

Bitcoin Trading



INVESTORS GUIDE TO BITCOIN



INVESTORS GUIDE TO BITCOIN, CRYPTO- CURRENCIES

This growing digital asset class is not as confusing as it seems. Bitcoin is a currency not much different than the Euro or US Dollar. In this brief guide we explain Bitcoin from a trader's perspective, as a primer for more detailed, technical reports and investor documents.

Investor's Guide to Bitcoin & Cryptocurrencies

Bitcoin has changed the global financial world forever. As the internet had the .com boom – now we are experiencing the Crypto-boom. A world filled with digital fraud, confusion, price spikes, and hot money flowing into places that few understand. Elite E Services, Inc. has been in the Currency development business for 15 years. That gives us a huge advantage compared with the current crowd; Bitcoin is Forex. BTC/USD is no different than EUR/USD from a Currency trading perspective, it's a currency pair. As we will explain in this short guide, there's nothing mysterious or confusing about Bitcoin and other Digital Currencies. If you're familiar with stocks, you can understand Crypto. Let's go.

What is “Bitcoin” and “Ethereum” ?

Bitcoin is a digital currency created by an unknown person or group under the pseudonym “Satoshi Yakamoto” in 2009 and was the first popularized digital currency (but not the only one). Bitcoin is based or ‘backed’ as they say by cryptography, leading to the name ‘cryptocurrencies’. Cryptography is the art of writing or solving complex codes, usually by mathematicians. What is unique about Bitcoin is that there is no issuing agency, such as a central bank, and there is no physical Bitcoin. There are many popular graphics that represent “Bitcoin” based on the logo, which is simply a dollar sign combined with the letter “B.” The intelligent design of Bitcoin suggests it was developed by a sophisticated well-funded group. The fact is the world may never know the true identity of the founders, which started a real financial digital revolution. As of this writing there are more than 900 Digital Currencies¹ and thousands of sub-currencies. Platforms such as NXT and Bancor allow users to create their own currencies based on a community, niche, or other specialty.

Bitcoin led to the creation of other digital currencies, such as Ethereum, so new that it isn't even in the Microsoft dictionary as a word. Bitcoin (BTC) and Ethererum (ETH) are good examples for understanding and analysis; Bitcoin because it was the first widely adopted and well-designed digital currency (and for the foreseeable future will be the more commonly accepted); ETH is the first large crypto-currency platform (Blockchain) to emerge after Bitcoin which is not only open source, but an active ecosystem. That means ETH is not only a crypto-currency, it is a platform, similar to Microsoft Windows in the Computing industry. For example ETH can be used as a ‘reserve’ to create new digital currencies or ‘tokens’ on the back of the ETH system. All digital currencies use the equivalent of the Blockchain, the concept pioneered by Bitcoin. Bitcoin is the currency and the Blockchain is the accounting ledger.

Difference between payment systems and margin trading

Just as in traditional Currency trading, clear distinctions exist in Bitcoin between *payment* and *trading*. The margin trading of Bitcoin is offered at hundreds of venues most of which who call themselves 'exchanges' but this is very misleading because of the traditional use of the word, as in the New York Stock Exchange (NYSE). The payment systems for Bitcoin are traditional merchant systems that allow payment for goods and services with Bitcoin instead of US Dollars. Companies such as Overstock.com allow customers to buy anything on their site and pay with Bitcoin. Of course, there is a huge spread usually which ends up being like a use-fee, but this is common with new currencies which are not the standard.

Using Bitcoin as a means of payment

Note that, most online shops and other vendors who accept Bitcoin, usually do so as a means of payment, but the price is calculated in US Dollars. This is done for a number of reasons, but mostly due to BTC's huge volatility. That means in practical terms of payments, BTC is fixed to the USD (or in the local regional currency). Also note that there is usually a high spread for the conversion, but each shop is different. There is usually a calculator, which should display both the price and the BTC price. If you aren't familiar with margin trading, there is a buy price and a sell price and the difference is the spread. The spread is the equivalent to a tax or fee in this case, as you will be charged the items value + shipping + the spread. So for example if an item costs \$100 the merchant may display a BTC price of 0.0208; this number is based on prices from CEX.IO on 9/4/2017ⁱⁱ CEO.IO [displays in their terms and conditions the following information:](#)

