



# BASIC INTRODUCTION TO BLOCKCHAIN TECHNOLOGY AND CRYPTOCURRENCY TRADING





# BLOCKCHAIN



The **Blockchain** is a public ledger where transactions are recorded and confirmed anonymously. It's a record of events that is shared between many parties. More importantly, once information is entered, it cannot be altered. So, if the blockchain is the public record, what is being recorded? What are all of these “transactions”?



Cryptocurrencies, like bitcoin, are currencies that exist solely in digital form. There are no physical golden coins with a big “B” on them. Moreover, owning these non-real coins entails a new idea of “ownership.” You don’t literally have it in your hands, or even in your bank account, but you have the ability to transfer “ownership” to someone else simply by creating a record in the blockchain. Rather than using bills, your transfer is pure data. Due to the open nature of cryptocurrencies, and the importance of the public having access to other blocks, the blockchain isn’t located on just one large computer. For example, the bitcoin blockchain is actually managed by distributed nodes. These nodes all have a copy of the entire blockchain. Nodes will forever come and go, synchronizing their own copies of the chain with those of other users. By distributing copies and access, the chain can’t simply “go down,” or disappear. It’s a decentralized system that is both sturdy and secure.





With a blockchain database, the data can be backed up on potentially thousands of computers all over the world, for a much, much lower cost. The information in these databases is heavily encrypted and sometimes files are broken up into pieces, so even if one piece is exposed, it will not expose the entire file. If the information on one server does become compromised by hackers, the other copies of the databases have to “agree” that the compromised data was a legitimate change to the data. If the other copies do not agree, then the change is rejected and it is changed back to match the others. Technical and advanced details on the core of blockchain technology and its application are available on the IBIC Blockchain and Crypto-trading Training Session.





# CRYPTOCURRENCY TRADING

## Introduction to Cryptocurrency



Very simply put, A Cryptocurrency is basically money on software platforms. However, it's important to keep in mind that the teams/companies that are behind these cryptocurrencies are not only creating a new form of currency, but a new software platform. To demonstrate how this works, let's take a look at other software platforms that you are probably already familiar with. Examining how these platforms work will help you understand cryptocurrencies.





Here are a few software platforms that many people use:

- Windows: A software platform for personal computers
- Dropbox: A software platform for storing and sharing documents
- Fedwire: A software platform that sends money between financial institutions





On each of these platforms, a type of money is used, in exchange for using the platform:

- Windows: You pay US Dollars (or your local fiat currency) to buy a license for Windows to use on your computer. If you buy a computer that already has Windows on it, the license fee is included in the purchase price.
- Dropbox: You pay US Dollars (or your local fiat currency) to buy a subscription to use the software for a month or a year, depending on which plan you buy.
- Fedwire: You pay a transaction fee to use the system and you send fiat currency itself.

Each of these systems also have a database connected to it:

- Windows: Database is stored on your local computer
- Dropbox: Database is stored on the Dropbox servers
- Fedwire: Database is stored on the Fedwire servers



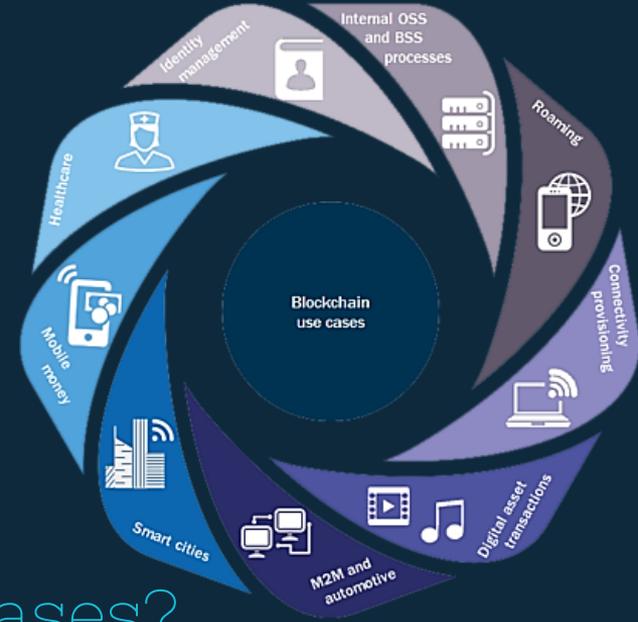
Cryptocurrencies essentially replace the US Dollars (or your local fiat currency) that you use to purchase these software services. The “database” that cryptocurrencies give you access to is based on blockchain technology.

