Presents

Tales From the Crypt
An Introduction to BitCoin and Other Crypto Currencies

With

Bill Corcoran
I am not a registered broker-dealer or investment adviser. I will mention that I consider certain securities or positions to be good candidates for the types of strategies we are discussing or illustrating. Because I consider the securities or positions appropriate to the discussion or for illustration purposes does not mean that I am telling you to trade the strategies or securities. Keep in mind that we are not providing you with recommendations or personalized advice about your trading activities. The information we are providing is not tailored to any particular individual. Any mention of a particular security is not a recommendation to buy, sell, or hold that or any other security or a suggestion that it is suitable for any specific person. Keep in mind that all trading involves a risk of loss, and this will always be the situation, regardless of whether we are discussing strategies that are intended to limit risk.

I am not subject to trading restrictions. Myself and other instructors could have a position in a security or initiate a position in a security at any time.
A word On Mindset

- Don’t Get Stuck in Old Thinking.....
- Look for Opportunities, Not Obstacles.......
- Embrace Technology......
- Bring Your Education with You......
- Get Comfortable Being Uncomfortable......
This is Different

• Crypto Currency is at the Cutting Edge of Technology

• BlockChain Technology Has Already Changed The World

• This is the “Ultimate Disruptive Technology”

• It is Disrupting the Financial Markets
This is Not Different

• Currency Trading is Not New.

• This is Just Another Market

• Buyers and Sellers are Human
  – Emotions
  – Risk

• You HAVE Seen this Before
Tonight: First Level

• We Will Discuss The History Of Crypto Currency
• We Will Define The Technology In Basic Terms
• We Will Discuss Exchanges
• We Will Identify Potential Crypto Candidates
• We Will Discuss The Tools Needed To Trade
What To Expect

• This class is a Basic Introduction.

• You will gain a basic understanding of Crypto Markets.

• You will learn about some of the most common “coins” and where to trade them.

• You will learn what tools you need and where to get them.
THE BASICS
A History Lesson

• Early attempts:
  – 1983 Cryptographer David Chaum creates “Ecash”
  – 1995 He implements “Digicash”
  – These were early cryptographic electronic payment schemes that required a software to decode the withdrawal code to get at the payment.
  – Still required a “centralized ledger” (typically a bank)

• “Proof of Work” Models:
  – The late 1990’s saw the advent of “bit gold” and “b-money”
  – These were distributed electronic cash systems that rewarded users who completed “Proof of Work” by solving cryptologic secured mathematical algorithms.

• The Breakthrough
  – In 2009 a developer operating under the pseudonym “Satoshi Nakamoto” created “BitCoin”.
  – It used a cryptographic hash function for its “proof of work” function.
  – It was the first truly decentralized cryptocurrency meaning that the “ledger” was decentralized to multiple points on the internet.
A History Lesson

• Early Coins:
  – 2011 LiteCoin (LTC) uses “scrypt” algorithm for it’s hash function
  – 2015 IOTA uses “tangle” (directed acyclic graph) instead of blockchain for their distributed ledger.

• Newer Coins
  – There are nearly 1500 active cryptocurrencies.
  – Top Coins Include:
    • Bit Coin BTC
    • BitCoin Cash BCH
    • Ethereum ETH
    • LiteCoin LTC
    • Ripple XRP
    • IOTA IOT
    • Tron TRX

• Today
  – Estimated $600-$700 Billion total market cap for crypto currencies
  – Several companies have collaborative efforts in the crypto markets including Duetsche Bank, Microsoft, and Volkwagon
But What Is “It”?  

• “Announcing the first release of Bitcoin, a new electronic cash system that uses a peer-to-peer network to prevent double-spending. It’s completely decentralized with no server or central authority.” – Satoshi Nakamoto, 09 January 2009, announcing Bitcoin on SourceForge.

• Peer to Peer  
  – Transactions happen without a central ledger (bank)  
  – Transactions are recorded at multiple points on the web  
  – Mathematical “problems” must be solved in order to record the transaction

• Crowd Sourced  
  – Essentially this took the “bank” and crowdsourced it.  
  – Similar to filesharing, it prevents one person spending twice.
How It Works

Transaction Request → Broadcast to P2P Network → Validation Using Algorithms

Block of Data Created → Permanently added to the Blockchain → Transaction Completed
“It” is Currency

• BitCoin and other Cryptocurrency can be exchanged for goods or services.
• Transactions happen from peer to peer without a central ledger (bank) or regulation.
• Transactions are recorded to an “address”
• If you “hold” that address then you are the owner of the currency.
• Those addresses can be held in a “wallet”
THE TOOLS
Where Does it Trade?

- BitCoin and other Cryptocurrencies can be exchanged for other Cryptocurrencies creating a currency pair.
- These transactions happen on an “Exchange”
- These exchanges can be anywhere in the world and can be unregulated and risky.
- In Crypto trading the Exchange acts very much like the broker in stock trading and is your “trading platform”.
Common Exchanges?

