

# Trading Cryptocurrencies: A Beginner's Guide

Bitcoin, Ethereum, Litecoin

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SAMPLE

## Chapter 3: Investing in Cryptocurrency

There are many investment styles that are ways to invest in things, be that art, stocks or property. These tried and tested techniques can be applied to cryptocurrencies. Here are some of the permutations:

1. *Buy the best and hold them, stock market style*

On the first of the month, take what you are comfortable with investing in blue chip coins like Bitcoin then convert some of your fiat into that coin. Choose at random between Bitcoin, Ethereum or Litecoin and try to keep roughly the same amount in fiat terms of each. Every year decide if you want to add another blue chip cryptocurrency to your portfolio to broaden it, but probably stick to those three. Watch the portfolio grow while forgetting what it is worth in fiat. In 20 years it should be worth a decent pile of fiat money. This is what the precious metal hoarders call stacking but it is just saving money in something that is not fiat cash.

2. *Buy a broad based portfolio of cryptocurrency*

With a growing experience in what you can expect to get from cryptocurrency, you pick coins you believe have a good future and buy chunks of new coins until you have 30+ different coins in your cryptocurrency portfolio. You look out for opportunities, evaluate the fundamentals of coins and make your investments accordingly. You hold until you think a particular coin has risen enough or is broken and likely to become worthless, sell it and move into other coins. This is like classic stock picking with equities. It's more work/fun and should give higher returns.

3. *Buy and hold, high-risk cryptocurrency style*

Find new coins with very low prices because they are new. Buy a lot of coins for little fiat then forget them for many years on the basis that one will go big but others will likely vanish. This is attempting to reproduce the story of Bitcoin. If you had bought \$10 worth of Bitcoin at the beginning it would now be worth \$3m. In 2010, 10,000 Bitcoins (\$35 million at today's prices) were used to buy two pizzas. This is the logic behind this trade. For \$1,000 you could buy 100 such lottery tickets and if one pays off you will be very happy indeed. With cryptocurrencies having a global total value of \$135 billion as I type this, it could happen. There are roughly \$47 trillion dollars of US equities and US government bonds out there; it is not unimaginable that cryptocurrency could match gold at a total value of \$5 trillion. That is room for a lot of Bitcoin stories.



So the question is: how high could Bitcoin go?

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