

Crypto Trading 101



COINRULE

WebSmmmit Edition

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"As Coinrule we want to stand for Transparency, Authenticity, User-centric thinking and for being a place where regular traders can get everything they need for progressing on their trading journey. Against a backdrop of an immature cryptocurrency market with questionable projects, a multitude of unnecessary ICOs and blatant scams, Coinrule wants to stand out as an honest facilitator, easy to use, helpful and deeply integrated into the credible parts of the wider Blockchain community via partnerships and regular exchange"

Our Musings aim to further solidify this notion, we hope you enjoy them

The Coinrule Team

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Welcome to the Analects of Coinrule. You will find our selected thoughts on all things Blockchain, Crypto and everything related.

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Introduction

By [Oleg Giberstein](#)

Hello WebSummit!

It is my great pleasure to introduce you to a new project I have been working on together with an amazing team that we will introduce to you over the next weeks: [Coinrule](#)!

We are currently in private Alpha mode and if you want to have early access, you can register and request it via [Coinrule.io](#)

Now let's jump into the exciting stuff!

What is Coinrule?

Coinrule is a trading rule creator for cryptocurrency traders. With Coinrule you can easily build your own trading rules and strategies and set them up to run automatically on different crypto exchanges. It is the If-This-Then-That for cryptocurrency trading that allows you to pre-plan your crypto trading based on a wide range of indicators. With Coinrule you no longer need to sit for hours in front of charts and best of all? No coding skills are required! Anyone can use Coinrule.

How does Coinrule work?

In four simple steps: 1) Register via our website 2) Connect an API Key from your favorite cryptocurrency exchange via your Account settings 3) Insert and backtest some of the trading strategies you have in mind, 4) Create the rule and press launch

Coinrule will automatically execute your trading rules. You can review the performance of your trading rules in real-time and tweak and adjust the rules as you wish. You will soon also be able to access them on-the-go via our mobile app.

How does Coinrule help me trade cryptocurrency?

Ever since entering the cryptocurrency space, we have been thinking about how to bring the user-friendly, intuitive user-experience we have become accustomed to in other tech areas to the Blockchain space. Coinrule is the product of our imagination, designed to be easy-to-use for technical and non-technical traders. Coinrule is your Lego tool-box for cryptocurrency trading strategies and trading automation that also allows you to backtest your trading rules and strategies prior to launching them. All the trading executions you have wanted to set up on cryptocurrency exchanges but couldn't due to their limited interfaces? Now Coinrule makes it possible.