- **Gemini** [https://Gemini.com](https://Gemini.com)
  - US Based (New York)
  - USD pairs
  - Only trades BTC, ETH and USD
- **Bitrex** [www.bittrex.com](http://www.bittrex.com)
  - Large, well capitalized
  - US Based (Las Vegas)
  - Advanced platform
- **Binance** [www.binance.com](http://www.binance.com)
  - Large, well capitalized
  - Only Trades Crypto pairs (no USD)
  - Based in Hong Kong
- **CoinBase** [www.coinbase.com](http://www.coinbase.com)
  - US Based (San Francisco)
  - Trades USD pairs
  - Higher transaction costs
  - Simple easy to use platform
You’ll Need A Wallet

• A “wallet” is an offline location where the “address” of your currency transaction is maintained.
• The exchange may have a virtual wallet.
• Keeping your currency at the exchange is typically not a good choice.
• Wallets can be as simple as a printed document that you keep in a safe location or they can be a digital record kept on a secure encrypted flash drive.
You’ll Need A Wallet

• Ledger wallet
  – www.ledgerwallet.com/start
  – Limited coins
  – More difficult to set up

• Trezor wallet
  – https://trezor.io/
  – One of the original wallets
  – A little easier to set up
Charting the Cryptos

• A good charting service is essential

• Must provide real time quotes

• Track multiple exchanges

• Support Technical analysis

• Allow you to save setups and drawings/notes
Charts
Charts
Charting Software

- [https://tradingview.go2cloud.org/SH1gA](https://tradingview.go2cloud.org/SH1gA)
- Trading View Software with my setups
- Supports charting on Cryptos as well as stocks.
- Awesome Mobile App!
Trade or Invest?
Before We Get Started...

• This Is The Wild West Of Trading

• You Could Literally Lose All Of Your Money...

• Overnight

• Exchanges Break Down or Get Hacked or...

• Just Go Away

• Almost Nothing Is Regulated Here
Before We Get Started...

• This Is A Modern Day Gold Rush!

• You Could Make Some Good Money...

• Overnight

• There Are Significant Opportunities

• So Many New And Undisciplined Investors – HODL

• Almost Nothing Is Regulated Here
Big Moves

$1,000 move!
Big Moves

.30 to $2.90
So, How Do we Do This?

• Set up an account at the Exchange of your choice.

• Set up your charting platform
  – https://tradingview.go2cloud.org/SH1gA
  – Paper Trade

• Set up your wallet
Trading a “Pair”

• Currencies are traded in Pairs
  – Buy BTC with USD
  – 1 BTC will cost you $11,257 USD at 4:29 CST
  – This is the buying exchange rate
  – If the value of BTC goes up against the USD to $14,000 you would Sell BTC for $14,000 and book a $2,743 profit in USD.
  – The exchange may charge you a transaction fee similar to a brokers commission.

• Stop at Limit
  – Closes trade only at the limit price
  – Does not close trade if limit price is gapped over

• Contingent Stop
  – Stop on one asset is triggered based on a price of another asset

• Conditional Stop
  – Executes further instructions if the stop is triggered
Trading a “Pair”

• Buy BTC with USD
  – 1 BTC will cost you $11,257 USD at 4:29 CST you are now trading BTC/USD
  – This is the buying exchange rate
  – If the value of BTC goes up against the USD to $14,000 you would Sell BTC for $14,000 and book a $2,743 profit in USD.
  – The exchange may charge you a transaction fee similar to a brokers commission.

• Buy ETH with BTC
  – 1 ETH will cost you .08079 BTC at 1:30 PM CST
  – At 4:10 PM you ETH is trading at .093 BTC
  – This would yield a little more than .012 BTC profit
Confused?

• The numbers are tricky and can require a good grasp of trading currency pairs.

• Essentially you are “long” the first currency.

• And you are “short” the second currency.

• Which means you are…..

• Now really confused.
To Start Out

• It Helps To Trade In The Beginning Using USD to buy BTC, LTC and ETH.

• This Will Help Keep You On Track With Regard To Profits And Losses.

• It May Help You Set Stops And Profit Orders.

• Above All Else.....

• Trade What You See!
A Trend Trading Market

• It may be worth considering longer term trend positions in established coins.

• Make sure they are in a trend read the chart.

• Small positions and big stops can manage risk and provide a good investing timeframe..

• Above All Else.....

• Believe What You See!
Stops

• Use Stop orders to manage risk.
• Stops should be set based on technical analysis
• For that matter all ENTRIES should be based on Technical Analysis
• For that matter all EXITS should be based on Technical Analysis!
• Maybe we should discuss Technical Analysis!
Crypto Charting
Why Technical Analysis?

• You don’t need to understand fundamentals.
• You don’t need to understand the technology.
• Most of you already know how to read a chart.
• Is based on market psychology.
• Identifies entry points, exits and changes in sentiment.
The Chart

• A picture is worth a thousand... Dollars!

• A picture of the market psychology.

• Tells us what the market is “thinking”.

