







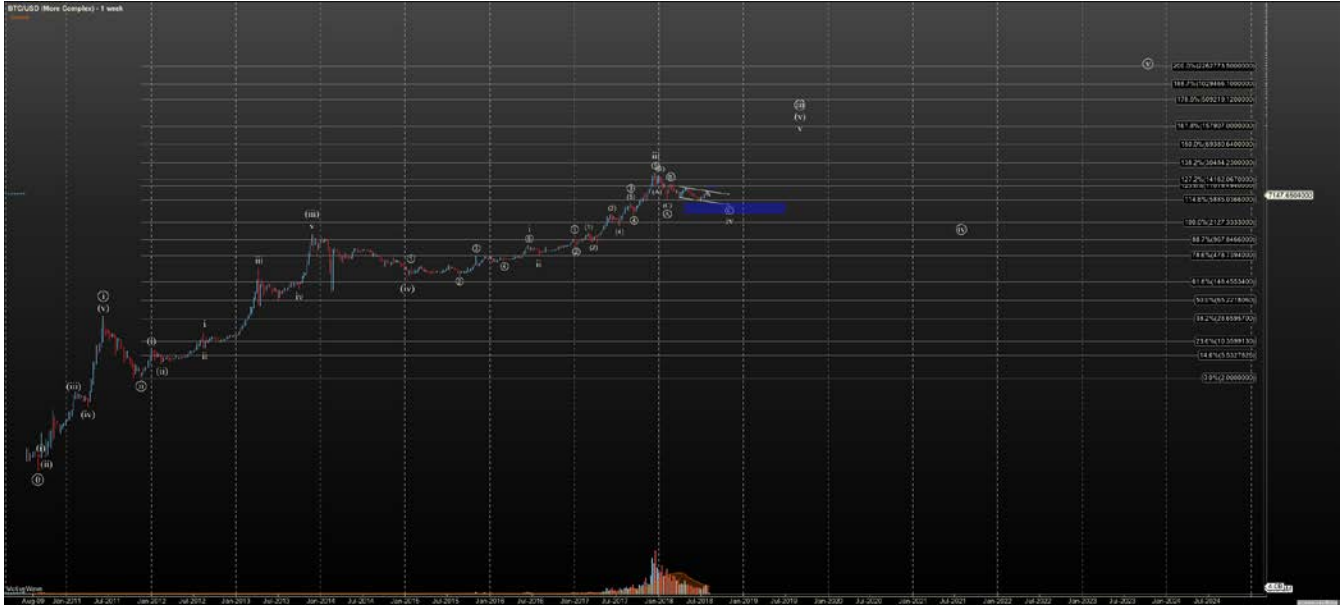








# 10 Rules TO BE A SUCCESSFUL CRYPTO TRADER



Currently we are simply stuck at one of the many corrections we can expect along the way through the long-term trend. And, the 75% draw down was also expected. As stated in my recorded talk in February at the TradersExpo New York, \$30000 is long-term support before I have to adjust current projections

This zone is key according to Elliott Wave theory as we were above the 1.236 and 1.386 extension off the 2011 wave 2 bottom. We should expect to see \$30000 hold in this correction and see a march toward \$65000+ when the market is ready to bottom.

## #4 Hold a core and trade around it.

Each trader and investor has a different skill level and bandwidth. How nimble a trader is, how much time she has to focus on trading, and how experienced are all factors that guide a person's trading success. This is no different for crypto traders.

Given that the number of successful day traders and scalpers is small, I suggest that most crypto investors think long-term. The challenge as a long-term investor is you naturally accept financial pressure during deep corrections. And, given that cryptocurrencies can drop 75%-90% within its long-term bull market, long-term crypto investors accept unique pressure.

Being purposeful about how much of your holdings will be in a long-term position, called your core, is important. A core holding prevents the less nimble from losing out on the long-term bull market while trying to trade more short-term. How much you dedicate to such a position should be shaped by the expectation of 75%-90% corrections.













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Many would-be and current crypto traders have suggested to me that crypto is a tax shelter because the Feds cannot see the trades. I suggest that you not let this thought cross your mind. The IRS has systematically gained access to banking and exchange records to ensure they know who is making money in cryptos.

