

# TRADING BITCOIN MASTER-CLASS

## Part 1

### INTRODUCTION –

In the next few days, we are going to learn to trade Bitcoin for profits.

I will keep in mind to

1. Keep it as short as possible.
2. Making it completely comprehensible for extreme beginners.

## Terminology

Before you learn to trade, we MUST know the true meaning of a few terms.

I have written down the most important terms and tried to explain them in the simplest manner possible.

If you're a new trader, please go through them.

People who already trade can refresh their understanding.

### Where can I see the Charts?

There are several websites, I use tradingview.com

Simple, easy and offers everything most people need.

You don't need a paid version. The basic free version is enough.

**1 Bitcoin** = 100 Million satoshis

1 Million Bits

**Exchange**- In terms of Crypto, a marketplace which allows buying and selling of Bitcoin or other coins. Eg. Bybit, Bitmex.

**FOMO**- Fear Of Missing Out a trade. All beginners do it; they enter a trade without enough research in the fear of missing out profits.

**Total supply**- The amount limit of coins that will ever exist. Supply limit of Bitcoin is 21 million.

**Bull** is someone expecting the price to go higher, and **bear** is the opposite

**Bull market**- A market where the prices are seeing a continuous uptrend, leading to new highs being created. Generally, happens when new investors enter the market.

**Bear market**- A period where the prices are seeing a long term down trend leading to a sell off.  
See the chart below

EmperorBTC published on TradingView.com, May 29, 2020 05:51:03 EDT  
 COINBASE:BTCUSD, 1W 9454.11 ▼ -126.08 (-1.32%) O:8715.69 H:9625.00 L:8632.93 C:9455.05



*Note- A Bull market can have many bearish cycles and vice versa as shown below.*

EmperorBTC published on TradingView.com, May 29, 2020 05:54:26 EDT  
 COINBASE:BTCUSD, 1D 9460.18 ▼ -120.01 (-1.25%) O:9580.01 H:9609.02 L:9420.00 C:9460.18



**Market Cap:** The market capitalisation of an Asset calculated by current supply of coins multiplied by CMP of one coin.

**Bubble-** A situation where the prices are irrationally high as compared to the actual value of the asset.

Whole of an asset could be a bubble, or a market cycle could be a bubble.

E.g. Theranos as an asset/company was a bubble.

**FUD-** Fear, Uncertainty and Doubt

Day trading- Taking a position in the market, either buy or sell and exiting it the same day.

E.g. McAfee announcing in 2018 that Binance had been hacked was a FUD.0

**Swing trading**- This method looks for buying and selling positions in a weekly range.

Swing traders make my 2-3 traders a week. Most of my trades are swing trades.

**Positional trading**- The aim is to buy monthly lows and hold them for days, weeks or sometimes months. This is a longer term trading time period.

**Day trading**- Taking a position in the market, either buy or sell and exiting it the same day.

**Leverage**- Refers to the extra amount of asset bought or sold, over your capital limit. E.g. If you buy \$2000 of Bitcoin with a Capital of \$1000, you have a leverage of 2x. Sites like Bitmex allow leverage as per your choice.

**Margin**- The amount of funds required to open a leveraged trade.

E.g. If you want to open a position of \$1000 with a leverage of 5X, your margin requirement would be \$200.

$$200 \times 5 = \$1000$$

**Long Position**- This is a buy position buy with leverage.

E.g. If you have \$1000 as capital, you could buy \$2000 worth of Bitcoin with leverage, or even more.

*Both profit and loss in this case is multiplied by the leverage you take.*

E.g. A 10% rise/fall in price in case of a long position with 2x leverage will lead to 20% profit or 20% loss.

**Short Position**- Exact opposite of Long Entry. You enter a short entry when you expect the prices to fall.

Shorting allows you to make money in a bear market.

**Volatility**- It is the percentage movement in price of an asset over a period. A balanced volatile asset gives ample opportunity to short and long. Traders look for predictable volatility.

