

870.Trades

A BEGINNER'S GUIDE TO CRYPTO CURRENCY

by **Homegrown Investments**

WHAT IS THE CRYPTOCURRENCY?

In a nutshell, a crypto currency is a form of payment that functions similarly to cash but is much more advanced. It is based on block chain technology, which can be thought of as a digital ledger that cannot be hacked or altered, ensuring that the system cannot be manipulated. **Blockchain works by spreading transactions through a network of computers that collaborate to form a block chain.** Many businesses will create their own cryptocurrency, known as a token, to be exchanged solely for the goods and services they provide.

A easy way to think of crypto currency is to imagine it as digital cash, similar to what you'd find in your bank account, except that instead of banks tracking the transaction, it's thousands of computers all over the world that connect to the same network. **It's the same as when everyone connects to the same hotspot and uses the same data, only this time everyone can see what the other people are looking at.** These are the cryptocurrency transactions.



CRYPTOCURRENCY VS STOCK MARKET



MARKET HOURS

Unlike the stock market which runs from **9:30 to 4 during regular trading hours**, the crypto market runs **24/7**. This means you have access to trade whenever you want, that being said there are still certain times that tend to be busier than others, usually **8:00 AM, 12:00 PM, 4:00 PM, and 8:00 PM EST**



MARKET RESTRICTIONS

A big difference with crypto is that there is no trading **restrictions due to the PDT rule, cash account**, or margin account. This means you can make as many trades as you want in a single day and go long or short without a problem



LEVERAGING

Finally, we have leveraging, which we will go through in more detail in the following chapters, but in a nutshell, **leveraging allows you to borrow money for trades** and then repay the money while keeping the profit.

CRYPTOCURRENCY VS STOCK MARKET

TRADING STYLES



Many people appear to believe that crypto is a whole new world of trading and that you must relearn how to trade; however, this is simply not the case. Trading cryptocurrency is similar to trading stocks; **technical analysis is similar, and usually works better in the crypto market than the stock market**. The main difference is in the fundamental analysis since crypto coins do not have earnings or have a company backing them all the time, but they do have their own set of catalysts.

TRADING PAIRING



This is the term that most people are unfamiliar with. The majority of the time while trading stocks, you are trading in some type of pairing. For example, AAPL/USD indicates that you are purchasing Apple stock in US dollars. Since crypto are viewed as currencies, they can be paired in a variety of ways. Consider buying Bitcoin with Ethereum, this pairing would be known as BTC/ETH. **Let's assume Ethereum (ETH) is worth 20% of the value of Bitcoin (BTC), this means you will need 5 ETH to buy 1 BTC.** . When you trade with crypto more, you'll get a better understanding of this concept

CRYPTO MINING

Crypto mining is a method in which a recipient is compensated with a cryptocurrency in exchange for completing a task. **These operations are normally carried out by a computer** and are an essential aspect of the blockchain's maintenance.

Crypto Mining Tasks:

- These tasks are typically difficult math problems that aid in the validation of data blocks and the addition of transactions to the blocks.
- Simply put, the tasks assist in the operation of the blockchain database, and each miner is rewarded a certain amount of cryptocurrency based on a variety of variables.

Crypto mining tends to be a bit of an expensive purchase at the beginning but usually ends up paying for itself with passive income. **There are also new mining devices that have come out that use less electricity and cost way less.**



BLOCK CHAIN TECHNOLOGY

The backbone of what makes cryptocurrency, cryptocurrency, is block chain. Blockchain can seem complex at first, but it is a simple concept to grasp if explained well. A blockchain is a database, and it is used to store information in the same manner as any other database. **However, blockchain stores data in a unique way. A blockchain is a digital ledger that organises data into groups called blocks, each of which contains a collection of data.** Blocks have specific storage capacities, and as they are filled, they are chained onto the previous block, creating a data chain known as a "blockchain." All the information introduced after the new configured block is compiled into a new block, which is then added to the chain once filled. The block is set in stone after it has been formed and filled. It cannot be reversed or altered after it has been created.

Now before we go a bit more in depth about blockchain we first have to understand the **difference between decentralized and centralized**



It is for this reason why blockchain is so unique; it is a decentralised database that guarantees that no one company has complete control of the data and that it cannot be tampered with in some way. This also provides more clarity when it comes to the details as a whole. **If someone sends ten Bitcoins to a wallet, for example, I'll be able to see when it was sent, to whom it was sent, and so on.** Unlike if I sent 10 dollars to my friend, only the bank would see that. This is because the bank is a centralized platform which operates under their own database, where crypto doesn't.

COINS

When it comes to crypto currency, many of the times you will hear key words like Alt coins, Stable coins, etc. This is due to the wide variety of the type of coin that there are. Now I won't bore you going through all the types of coins but just the simple ones, which every trader should know.

