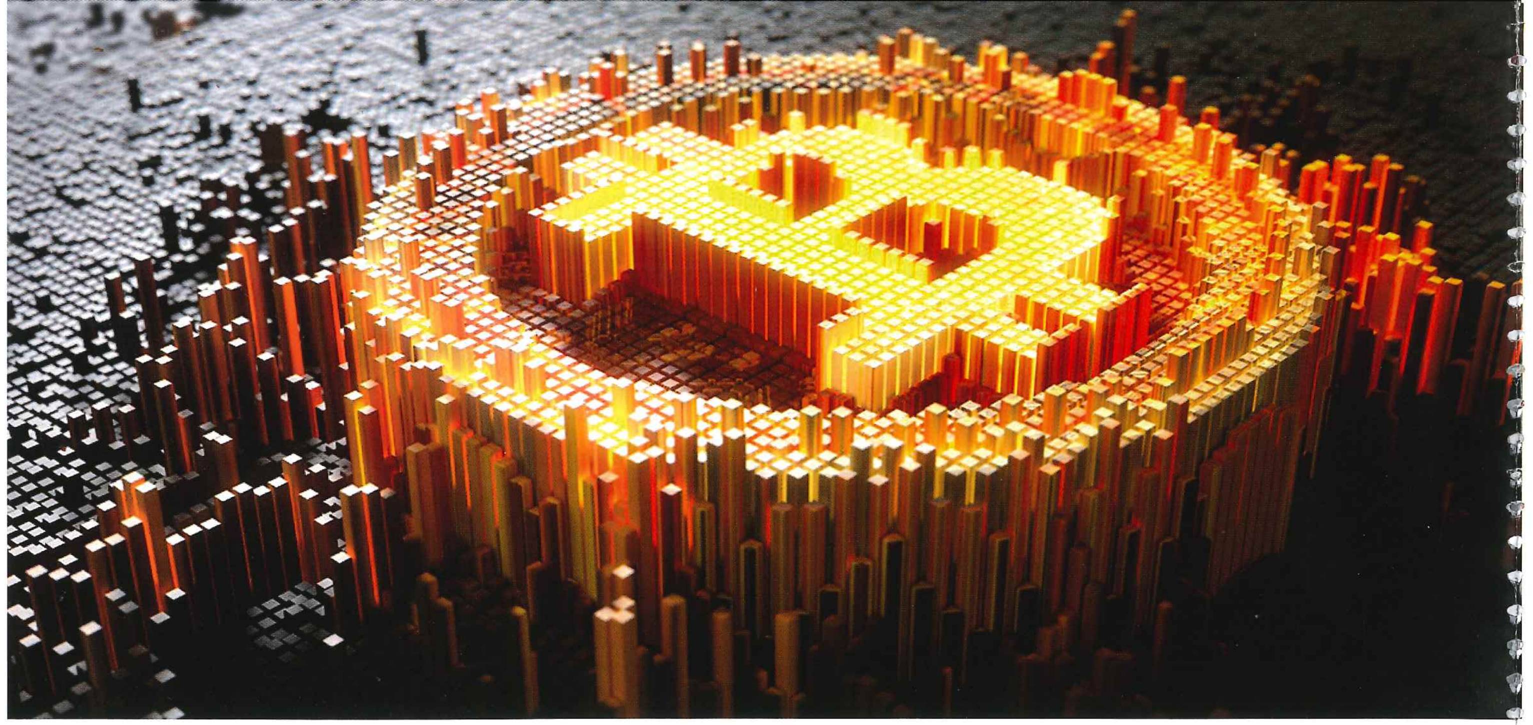

Crypto trading 101

by Bernard Collin

After my previous article on crypto currency, I received a numerous questions about traditional trading and crypto trading. People want to know if there are similarities and how they can learn to develop into a better "home" trader.

This might require a step back to some origins. My interest as a trader started when eTrade.com launched their service in Australia, around 1998, they were part of ANZ bank and have recently shut down, ANZ taking over the operation. It is also when the Diffie-Hellman team created the concept of asymmetric encryption, used since then in security of internet transactions and the main component of crypto currency.