A very highly volatile or low volatile assets isn't considered good for trading.

**ROE**: Return-on-Equity. This is calculated by the actual capital employed in a trade and not through leverage.

**OHLC**: Open, high, low and close

**Altcoin**- All coins except Bitcoin.

**Bull trap**- A technique used by market makers to buy a huge amount suddenly, spiking the price. This makes everyone else that this is a Breakout and everyone buys.

They market makers then sell enormous amounts, pushing the prices down, in turn liquidation everyone else that had bought, producing a cascading effect of liquidations.

**Bear trap** is just the opposite of the above for making the prices go higher in the end.

**Ask/Bid**: Sell orders are asks and Buy orders are Bids.

**Spread**-The difference between what the sellers are ready to sell at and what the buyers are ready to buy at.

There always exists a small spread on all exchange, the Higher the liquidity, the lower the spread.

E.g. In the below situation, the spread is 10 dollars. See pic Below of an order book explaining the above terms.

Buy orders/Bids

Sell Orders/Asks

Spread

Orderbook (XBTUSD) (10.0 Grouping)

9400.5 ▲ | 9398.85 / 9398.89

Total	Size	Price	Price	Size	Total
747,223	747,223	9400	9410	3,731,274	3,731,274
3,568,036	2,820,813	9390	9420	2,332,840	6,064,114
7,048,963	3,480,927	9380	9430	1,728,521	7,792,635
8,822,801	1,773,838	9370	9440	3,081,414	10,874,049
11,143,384	2,320,583	9360	9450	1,620,956	12,495,005
13,392,109	2,248,725	9350	9460	1,497,310	13,992,315
15,323,065	1,930,956	9340	9470	2,084,872	16,077,187
19,327,453	4,004,388	9330	9480	1,430,021	17,507,208
25,571,016	6,243,563	9320	9490	1,086,179	18,593,387
31,153,483	5,582,467	9310	9500	3,112,621	21,706,008
36,034,534	4,881,051	9300	9510	1,198,667	22,904,675
38,668,310	2,633,776	9290	9520	1,389,359	24,294,034
41,774,073	3,105,763	9280	9530	1,715,920	26,009,954
44,288,829	2,514,756	9270	9540	1,576,841	27,586,795
47,892,377	3,603,548	9260	9550	2,111,784	29,698,579
52,571,524	4,679,147	9250	9560	1,819,708	31,518,287
54,180,364	1,608,840	9240	9570	1,239,504	32,757,791
56,326,559	2,146,195	9230	9580	1,571,611	34,329,402
58,518,220	2,191,661	9220	9590	1,066,856	35,396,258

**Support and resistance-** A support is a zone/line where we can expect the price to bounce back up. Resistance is a line/zone where we can expect the price to rebound downwards.

We will study this in the next lessons

**Walls:** Extremely large orders at a range.

**Demand Zone-** A zone with huge buy orders. This is determined through the heat map. **Supply Zone-** A zone with huge sell orders. This is determined through the heat map.

**Stop-Loss:** Order that is triggered when the price goes below this point. Used to cut losses.

Support/Resistance:

**Liquidity-** The measure of how actively the coin is being traded in the market.

A high liquidity coin/exchange has many buyers and sellers at the same time, making it easier to acquire or sell the coin at any time.

**Uptrend-** A price is said to be in an uptrend when it's making higher highs and higher lows. It can be confined in a channel.

Channel, uptrend and Higher High and Higher lows are shown in the chart below.



The Chart below showcases an Uptrend, an Uptrend channel and Higher highs and Higher lows

**Downtrend**--Opposite of uptrend, the prices here make lower highs and lower lows.

**Consolidation**- A period where the price is ranging in a well-defined region. This is a period of indecision and generally leads to a volatile movement in either directions.

**Correction**- A correction is a fall in price after making a new peak or an upwards rally. Many authors define the correction as 10% drop from all time high but its arbitrary.