How does it work? CEX.IO calculates the price and freezes it for 120 seconds. The service exchange rate is adjusted to mitigate the risks connected with price fluctuations. At any given moment, you input the amount of money you wish to spend and you see the amount of cryptocurrency you can receive, according to the service exchange rate, or vice versa. If the situation on the market allows the execution of your order on conditions not worse than you agreed on, the order will be filled. The order can also be filled on more favorable conditions. If there is a sudden spike in the exchange rate — preventing the execution of the order on the agreed conditions — you will be notified upon the submission of the order. After you confirm the trade, your order is matched to other orders on the exchange — sometimes the amount can be even greater than agreed on, but is never smaller.

What is the fee for this service?

CEX.IO takes a 7% fee for the service which is charged from the amount of fiat currency.

7% is a huge fee, imagine paying a 7% tax on top of the normal sales tax paid in most US states or the VAT in the European Union. Also bear in mind BTC is subject to large volatility that means the price of the item you want to buy in BTC could practically double by the end of the trading day (this would be extreme, but it has happened). That pair of Sunglasses you were looking at on Pleaseorderit.com on sale just went from \$80 to \$130 because you're paying with BTC. Perhaps one day if the price of BTC stabilizes or another digital currency becomes the default payment standard this will not be the case, but for the foreseeable future it is the case – so this begs the question, why pay with BTC? The logical rational reason would be if you have a pile of BTC you received from a friend or from the days of Bitcoin mining in college. Now you can understand the most absurd scenario, a customer deposits USD into a Bitcoin exchange, converts to BTC in order to buy online in BTC where everything is priced in USD and pay the 7% fee on top of the already high USD to BTC conversion rate!

Investing in Bitcoin

Investors are watching Bitcoin and other markets as they appear to be the next Yahoo! Investments, where it's possible to invest a few dollars and become a millionaire. Historically the price of BTC/USD as of this writing, has gone from \$1 in February 2011 to more than \$5000 near its recent peak, representing a 500,000% return. Investing only \$1,000 in that time in BTC would have resulted in \$5,000,000 USD (Five Million US Dollars) today. Obviously, this piques the interest of investors everywhere, as the extremity of these returns catches the eye of even skeptics. It is a reminder to all investors everywhere. Was there anyone who bought at \$1 and held until \$5,000? There is one account on the Blockchain which is public, from the original creation of Bitcoin that represents more than \$1 Billion in USD value of BTC that is never used. But there are hundreds of 'dormant' BTC addresses, perhaps from users who simply forgot about it or they really are long term BTC investors. Due to the fact that the Blockchain is public, analysis of zombie BTC is possible, [as completed by a Reddit user here](#)ⁱⁱⁱ:

...I created a spreadsheet which shows every single 'dormant' bitcoin address with a balance of 25 bitcoins or more. These are not what I have been previously referring to as 'zombie' bitcoins, for which I have been using a 3 year age cutoff value. The criteria for this spreadsheet was all bitcoins which haven't been touched since the price of bitcoin was less than \$10 apiece; so around

January 31, 2013. This cut-off was a bit arbitrary, and feel free to sort the spreadsheet and use different cutoff values yourself. However, knowing that these coins must have a cost basis just a fraction of the current value of bitcoin over the past two years, we can now consider how many are out there waiting to re-enter the market. This list includes the approximately one million mined bitcoins for the first year or so of the lifetime of the Blockchain, presumably owned by Satoshi and untouched to this date. Others probably represent wallets which have been lost forever. And, of course, many just represent steely eyed holders who quietly fondle their private keys dreaming a future world economy running on bitcoins. Here is a link to a Google Docs spreadsheet containing all of the addresses. If you have an old dormant address with more than 25btc, go ahead and check it against this spreadsheet and let me know if I missed you.

https://docs.google.com/spreadsheets/d/1xTROekDerP1TPOB3SOD_1bbQr580BPqbhF3YHdO96pw/edit?usp=sharing

Some of the key addresses with the largest dormant balances are:

With 79,957 bitcoins (\$21 million dollars) here is the top one:

<https://blockchain.info/address/1FeexV6bAHb8ybZjqQMjJrcCrHGW9sb6uF>

Here is #2, with 28,150 bitcoins without a single ever spend transaction since its creation on April 5, 2010. Nearly four years!