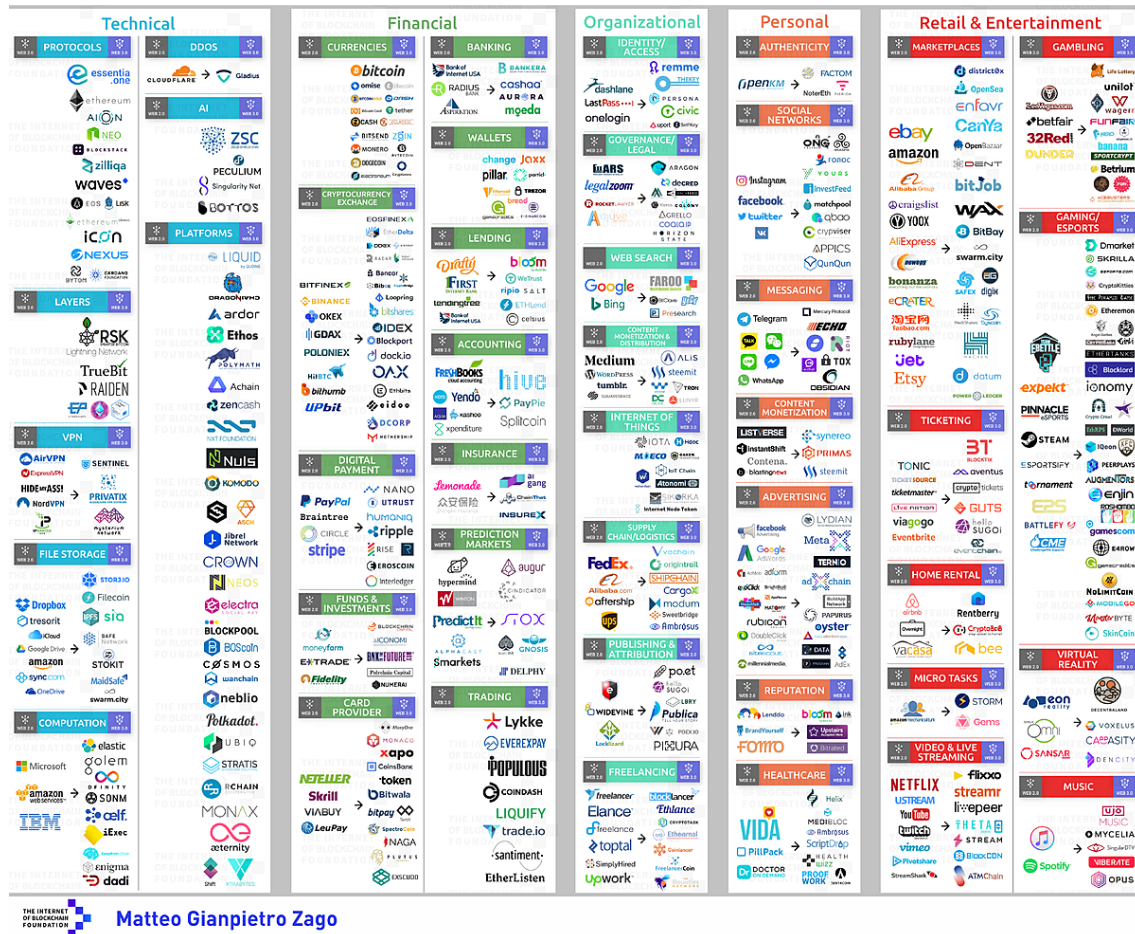
Any more questions?

We would love to hear from you via info@coinrule.io or come find us at WebSummit

Cryptocurrency Bots Fighting Monopolies

By Gabriele Muse

"Bitcoin was the first, nowadays, there are 15k altcoins"



Then at some point, we had a new pillar next to the BTC mafia: Ethereum, the first decentralised application developer platform, which essentially created a situation like iOS and Android.

Now you have more than just two monopolies, you got **Neo**, **Zilliqa**, **Cardano**, **Stellar**, and the list goes on and on.

How to deal with new coins popping up every day?

To cope with new coins being released, pumped/dumped and to react to the market to prevent my portfolio to go down against big whales, I started working with my co-founder on **Coinrule**.

Coinrule is a beginner-friendly platform to send automated trading instructions to your favourite exchanges. No coding is required.

I'd love to get your opinion, we are a design-first company, following the footsteps of **Luno** and **Altpocket**.

Why Algorithms are so important for trading Cryptocurrencies?

By [RubenCR](#)

As we know here at Coinrule, Trading for sure is a tough discipline.

Once one of the most experienced traders I know told me that becoming a good trader also means becoming a better man. That sounded like quite a forced statement, and maybe it was indeed, but one thing that is 100% certain is that Trading needs attitude, commitment, discipline and a lot of study and research.

Nonetheless, every day people all around the world trade financial assets with only one simple goal: BUY LOW, SELL HIGH! And the number of people pursuing this ultimate object is growing fast, thanks to the rise of the new fascinating asset class of Cryptocurrencies. Why?

Because Cryptocurrencies represent the future of Finance and very likely they will disrupt most of the business industries as we know them. Apart from the innovative and revolutionary ideas backing the surge of Cryptocurrencies, this new asset class offers to traders very peculiar features compared to "traditional" financial assets. Modern Financial Markets can be analyzed from two opposite points of view: the Fundamental and Technical. Some traders use only the former, some only the latter, some others use a mix of these two approaches.

Cryptocurrencies are a totally new asset class, there are not enough models or frameworks that can help assign to them not even an estimate of a "real value", it's almost impossible to analyze them using classic Fundamental Analysis just because in most cases the economics behind them are too different from traditional companies, and even if there would be similarities in the level of public information about them, it would be often not fully reliable or too weak to formulate a complete assessment of them.