I find the biggest headache I have as a crypto trader is dealing with taxes. The cause of this headache is that exchanges have not yet matured to the point where they offer accurate profit and loss statements in a U.S. dollar basis. So, the crypto traders have some options currently:

### 1. Track every trade.

Of course, if you track every trade you make, say in a spreadsheet, you solve the problem. The challenge in this is you need to track it in U.S. dollar basis even if the trade is not a USD pair. For example, if you sell XVG for bitcoin (XVG/BTC pair) you'll need the USD cost of those pairs for the entry and exit transaction.

### 2. Use online software.

There are online software solutions to solve this problem. Here are a few links to consider, but new sites are cropping up regularly:

<https://www.cryptotrader.tax/>

<https://cointracking.info/>

<https://bitcoin.tax/>

For 2017 I used Cointracking.info. But these solutions are not without problems. First, you need to be techy. The easiest way to get your information to these software sites is through API. These involves giving the site access to your account. You can lock it out of trading and withdrawals for security, limiting access to transaction reads only. Inevitably I ran into some transactions that were not reading so I had to load CSVs into the sites.

### 3. Liquidate yearly.

One solution is to close your entire portfolio December 31 to US dollars. Honestly, the reward of crypto trading is high enough and tax season enough of a pain for me to consider this option in 2018.

### 4. Elect Mark to Market.

I am not a tax advisor but this may be an easy way to track taxable gains by recording the value at year-end. But I know there are very particular requirements to report Mark to Market so please consult your tax advisor regarding this option.

Also, I personally keep few banking channels. In general, it seems that keeping limited banking channels, those channels where you exchange fiat to crypto is smart to keep record keeping simple. I have my channels limited to two.

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### Conclusion

In conclusion, crypto trading is very rewarding financially. Those with basic skills in trading can be quite successful. I came into the crypto market with more than a decade of trading experience before trading it heavily. If you are coming in without those skills, building those skills is where to start. You can paper trade cryptos, trade other markets, or just start very small so you don't lose much while learning.

If you're coming into this market as an experienced trader, I've laid out the particular concerns with this market: the unique volatility, the tax concerns, shifting regulation, and difficulty in discerning fundamentals. If you can navigate those issues you should do quite well.

### Epilogue: Security and Exchanges

**In the e-book** I wrote in the beginning of the year for MoneyShow, I provided much detail about the exchange environment and security. I wanted to give a few updates as we close. While none of this should be construed as endorsement, these are reflections on my trading experience.

First, of note is that Coinbase is greatly expanding its services and its banking license. It's one of the easiest to use exchanges for those new to cryptocurrency. They are now expanding their services and platforms to contain more assets.

Binance, now based in Malta, has grown into one of the most widely used alt exchanges in the space. Alt coins is the nickname for coins that are not bitcoin. They have a wide range of assets to trade and have proven themselves in the space. You can send coins from Coinbase to Binance easily.

Bittrex, an exchange I use, is now adding U.S. Dollar fiat and banking access for customers in some states. This makes it easier and faster to exit the crypto market when the market becomes difficult.

All of these companies/sites should be explored as exchanges if you are interested in trading cryptos.

And, as you grow more advanced, I suggest exploring decentralized exchanges or DEX. These are exchanges where you keep custody of your funds through holding your private keys. While complicated for those who are new, this is generally the safest way to keep away from security breaches.

Bitshares.org is a decentralized exchange. And Coinbase plans to set one up. Videos on how to Bitshares are readily available online.

**Regarding security**, most hacks today are the result of user compromise. The security on most exchanges has stepped up quite a bit. In fact, so far, the Binance team has shown themselves to be one of the most aggressive on security, recently trapping a group of hackers in the act, and trapping their funds on the exchange.

Still, a user can still be the source of compromise.

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### Here are some quick rules:

1. Keep your computer clean of virus, avoiding certain sites which may infect your computer.
2. Always use a non-public email for your trading account access to avoid phishing.
3. Never click a link to an exchange from an email. Always bookmark the site so you don't search or Google it.
4. New: Download the Metacert extension for the Chrome browser which provides a green shield in the upper right corner of Chrome when a crypto site is legitimate.
5. Always use two-factor authentication on your accounts.

Note that phishing and scams have grown exponentially. Go to the tweets of any crypto celebrity and you'll find fake accounts in the replies offering free Ether. These are scams to be avoided meant to separate you from your funds.

Act secure and your funds will stay safe.



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