<https://blockchain.info/address/12tkqA9xSoowkzoERHMWNKsTey55YEBqkv>

With 31,000 bitcoins untouched since May 13, 201, here is the address:

<https://blockchain.info/address/12ib7dApVFvg82TXKycWBNpN8kFyiAN1dr>

That's a whole lot of 'stored bitcoin' energy waiting to come out and play at some point in the future...

The total amount of Bitcoins in this list is 3.3 Million BTC for a total value of \$13 Billion. These are 'zombie' addresses that have not been used, possibly lost – or as suggested by the creator of the spreadsheet, held by hardcore long term investors who see a BTC future. In any event, gone are the days of 2011 when it would have been possible to get a 500,000% return. For those of us who didn't get lucky the best we can hope for now is to reinvigorate our knowledge on the subject so that we can enable us to catch the next wave – which may be a far more sustainable and productive wave (for example seeing the widespread use of BTC in business). But these are people who own BTC in a wallet – not margin traders.

The important point to understand – most investors invest in assets via a margin trading platform, such as offered by Broker-Dealers like TD Ameritrade. In TD's Think or Swim platform it's possible to buy and sell Euros against the US Dollar, Stocks like Microsoft (MSFT) and Ford (F), Futures such as Corn and Gold, as well

as trade options. Positions are taken mostly electronically but all brokers offer voice dealing (it's possible to call them and execute orders). Positions are calculated for daily P/L (Profit and Loss) – what investors and traders seek here is a Profit. They don't necessarily care if they are investing in Tesla (TSLA) or Microsoft (MSFT). But practically, safe and liquid 'blue chips' like IBM don't provide much room for profit for day-traders and short term speculators. For this reason, penny stocks and startups attract short term traders which may be more volatile and a lot more risky. This is comparable to the current state of Bitcoin (BTC) margin trading. Most BTC 'exchanges' offer a web based margin trading platform, such as Coinbase's GDAX. [Get started with Coinbase](#)

Margin trading, similar to common stock trading platforms, allow investors a reasonable amount of leverage and the ability to buy and sell BTC/USD just like EUR/USD or any popular currency pair. That means it's possible to profit or lose from speculating if the price of BTC/USD will go up OR down. There are no shorting rules, and the market is open all weekend long.

As Coinbase is one of the largest Bitcoin 'exchanges' we'll use their GDAX platform to explain how this works. If you are familiar with stock trading, futures trading, or Forex trading you will easily see what's going on here. Note the 'Trade History' tab which shows the price, time, and volume 'Trade Size' (in BTC). This is similar to the 'ticker' tape that doesn't reveal the traders but it does show the size of orders. Whoever developed this platform has a trading background. Most of the margin trading platforms for Bitcoin are similar. The history moves quickly, as they display all orders (it seems) which are mostly smaller orders, but you see a 5.1 here and 1.2 there. That's 1.2 Bitcoin. Also it displays green colors for price increases and red colors for decreases, respectively. Could this be a new day-traders market? Traditional brokerages are starting to offer Crypto pairs, which is easy for a Forex broker to add (BTC/USD not much different than EUR/USD).

TRADE HISTORY			
Trade Size	Price (USD)		Time
0.23340000	4355.00 ↗		12:08:23
0.99865147	4355.00 ↗		12:08:22
0.00000229	4355.00 ↗		12:08:22
1.00552293	4355.00 ↗		12:08:20
0.05386977	4355.00 ↗		12:08:16
0.07613023	4355.00 ↗		12:08:16
1.28222497	4355.00 ↗		12:08:14
0.14460471	4355.00 ↗		12:08:14
0.00000229	4355.00 ↗		12:08:12
0.85086232	4355.00 ↗		12:08:11
0.20937199	4355.00 ↗		12:08:09
0.41948963	4355.00 ↗		12:08:07
1.85457250	4355.00 ↗		12:08:07
0.08566061	4355.00 ↗		12:08:06
0.23300000	4355.00 ↗		12:08:04
5.13755902	4355.00 ↗		12:08:04
0.34668493	4355.00 ↗		12:08:02
0.61147476	4354.89 ↗		12:08:02
0.00000229	4354.89 ↗		12:08:02
0.14674133	4354.89 ↗		12:08:02
0.48511221	4354.89 ↗		12:08:02
0.02666941	4354.89 ↗		12:08:01
0.29129843	4354.88 ↗		12:08:01