On the other hand, the very same Crypto asset can trade on many different venues and exchanges so that traders can have plenty of price-related data to analyze. Some could say that just from analyzing how a price moves in time, we can infer about the development of the balance of forces between Demand and Offer, which are the ultimate drivers of any price movement. And there comes the great useful implementation of Technical Analysis to trade crypto assets.

The importance of this aspect is often not underlined enough. Since most of the people that trade Cryptocurrencies are involving Technical Assets backed strategies, this makes the likelihood of the unfolding of a price pattern higher. Simply put, most of the time, price goes in one direction only because most of the traders think that it will go in that very direction. If the major part of the traders in one market will start to buy, the price will go up. DEMAND AND OFFER, seen in this way, trading isn't that difficult, is it?

So what does make trading so difficult?

The human nature, emotions and feelings can be the worst enemies for a trader. Every trader can have a different reaction in front of the same price movement: fear, euphoria, greed and disillusion are feelings that a trader can experience even in the same day and that will have a pretty negative effect on his or her capabilities of taking rational decisions.

That's why a trading bot has the potential of improving significantly your trading results if you are already an experienced trader, or it can provide an easy way to get into trading as a beginner.

"The market does not know if you are long or short and could not care less. You are the only one emotionally involved with your position. The market is just reacting to supply and demand and if you are cheering it one way, there is always somebody else cheering it just as hard that it will go the other way."

Marty Schwartz

This is Coinrule main goal, to make trading more effective while easier. Cryptocurrency markets run 24/7, all around the globe so it's impossible to fully exploit its potentials without a trading algorithm that takes care of your positions, even when you sleep!

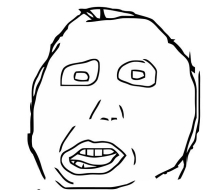
Trading as a Cryptocurrency Killer App

By [Oleg Giberstein](#)

Trading and investing in cryptocurrency for purely speculative purposes has been increasingly under attack from some of the old guard of the Blockchain space. In the words of Ethereum co-founder Vitalik Buterin, “[Sometimes a conflict is created between people that want to change the world and people that see this technology as an investment instrument](#)”. For some in the Blockchain world, trading seems to have turned into a dirty word.

While we don't completely disagree with this thinking here at [Coinrule.io](#) given some of the truly crazy stuff we have all been witnessing over the past year: the frenzy, people throwing their entire savings into pump and dump schemes, the ICO gold-rush and all the rest of it. But despite his brilliance, Vitalik and many others are still missing the point when it comes to trading.

While it's perfectly justified to criticize some of the hype, greed and get-rich-quick schemes of the space, trading is not just an undesirable side-effect of the Blockchain revolution: on the opposite, trading is indeed one of **the** killer apps of Blockchain that everyone has been waiting for. This article will take a look into why that is the case.



when moon?

Why the “When Moon” Mentality is not a total Disaster...

At its core, trading is nothing other than the process of price discovery. In any market, the true price of an asset can only be known once a sufficient number of transactions have taken place which indicate to the market the value that buyers and sellers put on an asset. While traders are far from immune when it comes to irrational exuberance and crypto markets can at times resemble a rollercoaster, the underlying problem ironically is not too much trading but too little: the market swings are only possible because a comparatively small amount of liquidity drives most coin movements, meaning that insignificant swings can start a large price shift.