The goal of cryptocurrencies is usually to improve on some type of existing software system or network. When you send money via PayPal, Fedwire or Western Union, you are basically sending fiat money electronically, similar to Bitcoin.

However, that's where the similarity ends. Platforms like PayPal have severe limitations on what you can and cannot do. For example, you cannot send/receive money from certain countries (like Nigeria). Cryptocurrencies like Bitcoin want to make financial transactions more open and accessible to everyone around the world.



# What are the Different Cryptocurrency Use Cases?



Almost every currency software has a different intended purpose and individual implementation, with inherent strengths and weaknesses. It's like Windows vs Mac or iOS vs Android. Here are a few examples of the different types of cryptocurrencies and what they are designed to do. This is not an exhaustive list, just a sample:



Worldwide Financial Transactions	Application Platforms	Private Financial Transactions	Specialty Currencies
Bitcoin	Ethereum	Monero	GameCredit
Litecoin	Storj	Dash	ReddCoin
Tether	Siacoin	Zcash	
Ripple	MaidSAFE		
Stellar Lumens			





How do you  
buy Cryptocurrencies?





You have to go to an exchange or service that will allow you to purchase cryptocurrencies. Some of the bigger exchanges are:

- ◇ Coinbase
- ◇ Poloniex
- ◇ CEX
- ◇ Bittrex
- ◇ Bitfinex
- ◇ Binance



How do you  
buy Altcoins (Alternative Coins)?





Altcoin is just the short for Alternative Coins which mean all other cryptocurrencies apart from Bitcoin.

- First buy Bitcoin or Ethereum because those are the coins that are most easily transacted against the smaller altcoins. But when in doubt, buy Bitcoin.
- Secondly, find out where the altcoin that you want is traded. Go to “[coinmarketcap.com](https://coinmarketcap.com)” and click on the coin you want to buy then click on the Markets tab for that coin to find out the exchanges (marketplaces) and the trading pairs for the coin.



How do you  
Store Cryptocurrency?