**Sideways market**- an indecisive market which isn't leading to a breakdown or a Breakout, and not giving any signals in either way.

**Sell off**- Profit taking after a rally in price, which leads to lowering of price of the asset.

**Rally**- An upward trend leading to increase in price of the asset. Can happen in both bear and bull market.

**Accumulation**: The process by which one builds a position in an asset.

**Pattern**- A chart pattern is a predefined shape that have been historically studied by technicians. Traders try to use these previous performance statistics to predict future price movements.

E.g. A Head and Shoulders top is considered bearish. There are many such pattern which will be

**Fractal**: A pattern of Price movement which has occurred earlier and might occur again.

**Limit Order**: Order will execute at a predefined price, if the market reaches that price.

**Market Order**: An order to buy or sell at the current price level, executed immediately.

**Time Period/ Time Frame**- The time spread of each candle stick in a chart.

Common time periods are 15min,30 min, 1Hour, 4 Hour, Daily and so on.

**ATH**- All-time highs prices.

**Average Down**: Trying to lower the average entry cost of a position by slowly buying the asset at reducing rates.

**Liquidation**--When you are stopped out of your position because the trade went in the opposite direction and your margins are not big enough to carry the trade anymore.

**Arbitrage**: A method of making profit using the pricing difference between exchanges

E.g. If Bitcoin is trading at \$10,000 on Bitstamp and \$10,100 on Bitfinex, People will buy from Bitstamp and sell on Bitfinex.

# Premise of Technical Analysis

Now that we've completely understood a few important trading jargons, let's begin with Technical Analysis.

Technical Analysis is the use of charting techniques to predict future price movement.

1. It uses previous human reactions to a similar situation to predict future price movements.
2. Only price movement is taken into consideration while using technical analysis. All other information (like news, earnings) is not taken into consideration.

It might come as a surprise to all new traders that news is disregarded while studying charts.

Murphy in his Book on technical analysis explains in detail why it is so.

To keep it short, the price discounts everything. Market price of an asset already has taken into consideration all the fundamental news.

News, information and other analysis available in the public already have affected the price and hence the price is an amalgamation of all the fundamental information.

Technical Analysis is the study of price; hence by studying price, ALL the fundamentals have already been taken into consideration.

Hence we can conclude that all the fundamentals affect the price. Since the technical analysis is the study of price movement it automatically takes all the fundamentals into consideration

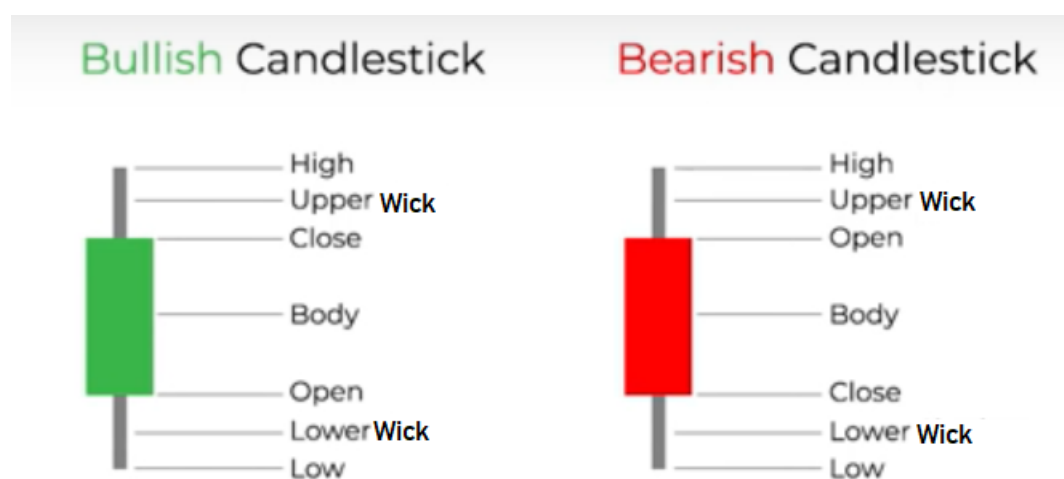
# Candlesticks.