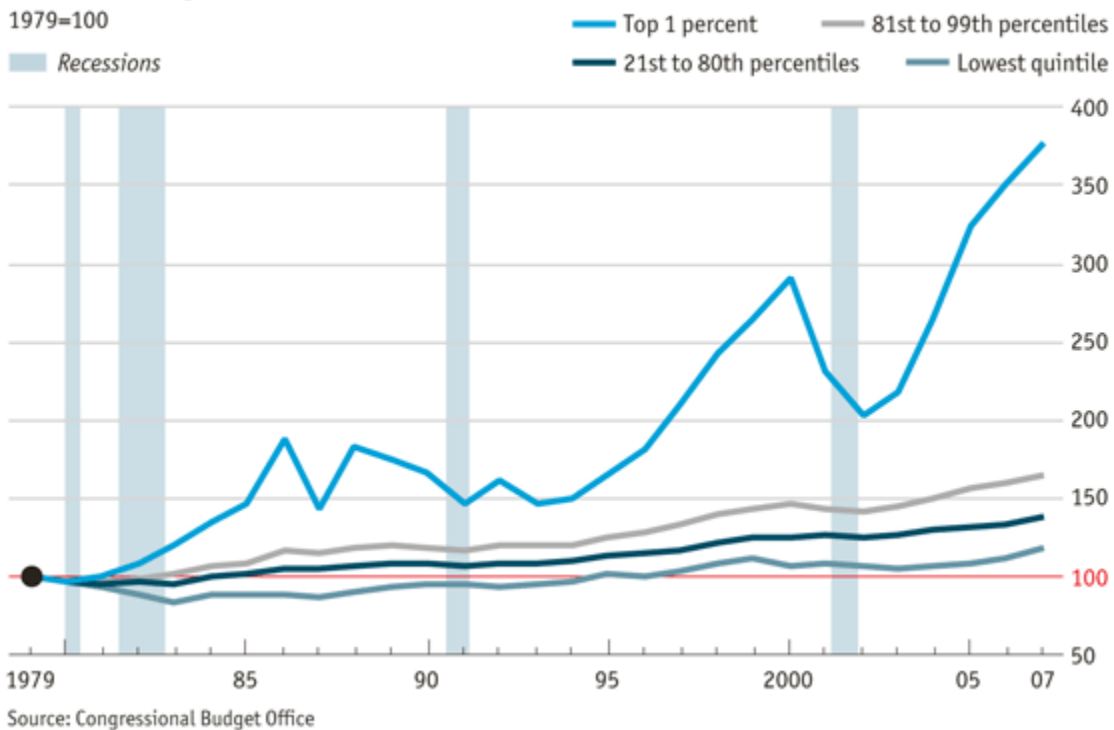
The only way to change it? More liquidity, more investors and more trading, which will reduce the swings and make the market less volatile. In practice, the speculative drives are only bad in so far as they attract the wrong type of public attention—but in a market that is in the middle of a price discovery process, they are to be expected. As these markets mature over time, a lot of the madness will disappear by itself.

But this is just the beginning...

US real average after-tax income

1979=100

Recessions



Came for the get-rich-quick, stayed for the Revolution

As genius-investor and Silicon Valley Philosopher King Naval Ravikant so rightly pointed out, ["Bitcoin is a tool for freeing humanity from oligarchs and tyrants, dressed up as a get-rich-quick scheme."](#) Most of us in the space think that the Blockchain revolution will come from decentralization of power, increased privacy, open-source systems with in-built incentives versus the old centralized 'middle-men' companies like Google or Amazon and decentralized governance systems. But it is worth keeping in mind that Cryptocurrency started off as exactly what is in the name: currency, i.e. private currency outside of government control.

This matters in more ways than this article can address but one aspect is of particular relevance: the much discussed, often-misunderstood widening income gap between the so-called top 1% and the rest of the population. It is no coincidence that income inequality truly started to take off from the late 70 and early 80s as modern finance was emerging (we could also talk about debt bubbles, the 1971 end of Bretton Woods, inflation and Eurodollars in this context but will leave this for another day...). As capital income gains have outstripped salary growth over the past 40 years, partially driven by the phenomenon of [Hyperfinancialization](#) (another story for another day...), those who have access to the best investment opportunities have a significantly better shot at growing their wealth over time than anyone else.

What this means in practice is simple: a small group of privileged, early Facebook investors can gain returns of about 600,000% on their money before the public has the opportunity to invest into Facebook stock.

On the other hand, Facebook shares buyers have 'only' seen 300% returns since the IPO. Not a bad return but far from life-changing for most, particularly given that Facebook was among *the* public investment highlights of the past decade. The investment opportunities with life-changing potential are mostly closed to the general public in the current financial system.

If you have been in crypto long enough, you probably have seen the various ICOs that are only open to 'accredited investors', who are supposedly more sophisticated investors simply by the amount of capital available on their bank account at present. These are attempts by governments to apply the bad old system onto the new world of cryptocurrency. These attempts are bound to fail due to the decentralized nature of these new financial systems. The critical aspect here however is that Cryptocurrency 'speculation' is already opening the door for an entire generation of new investors who will have a shot at the same very high returns that are currently only available to a small group of privileged investors.