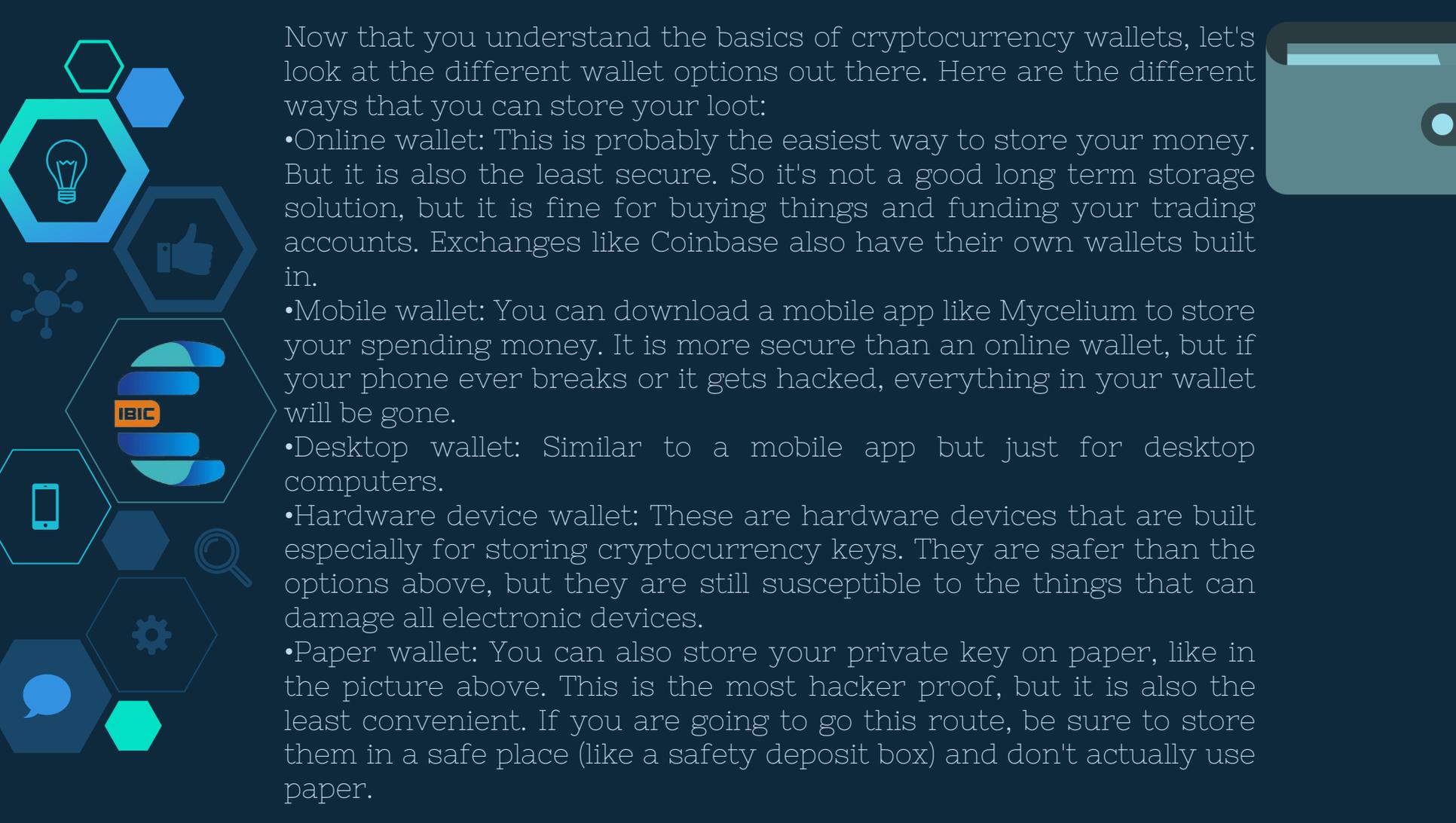




With fiat currency like US Dollars, you can store them at the bank or in your wallet. It's pretty straightforward. But with digital currencies, there are a few wrinkles that you need to get your head around, but the idea is similar.

Let's take a look at how cryptocurrency storage works. You store your cryptocurrencies on the blockchain in a “wallet.” This is simply an address on the blockchain. It's like how the website address [tradingheroes.com](https://tradingheroes.com) directs you to my website, on the internet.

Each wallet has a public address and a private address. The public address is the address that people send funds to. The private address is the “password” that you use to access and send your funds. Never expose your private key until you are ready to spend your funds, otherwise you will probably lose all the money in your wallet.



Now that you understand the basics of cryptocurrency wallets, let's look at the different wallet options out there. Here are the different ways that you can store your loot:

- Online wallet: This is probably the easiest way to store your money. But it is also the least secure. So it's not a good long term storage solution, but it is fine for buying things and funding your trading accounts. Exchanges like Coinbase also have their own wallets built in.

- Mobile wallet: You can download a mobile app like Mycelium to store your spending money. It is more secure than an online wallet, but if your phone ever breaks or it gets hacked, everything in your wallet will be gone.

- Desktop wallet: Similar to a mobile app but just for desktop computers.

- Hardware device wallet: These are hardware devices that are built especially for storing cryptocurrency keys. They are safer than the options above, but they are still susceptible to the things that can damage all electronic devices.

- Paper wallet: You can also store your private key on paper, like in the picture above. This is the most hacker proof, but it is also the least convenient. If you are going to go this route, be sure to store them in a safe place (like a safety deposit box) and don't actually use paper.