Technical analysis starts and ends with Candlesticks.

A clear understanding of candlestick is a must to trade.

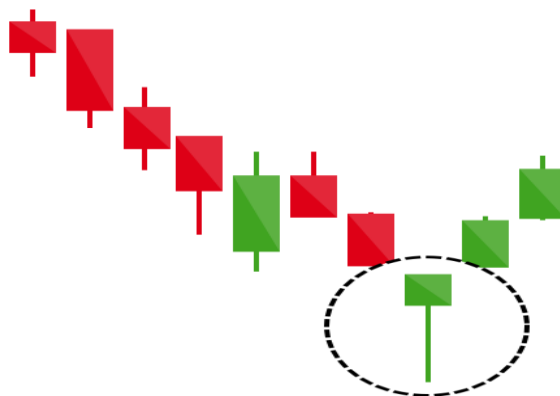
While the subject of Candlesticks is really vast, there are only a few basics you need to understand.

The candlestick is used instead of a line chart because a simple line chart doesn't tell the movement at a given period of time **whereas a candlestick tell you the high, low, open and close at a given time period.**



There are 100s of kinds of Candlestick and it's an unending study but to start with I want to explain two important candles, hammer the Engulfing.

Hammer- In simple terms, it's a bottom reversal candle with a short body and long wick. This can be spotted at potential bottoms.

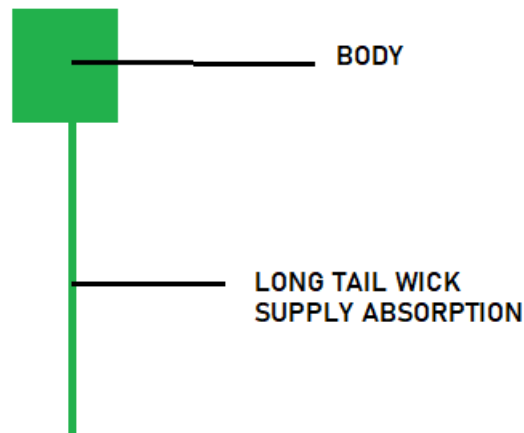


Engulfing- This occurs after a move is invalidated because of a sudden price movement in the opposite direction by the next candle. Example below.

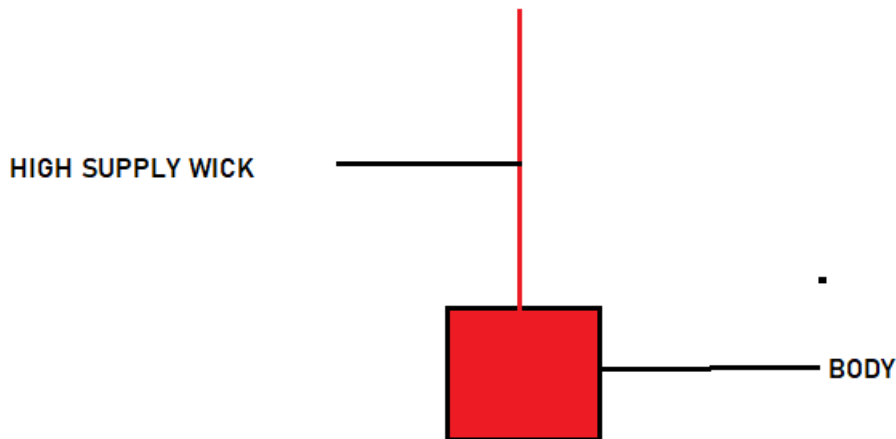




The basic concept and assumption while studying the candlesticks is that a candle with long tail wick has seen the buyers being successful in pushing the price up by buying at this price level even though there was a significant selling. A candle with a short body long tail wick denotes supply absorption



Similarly a candle with a long overhead wick is bearish and shows that even though the bulls tried to push the price up the supply was too high for the price to go up.