STABLE COIN

A stable coin differs from other cryptocurrencies in that it is not volatile. The concept behind these coins is to bring together the best of all worlds: crypto currency and the stability of the dollar. This ensures they have the benefits of crypto currencies, such as instant processing and payment protection or anonymity, but they don't have the same level of volatility as other cryptos. **This is accomplished by securing some kind of reserve asset. The coin USDT, for example, records the US dollar and is nearly always in sync with it.**

ALT Coins

Alt coins are pretty much any other type of cryptocurrency beside Bitcoin. This means DOGE is a type of alt coin. All alt coins differ in some way. E.g: **Validating transactions differently, or the technology backing them etc.** Each ALT coin brings it's own benefits, but I always suggest doing your research.

SCAM COINS

This is a major issue that has gotten a lot of attention in the last few months. Many who don't know, if you wanted to, you could create your own crypto currency and sell it at any time. Many people have recently started their own, **enlisting the help of Tik Tok or other social media users to promote their pump and dump coins.** These pump and dumps are frequent because controlling crypto is almost impossible due to its decentralised structure.

One way to secure yourself is to only trade cryptos that are listed on the Binance exchange, as these coins have typically been thoroughly researched by the **exchange before being approved for trading.** The majority of scam cryptos are discovered using pancake swap, which allows you to purchase any coin.

Some coins that have been known to pump and dump are Safemoon, Eclipse, Shibo, Elon Gate, etc. Little tip there will always be **another 100%-1000% runner in the market.** If you miss it don't worry as you will find another one.



If your going to trade these coins I would personally only **put smaller positions in it and know that you are playing it** for the pump and dump, not for the actual backing behind it

LEVERAGING

In contrast to conventional stock trading, where leverage is rarely used, it is widely used in the crypto trading space and is an integral feature of it. In a nutshell, leveraging allows you to borrow shares in order to purchase more than your portfolio can support. **In most cases, the leverage varies from 1x to 125x. This means that small percentage changes can lead to bigger gains,** but they can also lead to bigger losses. Let's look at a simple example:

NON LEVERAGE MODE

Rick's portfolio is worth \$100, and he wants to invest \$10 in Doge. Doge is currently trading at 72 cents, which means with his \$10 he can buy 14 shares of Doge without using any leverage. There are a few things to keep in mind here. He will only lose all of his money **if Doge loses 100% of its value and falls to zero, and he will make 10 cents for every 1% increase in Doge's value.** What happens if we repeat the trade, but increase the leverage to 20x?



BROKERS

CANADA

Binance: Best overall for the average investor/trader

Kraken: Best for medium to longterm investing

Wealth Simple: Best for convenience, but not many selections

AMERICA

Gemini: Best for casual trader/investor, limit selection

KuCoin: Solid overall platform with many featur

Binance: Best overall, but requires you to use a VPN to get access

Coinbase: Good for casual longterm investors, limited selection

Robin: Best for on-the-go users, limited selection

EUROPE

Binance: Best overall for the average investor/trader

Coinbase: Good for casual longterm investors, limited selection

Pancake Swap: Best for active traders wanting to trade Meme Cryptos



LEVERAGING

MARGIN MODE

There are two types of margin mode, **isolated** and **cross**.

ISOLATED MARGIN

Isolated margin ensures that the most you will lose in a trade is the amount you put in. For example, if Doge drops 5% at 20x leverage, you'll be down 100% and your entire position will be sold and liquidated.

CROSS MARGIN

The cross margin is bit different. This margin mode makes use of your portfolio as collateral. This means that if Rick has a \$100 portfolio and invests \$10 in Doge, he will have to lose 1000 % of his investment for his entire account will be liquidated. As his portfolio is 10 times bigger then the position he put into Doge. Now cross margin tends to be way riskier as you can lose your whole portfolio if your not careful.

CONCLUSION

Leverage trading entails a high level of risk, so caution is recommended. Many times, new traders would enter the market with a 50x leverage, believing it will be easy, only to liquidate all of their crypto assets. Personally, I started with 20x leverage & limited positions. When day trading, I almost always use isolated mode, but when swing trading, I prefer to use cross margin. **If you're still puzzled, try thinking it like this. Leverage simply enhances your gains; if you're trading at 20x, you'll gain 20% for every 1% you make, but you'll also lose 20% for every 1% the coin drops.**

BROKERS

Cryptocurrency exchanges are a bit different than the usual stock services you might be used to. Since trading crypto is relatively new, the laws surrounding it are a bit strange. For example, **America blocks access to Binance international unless you use a VPN, which most traders do.** When trading crypto, be careful as there are a few exchanges that are sketchy. Down below we listed our favorite

Note: If you're in America you won't be able to use the Binance app. **Instead you must use a VPN, and only be on your computer.** The regular Binance has a lot more trading options than Binance US. If you want to use Binance refer to our Binance guide



FUTURES VS SPOTS

When it comes to crypto trading you will usually hear about the two main type of markets: Futures and Spots. **These are the two main type of trading you can do. To make is easier to understand** I want you to think of Spot trading like regular stock trading, but think of futures like Options

SPOT

Spot markets are similar to traditional stock exchanges. This is where you **purchase an asset from an exchange** and then store it in your wallet to become the owner of the crypto currency.