# Steps to Trading Cryptocurrencies



# Step 1: Open an account with a Cryptocurrency Exchange;

After you may have acquired Bitcoin from an exchanger (for example IBIC Exchange Limited), you are required to open an account with trusted exchanges (marketplaces)

- Follow the prompts in creating an account on your preferred exchange (like BINANCE ([binance.com](https://binance.com)) and BITTREX ([bittrex.com](https://bittrex.com)))
- Then, visit the Wallets tab on your profile to access your personal online wallets for all the coins on the exchange. You then go to your BITCOIN wallet to copy your receiving address
- Your bitcoin creditor (e.g IBIC Exchange) that you pay Naira to, then receives your address to send Bitcoin to you which will reflect after some confirmations. You are then set to start trading Bitcoin against Altcoins trading pairs for profitable returns.

## Step 2: Select the coins you want to invest for short and long-term;

This cryptocurrency guide for beginners is more focused on the long-term investing in crypto coins. You can invest in multiple cryptocurrencies but our team at IBIC recommends to first start trading one coin.

- By using CoinMarketCap.com a free cryptocurrency resource website you can find all the different types of coins and what their market capitalization is and how much money those currencies are worth.

- Don't make the mistake and buy cryptocurrencies just because they are cheap and trading at 1 cent. It's highly unlikely that a 1 cent coin will go up to \$200 because the actual dollar value per coin doesn't matter in the grand scheme. It's the market valuation that counts.

We can say there are three main valuation types that define cryptocurrencies:

- Large cap (top 5 coins)
- Mid cap – anything bigger than \$200m
- Small cap anything smaller than \$200m





Step 3: What price is your preferred cryptocurrency trading at? Check through multiple cryptocurrency exchange.

Prompt questions you may want to address personally,

- Where's the price of your cryptocurrency?
- Is it cheap, is it at all time new highs or maybe at new lows?
- As we already mentioned you should never buy cryptocurrency solely based on their price, but use it in combination with other factors such as valuation, available coin supply, what technology uses and what is the targeted market.

If you want to maximize your cryptocurrency gains you have to apply the “buy low, sell high” principle. This is part of the basic of a successful cryptocurrency trading strategy. You need a guide to cryptocurrency investing that can teach you how to trade bitcoins to make money. Our team at IBIC Exchange Limited have developed lots of universal trading strategies that can be applied to any market and they are available on the advanced trading session.



## Step 4: Store your Bitcoin and altcoins using a cryptocurrency wallet.

Different wallet types have been addressed earlier in the write-up, however, since Exchanges have in-built wallets for each trader, you may keep your altcoins and bitcoins on there.

Since you do not own the private keys to these online wallets, it is advised that you transfer your coins to your personal wallets. We advise you download Coinomi or Blockchain wallets from Google Play Store and follow the prompts to creating your wallet. If you will be trading short term on the exchanges, it is advised that you keep the funds there in order not to be affected by transaction charges involved in transferring of coins in and out of Exchanges.



# Security Measures





There is no 100% fool-proof system, and as such, security should be taken with seriousness.

Here are some security tips to ensure funds/assets protection

- ◇ Use 2FA on all accounts
- ◇ Add pin-only access on your mobile phone
- ◇ 2FA on all email accounts
- ◇ Enable 2FA on deposits & withdrawals & trades if possible





What Can Affect  
the Price of a Cryptocurrency?



There are many things that can affect the price of a cryptocurrencies, sometimes very quickly. Here is what you need to be aware of when you trade cryptocurrencies. Of course, there is no guarantee that these things will move the market. But based on what we have seen so far,

**Exchange Listing:** When a large exchange announces that they will start listing a cryptocurrency that you are trading, take notice. Watch exchanges like Coinbase, Bitfinex or Binance, it could give it the boost you have been looking for.

**Public Hype:** Just like fake tweets can affect the price of a stock, any type of hype can affect the value of a cryptocurrency. So before you dismiss something as just hype, remember that hype moves markets too. But if you do trade hype, be sure to close your trade out long before the hype has a chance to cool off.