Millennials as the 'Unbanked' of the Developed World

The Crypto old guard likes to talk about 'Banking the Unbanked' as a major potential game-changer coming from Blockchain technology. But as hugely important as this use-case is, financial exclusion has many elements to it and does not only impact citizens of developing countries. Remember that capital gains have been and continue to be disproportionately larger than any type of salary income? Today, [3 out of 5 Millennials don't invest in stocks](#) and the holdings of the other 2 are lower relative to the previous generation. For many [Coinrule](#) users, myself included, Cryptocurrency has been the first asset class we have ever traded.

The numbers show one thing: this is a structural issue. Equities markets are part of an 'old' financial world happening both at a slower pace and in systems and tools still designed for a time before the internet. If you are between 20-35, chances are you are significantly more likely to trade crypto in a 24/7 market that feels at times like a Computer Game than stocks of boring old companies on outdated platforms. Millennials, already financially struggling with student debt, housing prices and job markets, see crypto trading not as a risk but as an opportunity to join the 'financial party' to which they had previously not been invited. Trading cryptocurrency is truly a killer app that helps to open new financial opportunities for previously 'excluded' parts of society, finally allowing Millennials to participate in the financial system not just as debtors but also as investors. This is not a small, undesirable side-aspect of a bigger list of Blockchain innovation, but literally a game-changer for millions of people.

Trading can change your Life

Quietly yet in plain sight, cryptocurrency trading has become the killer app of Blockchain we have been waiting for. Scaling of technology and wider adoption are unstoppable developments and only a question of time at this point, but the ability to add liquidity to previously completely illiquid asset classes such as startup investments, real estate, organizational governance and to so much else and make these 'assets' tradable is already here today. Cryptocurrency trading allows anyone from a family in India to an Investment Banker in New York City to play in the same markets with significantly lower barriers to entry for anyone involved. It is no doubt extremely risky, highly speculative and dangerous, especially for those who fail to do their research. But much of these issues are growth pains. As new liquidity will gradually enter the markets, volatility will drop. Opportunities like Masternodes or dividend tokens are adding additional avenues for investors to earn safer returns. Everyone, not just the usual privileged suspects, wins on an unprecedented scale.



Of course investors will get burned in the process. But while some regulators prefer to avoid investor loss at the trade-off of killing entire markets, the reality is that investors and traders mature and learn from their mistakes. Trading is a repeat game, you live and you learn, just don't stake your house on it. What about the scams and hysteria? They are unlikely to go away but entrepreneurs will inevitably create new ways to teach people about trading and improve the flow of information. Open-source inspired projects such as [ConcourseQ](#), where I am a QFellow, or [Messari](#), will grow into the Moody's and S&P like credit rating agencies of the space. Projects like Preethi Kasireddy's [TruStory](#) will help to uncover the scams. Ultimately, this will become a market that is likely to be significantly more accessible, transparent and democratic in terms of participation than anything that Wall Street or the 'old' financial system have ever produced. Retail investors will gain access to returns and opportunities that have never before been available to them. Today, thanks to cryptocurrency trading, literally anyone could be the investor into the next Facebook or Google.

Parting Thoughts

If regular people could invest into technological innovation, maybe even in areas like medical research and many others (funding innovative healthcare research via ICO—why not?), all supported by a vast and extensive information and education industry that prepares them for it, the playing field between the rich and the rest would begin to level.

In a time of growing opportunities but also growing risks for some, say through automation-related job-loss, the number of individuals choosing to trade any type of asset for a living will only increase. With greater flexibility, location independence and, thanks to tokenization of everything, an ever wider range of tradable assets, this does not have to be the nightmare scenario which some seem to envision in a world where 'speculator' is often still a 'bad' word.

With trading systems like [Coinrule.io](https://coinrule.io) allowing more and more traders to compete with professionals and trading bots on a level playing field, the future really does seem bright for traders and the Blockchain space as a whole. Maybe even Vitalik will have to agree with us in the end.

De-centralised Exchanges Are The Real Nasdaq.

By [Gabriele Muse](#)

Gab: What did you say in the blog, what did you talk about?