Adding the above two we can conclude that a candle with a short body and with both a long upper wick and a long lower wick is a candle denoting indecision and confusion in the market. It might denote a reversal or could act as a warning for an end of a trend

In this tutorial we will learn to identify the supply and demand zones on the chart for entering high probability trade before learning anything else this is the topic to master after reading this tutorial please open a live chart and try to identify the supply and demand zones

#### **Using candlesticks to find demand and supply**

Apart from using candlesticks to identify price momentum in a certain time period candlesticks can be used to identify the demand and supply ZONES (*demand and supply zone is different from support and resistance*)

Using candlesticks to find the demand and supply zone is a high probability method to find a profitable entry since in the demand and supply zone there can be multiple entry triggers. The aim after identifying demand and supply zones is to enter at a point which has multiple entry triggers at one point.

Finding SUPPLY and DEMAND pressure using candlesticks.

Candlesticks can be used to find supply and demand pressure, especially in intra-day trading. I hope this changes how you view and use candlesticks on a daily basis

Candlesticks with a long tail wick, about 2-3 times their body have overcome a big supply zone. This means that below that candle existed a huge supply order which was absorbed. This is generally bullish, means the demand in that zone was able to overcome the supply.



At this zone, traders could look for a safe long entry.

1. Look for candles with a long tail.
2. It should have bounced off of a previous resistance now turned support.(WE WILL LEARN MORE ABOUT SUPPORT AND RESISTANCE IN THE NEXT LESSON, FOR NOW ONLY CONCENTRATE ON DEMAND AND SUPPLY ZONE)
3. Wait for the price to break a resistance above.



The same principle is applicable with candles with a long overhead wick.

This implies that the candle was not able to absorb all the supply above itself, which is generally bearish.

We should look for signs of reversal at this level



In a similar manner, on confirmation of a candle which failed to absorb the supply above, a safe short entry can be made.

1. Look for candle with long overhead wick.
  2. Wait for previous supply to be broken.
- See pic below for a short entry.



Conformation- A conformation in trading is a positive signal to establish a bias for foreign entry  
example- if the current candle looks bullish a safe entry with conformation would be when the price on the next candle goes above the highest price of the set bullish candle

Retest- After a price breaks a certain resistance it comes back to the point where the resistance was to establish that the resistance has been broken and the same resistance has now being turned into a support for the price structure.

Let us try to understand the trade by using the following-

Concept of

1. Demand Zone
2. Supply Zone
3. Uptrend line(A DETAILED TUTORIAL WILL BE UPLoded ON THIS)
4. Break-out
5. Retest
6. Confirmation



How to find a short entry after a supply zone.

1. Long overhead wick candles generally denote supply.
2. Wait for them to close at same level.
3. Find new support.
4. Wait for it to break.
5. Wait for support to turn into resistance.
6. Enter short trade upon confirmation.



So in this tutorial we have learned the concept of supply and demand and how to identify on chart. To reiterate, the use of supply and demand once mastered is the MOST useful tool to find high probability trade entry most beginners learn it very late hence are unable to identify high probability entry zones it. Must be noted that supply and demand zone is not a tool for entering a trade but a tool for identifying the zones and areas of interest for high probability high profit trade

Instead of spending too much time to identify the kind of candle stick that has been printed on a chart, we should rather concentrate on what the candle is trying to say about the demand and candle structure. As a trader our soul aim is to identify the trend (whether the demand and supply is more and enter it)

Please read this tutorial several times and try to identify the zones on your own on historical charts. DO NOT WORRY ABOUT FINDING THE ENTRY POINTS RIGHT NOW.

Only try to identify the zones finding entries will be taught in the next lessons.

I hope this tutorial was useful. This is the first trading lesson, don't worry or give up if you didn't understand a few concepts. Always here to help.

Love,  
EmperorBTC