**Platform Applications:** Some cryptocurrency platforms, like Ethereum, host other applications. These applications, in turn, can have their own currencies or tokens. If one of these DApps or Decentralized Apps, does very well, this can have a positive effect on the underlying platform currency. The value of the tokens should theoretically be independent of the value of the platform.

These, and more, are factors that may affect the price of your cryptocurrency.



# FUNDAMENTAL AND TECHNICAL ANALYSES



Understanding and analyzing the Markets is very crucial to profitable trading. There are two main ways to understand the Altcoin markets, forecast the future direction of price movements and therefore pick good investments, they are Fundamental and Technical analyses.

**Fundamental analysis** attempts to determine the real value of something in order to determine whether it is undervalued or overvalued. When it comes to trading altcoins this is more difficult, because they are generally very early in their development – so their value reflects potential future success rather than their current position. You can still look at a coin’s level of adoptions, the strength of the network, number of transactions and so on, but this will only take you so far. To a great extent you must rely on estimating the potential size of the market in the future and the chances that this potential will be fulfilled.

**Technical analysis** uses price and volume data, and seeks to find patterns and indicators which can be used to forecast the future direction of price movement. For more information about how this works, we’ll discuss in the advanced training session.



# How to manage risks in crypto trading



# 1: Protect yourself from Counterparty Risk

Although the cryptocurrency markets have some of the highest percentage gains, they still have their problems and exchanges come with a degree of counterparty risk. Bitcoin transactions are irreversible and trusting an exchange with your private keys can be disastrous. There's a long list of crypto exchanges getting hacked and losing money.

As crypto traders we can't completely eliminate counterparty risk but we can take steps to greatly reduce it.

1. Don't leave coins on an exchange when not actively trading
2. Only trade with 20-30% of your portfolio
3. Diversify your coins amongst several exchanges
4. Research the exchange to make sure it has a solid reputation.



## 2: Trade Quality over Quantity

Traders who over trade the markets tend to waste the most time and money. The key to effective trading is to choose quality over quantity. Not every type of market condition will be conducive to your strategy. Swing trading works best during strong trends, whereas automated scalping tends to be more effective when the markets are stable.

To find quality trades you must first determine what trading style works best for you, as well as identify the right market conditions.



### 3: Have an Exit Strategy

Identify key support and resistance levels on the charts and map out your trades ahead of time. Determine the risk to reward ratio and set your targets for taking profits. Traders can either add to their position during strong trends or lock in profits by scaling out along the way.

You also want to make sure to set stop orders to protect yourself in case the markets move against you. Just keep in mind that stops aren't always effective when the price moves too fast and you may get a bad fill due to slippage.



## 4: Don't use Excessive Leverage

Traders often use margin because it increases the order size and allows the flexibility of going long or short. That said, if you use too much leverage your trades won't have enough time to breathe and you can lose your entire principal amount during forced liquidation.

There are some exchanges that offer leverage as high as x100 but a 1% move against you can destroy your account. A saner approach to using leverage is x3. This will allow you to increase your gains while giving you enough of a buffer zone to exit a bad trade. The only exception to this rule would be scalping smaller time frames during volatile markets. The longer you hold your trade the less leverage you want to use.



## 5: Avoid Hype

Fear of loss and of missing out are a trader's worst enemies. Become too greedy and you may end up buying tops. Panic sell and you might cash out your position at the bottom of a dump. Managing emotions and being objective is half the battle.

Usually when hype is at its peak it means that the markets will reach its distribution phase and a down trend may ensue. The media is often late to the party, reporting on trends after the fact once the markets are exaggerated. Get in before the herd and sell into strength when hype is at its peak.

# IMPORTANT TIPS TO MONITOR YOUR TRADES AND THE MARKETS

Have strong presence on social media platforms (Twitter, Facebook, Telegram, Medium etc)

Join Crypto-community groups on these platforms

**IBIC Team** is always available for consultation services for better investment calls and decisions.



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