FUTURES

Futures market is like the options market where you actually don't own any of said cryptocurrency. Instead, **you're betting on the asset's price to rise or fall by purchasing contracts for that asset.** Since you can leverage a lot more on Futures than you can on Spot, it's typically where you'll find high leverage trading.



ORDER ENTRY

With a few minor exceptions, placing an order on Binance is very close to placing an order on every other exchange. **The key difference is that you always have to check the leverage and cross margin before entering a trade** because this can have a negative impact on your position. Please note that I will be discussing how to set up futures orders.

PLACING AN ORDER

1. Use the search bar, which is not seen in the picture, to look up the coin pairing you want to exchange, such as **DOGE/USDT**.
2. Type the limit price you want to purchase at in the price window. Tip: To **quickly set a price limit**, press the level two, and the price you choose will appear in the price box.
3. Next, decide how much you want to invest. The available size you can put in by percentage will be shown on the futures list. Note: You can see **how much you're putting into each trade** by looking at the cost at the bottom.
4. Once you've settled on the size and price, **double-check that you're using** the correct margin form and leverage in the top right corner
5. Finally, choose whether to purchase or sell. You've produced a successful order. If you want to add a stoploss or take profit simply **click TP/SL to add a stoploss or take profit**.

The screenshot shows the Binance order entry interface for a futures trade. At the top, there are tabs for 'Cross' (selected), '20x' leverage, and 'Grid Trading'. Below this, there are tabs for 'Limit' (selected), 'Market', and 'Stop Limit'. The interface shows a balance of '55.56 USDT' and a price of '58639.67 USDT'. The 'Size' is set to 'BTC'. There are checkboxes for 'TP/SL', 'Reduce-Only', and 'TIF' (set to 'GTC'). At the bottom, there are two buttons: 'Buy/Long' (green) and 'Sell/Short' (red). Below the buttons, the cost is shown as '0.00 USDT' and the maximum size is '0.018 BTC'. The user's VIP level is 'VIP 0'.

EDITING ORDER

One of the more appealing aspects of cryptocurrency is that it allows you to quickly set up a single stop loss and multiple profit takers. **To do this, in your original order, instead of clicking the stop loss or profit taker, wait until your order is filled.** Then head over to the position tab

PLACING MULTIPLE PRICE TARGETS

After you've put your order in, go to the positions tab at the bottom of the page, where you'll see a closes all positions tab. You may use this area to position several limit orders. Simply type in the price you want to sell at and the number of shares you want to sell, then press limit. You will be able to set up several profit takers as a result of this.

PLACING STOP LOSS

Near the same area you will see TP/SL. This is where you can set a stop loss for the whole order. Just click the pencil icon then type in your stop loss



The screenshot shows a trading interface with a table of positions. The table has columns for Mark Price, Liq. Price, Margin Ratio, Margin, PNL(ROE %), and TP/SL for position. The TP/SL column contains a pencil icon and a minus sign, indicating that the stop loss or profit target can be edited. Below the table, there are buttons for 'Market' and 'Limit' orders, and input fields for price and quantity.

Mark Price	Liq. Price	Margin Ratio	Margin	PNL(ROE %)	TP/SL for position
0.666708	0.602727	9.52%	1.04 (Isolated) +	-0.04(-8.11%)	-- / -- ✎

Close All Positions

Market Limit 0.670866 14

Hide Other Symbols

MISTAKES & HOW TO AVOID THEM

TRANSFERRING CRYPTO CURRENCY

Transferring cryptocurrency to your crypto wallet is one of the most daunting aspects of cryptocurrency trading. Crypto wallets, for those who don't know, are virtual wallets where you store your cryptocurrency. One of the most common mistakes is that people send crypto to the wrong address or are easily scammed. A little tip is to always send a small sum of money to your wallet first, then send larger sums once collected. Another thing to remember is that you should never transfer cryptocurrency to another wallet unless you are certain it is yours. Since crypto can't be recovered if it's sent to another wallet, people typically try to trick you into sending to a wallet that isn't yours. That is why it is best to give a small sum first.

OVER TRADING

In the crypto trading sector, more people have more opportunities than they do in the financial market. They let you trade as much as you want as long as you have money, and they make it simple to go short and long. This sounds great in principle, but in practise, it always leads to unnecessary selling and emotional/risky trading. Simply set trading hours for the day or deal according to a set of laws to avoid this.