Then there's the traditional order book, similar to a Level 2 screen or in Forex, Depth of Market (DOM). This shows the bids and asks or the limit orders traders are willing to pay. On the surface it looks similar to any stock or futures platform, and they've made it look like such. But underneath, traders are buying and

ORDER BOOK		
Market size	Price (USD)	My size
0.050712	4412.05	-
4.3	4411.88	-
0.0131	4411.64	-
0.10000000	4410.51	-
0.01	4409.76	-
0.99894294	4409.69	-
1.15	4406.30	-
10.0	4405.00	-
5.0	4404.99	-
0.99000000	4404.71	-
0.275	4402.00	-
0.37196056	4401.88	-
0.08	4401.78	-
1.97139180	4401.71	-
0.01000000	4401.70	-
5.22997726	4401.69	-
1.97140524	4401.68	-
USD SPREAD 1.69		
0.01000000	4400.00	-
0.45217014	4399.99	-
0.1	4399.98	-
1.09020000	4395.83	-
0.10000000	4393.47	-
1.09020000	4393.46	-
0.15000000	4393.45	-
0.1	4385.02	-
1.0902	4385.01	-
1.8	4385.00	-
0.081	4380.19	-
0.5	4380.00	-
0.2	4379.00	-
0.039	4375.87	-
4.15	4375.04	-
4.63	4375.03	-
0.2	4375.02	-
AGGREGATION 0.01		

selling an unregulated currency that has no underlying commodity or authority behind it. There's nothing to Bitcoin other than people's belief in it. In many ways, Bitcoin was engineered much more than your typical fiat currency (if they were engineered at all). In the case of most currencies like the US Dollar, all that stands behind them is belief in the US Dollar itself. And practically, what 'backs' the US Dollar is bombs – the largest military operation planet Earth has ever seen^{iv}. [As we explain in our book Splitting Pennies](#) – the USD is in fact 'backed' by something other than faith, it's backed by the US Military. Use USD and drink Coca Cola or you'll be bombed. Anyway, as a currency the only major difference between Bitcoin and the US Dollar is for Bitcoin there is no issuing authority, and there is limited Bitcoin (21 Million total BTC). The Federal Reserve Bank has the explicit authority to create and issue US Dollars infinitely. Logically, based on simple supply and demand, that would indicate that in the long run, the price of the BTC/USD trading pair should go up. But what drives Currency rate changes is real money flows, not interest rate parity theory. The reason for the recent move up in Bitcoin has been

institutional interest (such as Fidelity Labs making a statement about Bitcoin^v) and the recent ICO market, which has forced USD investors to first convert their USD into Bitcoin in order to make the investment.

The conclusion to draw from this understanding is:

The best way to invest in Bitcoin is through Margin Trading platforms, ideally through existing Forex brokerages which are regulated and have a track record of stability, and that offer reasonable terms for trading of Bitcoin and other Crypto pairs.

Remember that with margin trading, it's possible to also speculate on Bitcoin's crash, as has happened many times due to fears of the Fork, or this weekend's sell off due to China's central bank banning ICO's and Bitcoin completely^{vi}.

Crypto-Currency Trading – the new trader's market?

Now that we have established that trading BTC/USD is not much different than EUR/USD or your favorite stock, let's look at some other elements of looking at Crypto-Trading just as a traders / investors market, similar to futures, stocks, bonds, and major currencies. Someone out there, believes that it is – and they're trading 100 M – 200 M US Dollars (that's not chump change for trading, even for an institution).

