

# How to sleep as a crypto trader

8 am rolls around. I glance at the Bitcoin chart and open a cheeky long. Green candles follow. I close the trade by 12 pm for mad profits. Another day, another dollar.

Okay, maybe it's not as easy as that. But there is some truth to it.

You see, Bitcoin and other cryptocurrencies behave in a certain way depending on what time of the day it is. This is partly because of their 24/7 nature.

Stock markets are chill. You clock in at 9:30 am. By 4 pm the bell rings and you can close shop. You can rest, go for a beer with your friends, spend time with your family, what have you. Crypto markets are a little bit more hectic. They are open 24 hours a day, 7 days a week, every single day of the year. To some, that's just a demonstration of how "free" the crypto markets are. The last bastion against the meddling regulators. A market simply governed by the laws of supply and demand.

I for one would prefer to have my weekends back.



But there is nothing we can do about it. So let's try and use it to our advantage. When life gives you lemons, add vodka and ice.

# Trading sessions

Before we can dig any further, we must take a detour.

We are going to divide the day into different “trading sessions”. These sessions are periods of time that match the daytime business hours of certain geographical zones. Traditionally they are divided as such:

- Europe: 5 am to 1 pm GMT
- America: 1 pm to 9 pm GMT
- Asia: 9 pm to 5 am GMT

We do this because markets act one way or another depending on who is awake at the time.

Yes, I know that a whole lot of volume in today’s markets comes from algos that don’t give a damn if it’s daytime, nighttime, or the second coming of our Lord and saviour Jesus Christ. But most banks and corporations are quite old-fashioned. They are gonna perform their day-to-day transactions during business hours. And they still represent a good chunk of the total volume in a market. More importantly, they represent a more directional flow. That is, they are more prone to bet on an asset going up or down.

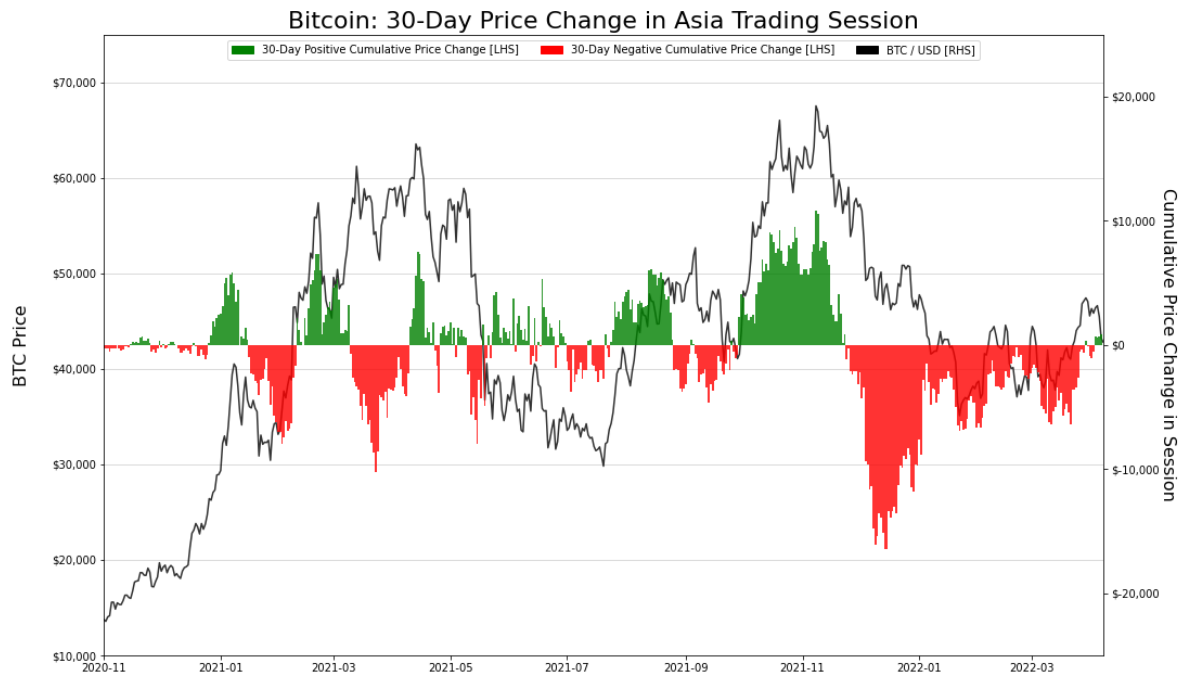
We can use this to our advantage.