Oleg: I talked about how trading is the **killer application** of Blockchain. A lot of people are dismissive of it. Everyone is asking 'what is the Blockchain killer app?' but trading right now is already the Blockchain killer app and then I go on to explain a couple of reasons why it is a game changer and why it is a good thing. For example, the fact that people can trade cryptocurrency it gives a lot of people the opportunity to be part of a financial system that they were not part of before, a good example being **Millennials**. Millennials do not buy equities, our generation, do you buy stocks do you have any equities?

Gab: Yeah, but it is difficult to access: you need to go to a bank, open a deposit account, have an agreement with your **broker** or company—in a nutshell, a nightmare. Some startups are tackling that problem, think of [Nutmeg](#), [Moneybox](#), and [Moneyfarm](#).

Oleg: Yeah exactly, it is a mess, but think about it for a moment, our parents' generation has made a lot of money from investing in markets. Our generation does not invest in those markets at all and we are actually a very financially **disadvantaged generation**.

Gab: It is also because during the digital revolution, and the first '.com' bubble, we just never really had a proper non-analog market where to trade. So, the **Nasdaq** was that, based on the previous stock exchange but now the Blockchain technology and the decentralised exchange platforms are the real Nasdaq because of the ICO mechanisms and the smart contracts imbedded in it.

Oleg: Yeah exactly, you should check out my post, it's a topic that really fascinates me.

Gab: Yeah I mean, I am all about giving normal people, the tools that have previously only been available for big banks and corporations, that's what we did with [Paylinko](#) and that's what we are doing now with [Coinrule](#). Our vision is inverting the system, in favour of a bottom up approach. Power to the people, without sounding too idealistic.

Oleg: Speaking of turning the system upside down, the waves are backing down a little, shall we go for a swim?



COINRULE

First Rule of Trading: Risk-management. Our backtesting tool for your trading strategies

By [RubenCR](#)

As we believe here at Coinrule, the first and most important starting point in a trading strategy is to put in place some risk management rules. No matter how confident you are about your strategy, you must evaluate how much you could potentially gain and how much you could lose so that you will be able to fully assess the so-called reward/risk ratio.

Imagine one of your friends would suggest starting a trade where you could gain 100 USD if it works well but with equal probability you could also lose 1000 USD if it fails. What would you do? I bet that wouldn't sound so good to you! In this simple example we just made an assessment of the reward/risk ratio of a trade, in this case, that would equal to only 0.1 (100/1000).

The higher this value will be the more attractive the trade will be, on a risk-adjusted basis. Our ultimate objective is to always get into trades that will have the highest possible reward/risk ratio. That said, this is not so easy to be found, simply because if a trade will feature such an attractive reward/risk profile, many traders will be interested and so its attractiveness will disappear over time.

Never forget: RISK-FREE TRADES DON'T EXIST!

"Not taking risks one doesn't understand is often the best form of risk management."

Raghuram G. Rajan

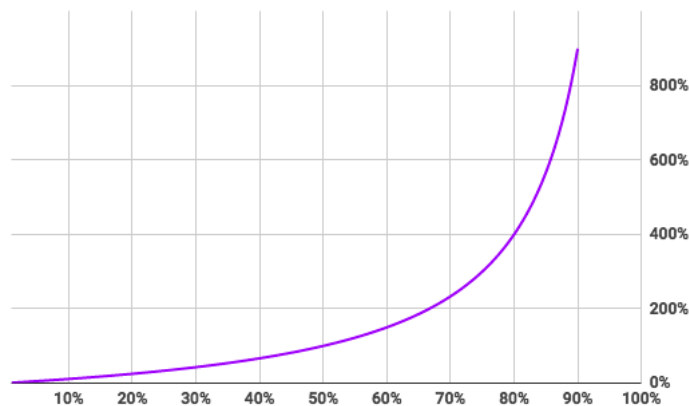
To put in place a reward/risk evaluation can be difficult and time-consuming at times, that's why one of the main features of the Coinrule platform will be a tool for backtesting your trading strategies. How will it work?

You will be able to decide what will be the parameters that will drive your trading strategy and you will be able to test it with historical data so that it will be easy to evaluate how that strategy would have performed in the past. The result will be a simulation of the value of your portfolio over the testing period, so it will be much more simple to evaluate the profits that would have resulted and the drawdown (i.e. loss) that you would have experienced.