[There has been wide speculation about a huge mysterious trader manipulating the price of Bitcoin with a market maker practice called 'Spoofing' and he has been appropriately named "Spoofy"vii:](#)

[Cointelegraph reports](#) of rumors swirling about a trader "**with nearly unlimited funds who is manipulating the Bitcoin markets.**" This trader, nicknamed "Spoofy," received his "nom de guerre" because of his efforts to "spoo" the market, primarily on Bitfinex. Of course, spoofing is what [Navinder Sarao pled guilty of last year](#), when regulators inexplicably changed their story, and instead of blaming a Waddell and Reed sell order for the May 2010 flash crash, decided to scapegoat the young trader who allegedly crashed the market due to his relentless spoofing of E-mini futures (and also making \$40 million in the process of spoofing stock futures for over five years). It now appears that a spoofer has once again emerged, only this time in Bitcoin.

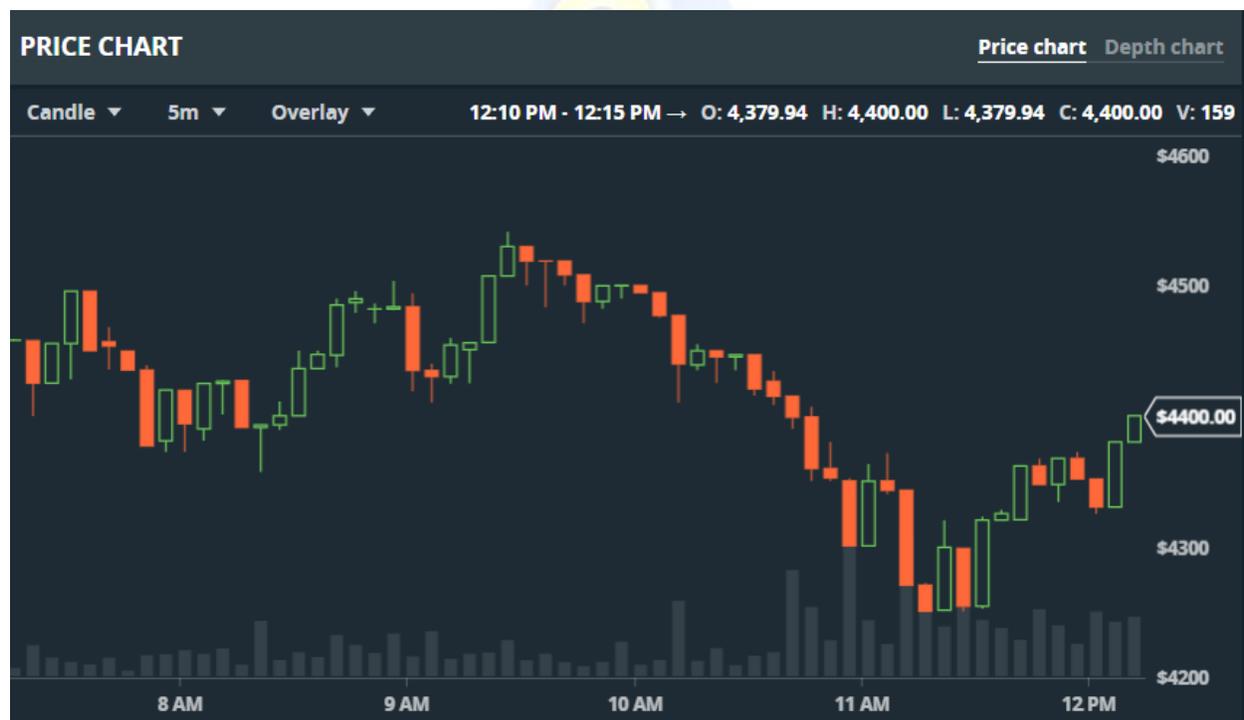
So who is "Spoofy" and why is he doing this? There are a few possible suspects, one is that Spoofy is the actual creator of Bitcoin (for example, as some have suggested, the NSA^{viii})

and this 'manipulation' is really 'liquidity management' to solidify Bitcoin as a legitimate alternative to the US Dollar. Another possibility, Spoofy is a big trader – perhaps a hedge fund, which knows all the tricks of market makers (think Citadel). Whoever is Spoofy, the numbers involved are huge, and we know that based on exchange data, funds are being regularly exchanged in the millions



of dollars. This can be the new day-traders market, because of the following features:

- Never closes (open on weekends)
- Leverage available
- Extremely volatile
- Nearly no minimum capital startup requirement – you can practice with \$100 of live money
- Common indicators will work on BTC/USD
- Algorithmic trading systems, i.e. 'robots' will do well on BTC/USD with a good spread



How risky is Bitcoin investing?