## The sauce

Ok, so how can we easily analyse what BTC does at different times of the day? A neat solution is a type of chart that I was introduced to by the peeps at [Glassnode](#).<sup>1</sup>

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<sup>1</sup> Note: the code used to produce the charts exhibited here is based on this [Jupyter Notebook](#) by [@Data\\_Always](#). Slight changes in the charts compared to those in the original notebook or the ones by Glassnode are due to different sources of data (data used here corresponds to Bitfinex data by [CryptoDataDownload](#)), or changes in selected time periods and/or in definition of trading time zones.

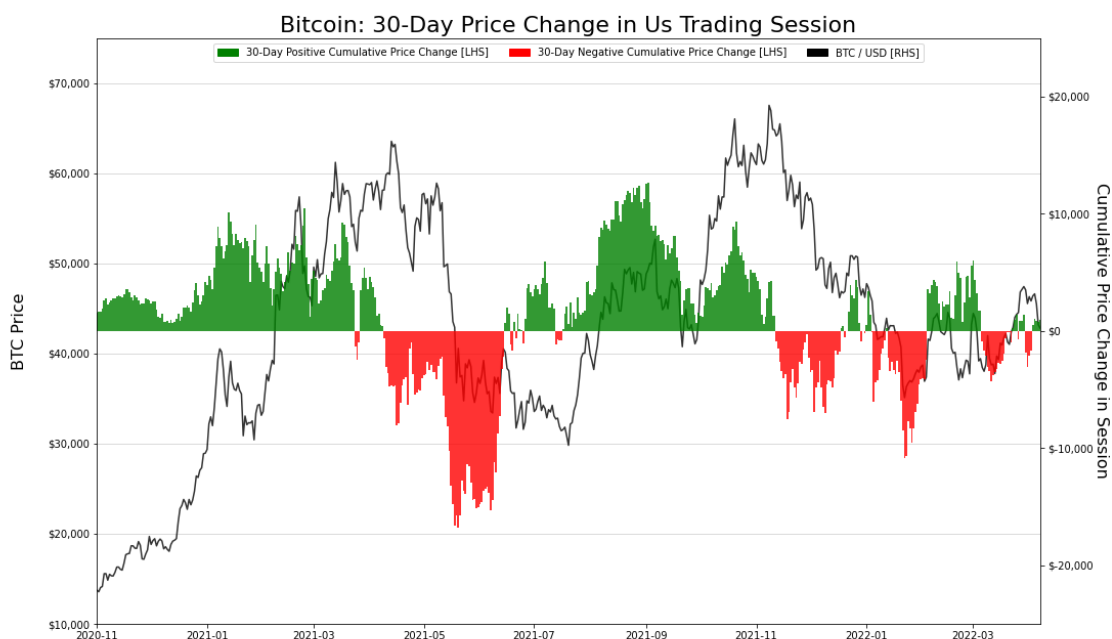


Above we have a chart that depicts two things: the price of Bitcoin (black line) and the cumulative change in the price of BTC during the Asia trading session over the last 30 days.

I know the chart might be a little confusing so let's walk through an example. Say, BTC tends to rally during Asia hours. The "waves" will become green and increase in size. At some point, BTC's behaviour changes and it begins to sell off during Asia hours instead. The green wave starts decreasing in size and, if it goes for long enough, eventually changes to red. What I described here is exactly what happened between late September 2021 and earlier this year.

Back in September, Bitcoin ripped higher as the SEC was about to finally [approve](#) an ETF in the US. Everyone and their mothers were as bullish as it gets, buying hand over fist. But things in China didn't look so rosy. China had decided to end all crypto mining and trading once and for all. Huobi, one of the last exchanges on which Chinese users still traded crypto, had announced it would halt all trading for Chinese citizens on December 31st. Oh and for Singaporeans on March 31st 2022 for good measure. As the year drew to a close, remaining Chinese users were forced to liquidate their positions.

Contrast that to what was happening during US hours.



We see the same bullish behaviour from September to November. After that, things do cool off, but the US does not see nearly as much selling as Asia does.<sup>2</sup>

You can replicate this same analysis and incorporate it in your trading. You just need to replicate these charts. Here's a little DIY kit:

- Historical charts from <https://www.cryptodatadownload.com/> (they are upgraded continuously)
- The code from this [Jupyter notebook](#). You can make any changes you see fit.
- Voilà!

Now please don't YOLO your net worth on a 100x Bitcoin long just because Asia **tends** to sell.

Use it as confluence in your trading.

Say you are a day trader. You have followed the steps above and have observed that for the past few days BTC rallies during Europe hours. Great, now you see that you should be looking for longs in that session. Or maybe you are a macro guy, and you need to understand what is driving the markets. You can use these charts to see what are the driving forces in the market.

Always remember though, there is no holy grail in trading.

Happy trading.

<sup>2</sup> If you are interested in a more comprehensive -and better informed- explanation of what has been driving the moves in different trading sessions take a look at [this article](#) by @ Checkmatey.