• Pure supply and demand in picture form.
It Works!

• Markets change, people don’t!

• People react in predictable fashion under stress.

• It is the ONLY way to see what the market believes the current value is.

• It is a reflection of human behavior and can indicated future potential moves.
The Chart

• Charts patterns occur in multiple time frames.

• Chart patterns occur in all asset classes.

• Anytime there is a buyer and a seller there is likely a chart pattern being created.
The Basics
Line Charts

• The closing price is considered the most important price of the period.

• Closing price of one time period connected to the closing price of the next time period gives us a line.

• Example: Monday’s close connected to Tuesdays close connected to Wednesdays.

• Creates identifiable and predictable patterns.
Candlestick Charts

• Break down individual trading periods.

• Can identify market sentiment in each trading period.

• Patterns can emerge within individual candlesticks or even groups of candlesticks.
Bullish Candlestick

CLOSE → HIGH

OPEN → LOW
Bearish Candlestick

- **HIGH**: Indicates the highest price reached during the period.
- **OPEN**: Represents the opening price of the period.
- **CLOSE**: Shows the closing price of the period.
- **LOW**: Denotes the lowest price reached during the period.
Line Chart Patterns
Line Chart Reversal Patterns

- Double Top
- Double Bottom
- Head and Shoulders
- Inverted Head and Shoulders
- Trend Break
- Rounding Bottom
- Rounding Top
Double Tops

• Indicates an exhaustion of buying pressure.

• First reversal indicates early sellers.

• Second reversal indicates continued selling.

• Pattern confirms below middle low.
Double Bottom

• Indicates an exhaustion of selling pressure.

• First reversal indicates early buyers.

• Second reversal indicates continued buying.

• Pattern confirms above middle high.
Head and Shoulder

• Indicates an exhaustion of buying pressure.

• First reversal indicates early sellers.

• New high creates possibility of higher trend.

• Failure to reach new high creates selling pressure and right shoulder.

• Pattern confirms below neck line.
HEAD AND SHOULDERS
Inverted Head and Shoulder

- Indicates an exhaustion of selling pressure.
- First reversal indicates early buyers.
- New high creates possibility of trend lower.
- Failure to reach new low creates buying pressure and right shoulder.
- Pattern confirms above neck line.
INVERTED HEAD AND SHOULDERS

NECKLINE

SHOULDER

HEAD

SHOULDER
Trend Break

• Indicates significant change of sentiment.

• First breakout indicates sentiment change.

• Successful test of former trendline confirms the move.
BREAKOUT

TEST OF TRENDLINE
Rounding Bottom

• Indicates significant change of sentiment.

• First breakout indicates sentiment change.

• Successful test of former trendline confirms the move.
ROUNDING BOTTOM
Line Chart Continuation Patterns

• Ascending Wedge
• Descending Wedge
• Flag
• Pennant
• Trend
ASCENDING WEDGE
DESCENDING WEDGE
FLAG PATTERN
PENNANT PATTERN
CANDLESTICK PATTERNS
Candlestick Reversal Patterns

- Evening Star
- Morning Star
- Bullish Engulfing
- Bearish Engulfing
- Bullish Harami
- Bearish Harami
Evening Star Reversal Pattern
Morning Star Reversal Pattern
DID IT WORK?
Bearish Engulfing Reversal Pattern
Bullish Engulfing Reversal Pattern
THIS ONE DIDN’T WORK (IT HAPPENS)
Bearish Harami Reversal Pattern
WORKED!
Bullish Harami Reversal Pattern
NOT REALLY
CANDLESTICK CONTINUATION PATTERNS
Rising Three Method Pattern
Falling Three Method Pattern
Flagpole (steep climb)

Rectangle (Consolidation)

Breakout
Ascending Wedge

Sellers Enter at the Same Level

Buyers enter at higher and higher levels
The Role of Volume

• Bullish
  – Price is rising
  – Volume is rising

• Bearish
  – Price is falling
  – Volume is rising
The Role of Volume

• Potential Bullish Reversal
  – Price is falling and approaching support
  – Volume is falling
  – Watch for reversal patterns

• Potential Bullish Reversal
  – Price is rising and approaching resistance
  – Volume is falling
  – Watch for reversal patterns
I am not a registered broker-dealer or investment adviser. I will mention that I consider certain securities or positions to be good candidates for the types of strategies we are discussing or illustrating. Because I consider the securities or positions appropriate to the discussion or for illustration purposes does not mean that I am telling you to trade the strategies or securities. Keep in mind that we are not providing you with recommendations or personalized advice about your trading activities. The information we are providing is not tailored to any particular individual. Any mention of a particular security is not a recommendation to buy, sell, or hold that or any other security or a suggestion that it is suitable for any specific person. Keep in mind that all trading involves a risk of loss, and this will always be the situation, regardless of whether we are discussing strategies that are intended to limit risk.

I am not subject to trading restrictions. Myself and other instructors could have a position in a security or initiate a position in a security at any time.