Very risky, it is possible – although unlikely, that Bitcoin liquidity could evaporate due to a hack or other circumstance and the price goes to nearly zero. Of course in this case the short sellers would do well – but this market is for extremely sophisticated traders only. Investors should stick with packaged products, which now are few but Wall St. has only 'discovered' this market, soon we will be inundated with a number of packaged products to invest in Bitcoin where they will have hedged the tail risks and tacked on various management fees, but in this case all for the better. Bitcoin and other Cryptocurrencies are for professional traders, or computer experts who can understand the math behind

the white papers. Forex, stock, and futures day-traders will love the price action, and the fact that it's open on the weekend. Bitcoin has a long way to go before becoming a real 'asset class' but what has happened is the world is aware of options, now it's the market that will decide the winners and losers in the constant evolutionary process we call capital markets.

If you want to engage in this storm, the best suggestion is to find regulated brokers that offer Bitcoin, some available at www.openforexaccount.com – the numbers will grow in the coming months, as more interest builds in BTC/USD and traders demand it from their brokers. As that happens, traders will build robots and other products specifically for investors to hedge the risks of Bitcoin and capture more of the profits. Companies like Ledger X^{ix} are already approved to offer regulated, on exchange traded derivatives for Bitcoin and that offering is only going to grow. Stay clear of unregulated companies not because regulations are good, but because of fraud risk. True, NFA didn't prevent the largest institutional fraud in retail FX brokerage (PFG) however, Bitcoin is another story. Many situations with Bitcoin remain unclear, such as the Mt. Gox 'hacking' and other recent ICO fraud.

But for now, it's really the Wild West, subject to huge swings, hacks, bugs, forks, and other factors making for a highly unstable environment. From the perspective of EES, we're glad to see a re-invigorated interest in Currencies, because in any analysis, Bitcoin is a Currency, so the trading of Bitcoin is Forex. 10 years ago it would have been preposterous to suggest that payment systems in US retail outlets would accept Euros, but now Bitcoin ATMs are populating the landscape^x. Another encouraging factor is that the interest in Cryptocurrencies is forcing the hand of Wall St. to invest in emerging technologies in finance. This will be the real 'bubble' of Cryptocurrencies, when Wall St. introduces their own "JPcoin" or whatever, sliced and diced to bite size pieces and distributed at their local Payday advance shops in the hood. That day is not far away.

But if we are to follow this thought that Cryptocurrencies can be the new day-traders market, then we can make a simple analogy with other day-trading markets like stocks, forex, and futures. In that case, Bitcoin 'investing' is not well understood, Bitcoin is so volatile the buy and hold approach won't work like it did in the past 6 years (what if you buy near the short term top?). This move will likely start a super cycle of algorithmic trading of FX, BTC/USD included.

For more analysis and further reading on the topic visit www.globalintelhub.com

To open a Forex trading account visit www.openforexaccount.com

REFERENCES

i https://en.wikipedia.org/wiki/List_of_cryptocurrencies

ii <https://cex.io/bundle/>

iii

https://www.reddit.com/r/Bitcoin/comments/2twrs7/all_42400_dormant_bitcoin_addresses_with_a/

iv www.splittingpennies.com

v <https://www.cnbc.com/2017/08/11/blockchain-technology-will-change-the-world-fidelity-labs-svp.html>

vi <http://www.zerohedge.com/news/2017-09-04/ethereum-bitcoin-crash-after-china-declares-initial-coin-offerings-illegal>

vii <http://www.zerohedge.com/news/2017-08-06/mysterious-trader-nearly-unlimited-bankroll-said-be-manipulating-bitcoin-price>

viii <http://globalintelhub.com/exposed-real-creator-bitcoin-nsa/>

ix <https://ledgerx.com/>

x https://en.wikipedia.org/wiki/Bitcoin_ATM