It's totally reasonable to close trades with a loss (no trader has a 100% infallibility ratio and those that claim so or guarantee you a fixed return are liars!), what we, as traders, have to avoid is to accumulate a total loss that will be virtually impossible to recover from.

Think about it, if an asset loses 30% of its value in one week and the next one it will gain again the 30%, we won't simply reach breakeven. Let's make the example that our investment is 1000 USD and we lose in one week 300 USD, a 30% percent gain that we will experience during the following week will produce for our portfolio value only a mere 210 USD in absolute terms. Not exactly the same value we had lost. And it just gets harder and harder to get back to the starting value as the drawdown becomes more severe.

Percentage of gain needed to recover from a drawdown



All experienced traders know this effect very well. Those that started trading cryptocurrencies in early January and HODLed until these days probably know better than anyone else what we are talking about.

Sometimes closing a trade with a small loss can be the most profitable trade for our portfolio.

An algorithm trading strategy can take this decision for us based on pre-set parameters, no emotions involved. **ONLY RULES make up our trading strategies.** You will be able to test these rule before running them live on the markets and analyzing the result, you will be able to simply adjust the parameters over and over again to find the perfect fit for your risk-appetite profile.

Our Backtesting Strategies tool will be available to all our users, including our free-tier users, and it will be the perfect way to make your first steps in algorithmic trading. Just like all other features of our platform, no coding skills will be required! You will be able to set your own parameters and choose the coins to be analyzed.

The Trading Toolbox. Every market has its best strategy

By [RubenCR](#)



The first question asked about trading by newbies is often:

“What is a good trading strategy?”

The answer I always give is “IT DEPENDS”.

No other question is more difficult to be answered, talking about Trading than this one. And that’s because in the end, a Trading Strategy that is good “per-se” does not exist, but every different strategy can have a better or a worse fit depending on:

- the asset we are trading - the market conditions in terms of the market circle, volatility and current liquidity - the subjective risk appetite profile of the trader - the capital to be involved - the tools the trader is comfortable with (eg. discretionary trading, algorithmic trading, etc.)

As you can see, it’s impossible to just learn or apply one trading strategy and consider yourself a complete trader. This statement seems to be obvious for the experienced traders but it clarifies to newbies how difficult it is to be able to interpret and master every different market circle and to adjust your trades accordingly to its (often rapidly) evolving conditions.

*"The measure of intelligence is the ability to change." —
Albert Einstein*

Let's put it this way: imagine you are at home, putting together your new shiny IKEA cupboard. The first thing you will need is your toolbox from where you will pick every tool that will fit best for any specific task to be completed. For screws, you will use a screwdriver.. for nails, a hammer.. for wooden planks, a saw.. and so on.. The same happens when we talk about strategies. When markets are trending (both upward and downward), a "trend-following" strategy will be the obvious best fit, instead, when the market is experiencing lateral movements, a "ranging" strategy will be more appropriate. Just like the IKEA piece from our example, the trader will make her own evaluation of the market condition and will choose the strategy accordingly.

We have to look at our trading strategies as our personal tools that we will use depending on all the variables we described above. Experienced traders don't spend too much time on developing a new strategy every day, they spend most of their time observing how markets evolve and any time they see an opportunity, they know exactly how to execute their orders depending on the trading strategy that they are willing to implement.

Analyzing how a Trading Strategy would work when different patterns emerge in the market will be fast and simple with [Coinrule](#). For instance, our [Backtesting Tool](#) will permit you to run a strategy personalizing the time horizon of your interest and in a matter of seconds, you will be able to check how that strategy would have performed. It will be interesting and surprisingly insightful to observe how the same strategy will yield different results just changing the starting and ending dates of the backtest.

Results can vary significantly just changing the time horizon, imagine how many other parameters can impact the results of your strategy! Our Backtesting tool will be completely customizable so that it will be intuitive and fast to test as many strategies as you want in order to create a complete assessment about possible market scenarios on one hand, and about the best strategies to take advantage of them.

A powerful Backtesting tool is a valuable first step towards a successful algorithmic trading strategy!

About Us

We are an international team from over 5 different countries, working together to build Coinrule but what is it?



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