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TRADING WITH CRYPTOCURRENCIES

Cryptocurrencies have brought a change to the world of politics, economics, and finance that cannot be ignored. Many of them have a much deeper meaning and do not serve only as a modern currency.

E-book content

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What are cryptocurrencies

Cryptocurrency is a type of digital currency, a modern type of currency/money. It is a modern currency that was created to increase the transparency of the financial system and improve the security and speed of value transfers.



They have real value given by the supply and demand of their users. Sending money abroad is expensive and slow. Transfers between banks in the Czech Republic often take several days. That won't happen to you with cryptocurrencies.

The costs of the transfers are minimal, the transparency of the system is maximal and the data about you is essentially zero. With a classic transfer via a bank account, you do not know what is happening with the money at any given moment, and at the same time you provide someone with a whole range of personal information.

Where to buy cryptocurrencies

Cryptocurrencies can be bought either at online exchanges, stock exchanges, or in special machines, which are now widespread all over the world. You can also trade cryptocurrencies using CFD (contract for difference), usually with forex brokers. However, unlike classic currencies, the cryptocurrency market is open non-stop, 24 hours a day, 7 days a week.

What is the difference between an online exchange and a stock exchange?

A cryptocurrency exchange works similarly to a money exchange. The difference from the stock exchange is mainly that the exchange will list a certain exchange rate, and you can either buy or not buy bitcoins for it. The rate at the exchange office is usually significantly higher than at the stock exchange. Exchange offices are thus more suitable for laymen who don't want to deal with the stock market and just want to buy a few cryptocurrencies to play with once in a while.

Another way to get cryptocurrencies is their mining. Cryptocurrency mining works very simply put by running a program on the computer of some of its users that monitors the Bitcoin network. If a new transaction appears that someone wants to send someone some bitcoins, the miners are notified. They check if everything is OK, confirm the transaction, and it goes into the blockchain (= ledger that contains a file of all transactions in the world). In order to motivate users to confirm transactions, they are rewarded in the form of units of mined cryptocurrency.

Cryptocurrencies account

In order to be able to buy cryptocurrency (for example on the stock exchange) and subsequently pay with it in the cryptocurrency network, you need to install a so-called cryptocurrency (for example bitcoin) wallet for a specific currency.



Each cryptocurrency has its own payment network where you can mine the cryptocurrency. You can only pay with cryptocurrency on this network = transfer currency from your account to another account. You connect to the network by installing a special program, the so-called wallet for payments, or (if you want to become a miner) other programs for mining.

How to store cryptocurrencies

A cryptocurrency wallet acts as an intermediary that proves the ownership of funds based on cryptographic keys - public and private. The wallet is a kind of connecting link between us, the blockchain, and our funds. Using the wallet, we can receive, store and transfer virtual money.

So what is a wallet?

It is a computer program that connects your computer with the computers of other users of the given cryptocurrency, and only you can access it using a key (password). You create an account in the wallet - a unique address to which other users can send you digital currency.



The most significant cryptocurrencies of the present

There are thousands of cryptocurrencies. For a newcomer to the world of cryptocurrencies, the amount can seem overwhelming. Here are the 10 most valuable cryptocurrencies:

Bitcoin (BTC)

Like most cryptocurrencies today, Bitcoin works on the blockchain, a technology that distributes all transactions across a network of thousands of computers.

New coins must be verified on a so-called distributed ledger by solving a cryptographic puzzle, a process called "proof of work", Bitcoin is secure and fraud-proof.

Ethereum (ETH)

Ethereum is both a cryptocurrency and a blockchain platform. Ethereum has a number of technological options such as non-fungible tokens (NFT) or so-called smart contracts.

Tether (USDT)

Tether is a stablecoin, it is backed by fiat currencies such as the US dollar or the euro, and should hypothetically maintain a value proportional to them.

Binance coin (BNB)

Binance coin is a form of cryptocurrency that can be used to trade and pay fees on Binance, one of the largest cryptocurrency exchanges in the world.

Cardano (ADA)

Early support for the "proof of stake" validation principle is interesting, it speeds up transaction time and reduces energy consumption and environmental impact. It eliminates the competitive, puzzle-solving aspect of transaction validation that, for example, Bitcoin works on.



Trading with cryptocurrencies

Although they do not have a physical form, they can be traded like any other traditional currency. Cryptocurrency prices are constantly changing, and it is possible to make money on these changes and fluctuations.

An attractive alternative to buying cryptocurrencies is investing using CFDs. CFDs are contracts for difference. Today, such trading can be carried out very easily, and you can even use the so-called leverage effect, which can multiply potential earnings (but also, of course, losses.)

You can speculate, trade with them, use leverage and earn on cryptocurrencies even without owning any cryptocurrency. All you have to do is open an account with one of the brokers that allow cryptocurrency trading, for example in the form of CFDs.



What to do to make money on cryptocurrencies?

- The first option is to buy Cryptocurrency. You can buy and wait for the course to develop and possibly sell at a profit.
- You can trade cryptocurrencies without having to buy and hold them at all. There are a number of companies where you can speculate on the rise or fall of cryptocurrencies.
- Cryptocurrency mining. Previously, this option would have been one of the ways to make money from cryptocurrencies, but nowadays, this is not quite the case anymore. You would need a huge start-up capital, cheap electricity and a lot of experience.
- Staking - tools that are mostly based on the principles of decentralized finance (DeFi). Thanks to this, you can let your cryptocurrencies evaluate with interesting interest.



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topic of Cryptocurrencies.**

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