There are a lot of get rich schemes published on the internet and many have tried unsuccessfully to follow the strategies. Trading online is a very difficult business, mainly because of the attachment people develop with money. A cool investor is probably akin to a cool poker player, you need to keep a straight head when difficult decisions must be made, and when you see your precious money slipping away, it is hard not to have a knee jerk reaction and lose it all or at most of it...

Is investing in crypto any different from share trading? At first I would say no, it is quite similar, and tools and strategies are the same. There are a few serious differences though quite easy to grasp.
First when you trade in crypto, opening an account on an exchange is very easy, go online, 10 min and you are all set. For some exchanges, you can even fund your first coins with your credit card. (search Google to find out which ones will take a credit card). There is a cost incurred for paying with a CC that is high but getting into an exchange with FIAT currency is not a simple process.

The second important point is that depending on your choice of exchange, you can trade with very little money and the cost of buying and selling is extremely low compared with trading with shares. So you can learn you way around and lose very little if you change your mind. The third one is that the tools available today to assist with your investment are very reliable, very understandable, easy to access and most of the time free. The best ones I found were totally free, and the paying ones can occasionally turn to be dangerous schemes.

Also, today with the popularity of YouTube, you can learn so much in a very short time and it is not that difficult if you have a bit of time on your hand to have a go at "home trading". With a bit of flair, a lot of research, a dose of patience, and a glass (or two) of good wine, you are all set to start venturing on the internet with a good chance of picking a few good buys.

What are the risks? Well the best advice is that as you are not a professional, you should assume that there is a strong possibility that you will lose your initial investment, so rule number one, do not invest money that you cannot afford to lose without impacting your lifestyle. Consider this investment "play money" while you are learning the arcane subtleties of online crypto trading.

If you want to increase your chances at being more successful, maybe you can add some consideration to your recipe.

1. Nobody knows what will happen to the crypto market. The market is still in its infancy, the conditions are constantly changing and by opposition to the stock market, we are lacking the historical data to draw proper conclusion or even to design a good strategy.

2. Governments are still wondering how to treat the crypto. Should we consider Bitcoin and others as a currency like the USD or EURO, or is it a commodity that we buy like goods to store. The implication of taxes becomes quite important if it is considered a commodity, however if it is a currency, applying tax to a currency that you have not realised is another story. Russia just approved Bitcoin to be legal, Venezuela is discussing using crypto as a national currency… Australia and Japan have decided on currency, with not applicable sales tax.

3. Crypto are super volatile. The market is heavily influenced and manipulated by the people who own the largest parts of crypto. A very small percentage of Bitcoin owners have more than 80% of the currencies, it is easy for them to move them around dramatically impacting the perceived value. The past month shockwaves through the market were quite significant.

4. The Bull run can't continue like this. The market grew 14 times last year, bit coins went from 20USD to 20,000USD in 4 years, so many currencies multiplied their value so rapidly, it can't continue like this… It will slow down or crash, or at least this is what you hear every day. In the meantime, there is good money to be made.

5. Will the bubble explode? When people compare crypto with the dot com crash, I think they do not realise the huge difference in size between the 2 markets. Compared with the dot com, crypto are still in their infancy and represent a drop in the ocean compared with where the dot com where at their crash. Now, considering the above, why and how should you consider investing in crypto.

There are many coins today, there will be more tomorrow and a significant percentage will disappear in the next year or so. The rule number one is to make sure you pick the coins that will stay. Don't buy on emotion, or good sounding names!

There are a number of solid proven coins that have the biggest chance or staying and growing: Bitcoin, Dash, Ethereum, Monero

Then you will find coins with less solidity but a proven track record of being based on interesting ideas or technology: EOS, IOTA, Ox, Komodo, Enigma, Watson

You will also find coins with solid sponsors: BNB, NEO, OMG, BCC, ETC

The fourth level would require to read more about the companies producing the coins, the purpose of their coin, the solidity of their business model, the chance of being adopted, the problem they solve, the cost of operating them. This is where the patience will play, being able to read through hundreds of document and have the flair to pick the real good ones. Be aware that today, we are still looking for a coin that will complement, even maybe take over the dominance of Bitcoin, based on the original theory, with massive operating costs, low speed operation and expensive to mine. That is the one you should have in your portfolio.

Once you have decided on all this, you will need to agree whether you want to be an investor who buys and hold onto them, whatever happens, or you want to be a trader, who buys low and sells high… repeatedly.

Good luck!