

Bitcoin

Automated Trading Guide



Holygrail.Science

Bitcoin is a revolutionary new concept—a digital currency of the new era, not relying on any bank or government, which started few years ago as an open source project on www.bitcoin.org. It was considered by many as just another creation of Internet geeks before it took the financial world by storm this year and was suddenly raised to the ranks of major world currencies.

And if you jump in fast, you can be one of those who'll reap all the benefits.

Remember, the early bird catches the worm!



Embrace the new e-currency, free of any government and bank limitations.

Bitcoin is an absolutely new revolutionary concept: digital currency of a new era, product of an open source project created by Japanese geek Satoshi Nakamoto, called "Bitcoin: A Peer-to-Peer Electronic Cash System".

A purely peer-to-peer version of electronic cash allows online payments to be sent directly from one party to another without going through financial institutions like banks and government control.

Bitcoin puts an end to Banking system parasites: Forget the ridiculous bank wire fees and commissions.

Bitcoin is taking over the world!



It was created in 2009 as an online currency that isn't controlled by the U.S. Federal Reserve or any other central authority and just in August of last year, the exchange rate for **one Bitcoin was \$10**. This may seem high until you realize that today, **one Bitcoin is worth roughly \$250 !**



While you may think Bitcoin is solely a digital currency, it is already taking over the world with thousands of offline ATM machines that let you exchange Bitcoin for traditional cash!

Since **Bitcoin** is a currency, you can use it in exactly the same way you use any other electronic money: you open a digital wallet that can be installed on your computer or on your mobile phone and you use this wallet to pay or receive money. This is as safe (or maybe even safer) than any other digital wallet, it uses cryptography with public and private keys and all the yada-yada that guarantees security of all your electronic transactions; for example, for credit card payment or home banking.

If you are a safety geek, I can assure you, I have not ever heard about any fraud that resulted from interception and cracking a transaction secured in this way. Most of the computer crimes are related to breaching credit card storage systems (which simply does not exist in this case) or simply intercepting a user typing or other manipulations on the user's own computer via various malware (this type of interception can only be excluded on the user level by properly securing one's computer).

The advantages of **Bitcoin** stem from the fact that your transactions do not pass through any central office, bank, etc. The transactions take place between two persons and involve the entire network to approve its validity. No banks mean that the cost of transaction is kept very low. On top of that, your account cannot be frozen, it will not depend on failing banks, bad credit history etc. Opening an account does not require any prerequisites. Just your email address is enough.

Nowadays, you can use Bitcoin for almost everything: purchase music, software, hosting, video games, betting, auctions like eBay... You can even rent apartments and buy houses using Bitcoin!

Nobody expected Bitcoin to gain this much traction, but it is taking over the world faster than you might think.



Sounds too good to be true? It is true!

That is why more and more retailers worldwide already sell **Bitcoin**. Nowadays, you can **spend your bitcoins** on everything from Amazon vouchers and T-shirts to apartment rentals in Berlin. If you have your own internet business, you can **accept Bitcoin** too. That is easy. Moreover, you can **trade your bitcoins** exactly the same way you can trade euros or dollars and gain money on its rate fluctuations. Just recently, a worldwide electronic money and online payment system **WebMoney**, which has more than 11 million users, started processing bitcoins. Besides purses nominated in US dollars, Euros or Russian roubles, you can also open a WMX-purse nominated in bitcoins and use it to exchange bitcoins against other currencies or to buy goods or services.

What is Bitcoin? How does it work? How to make money with it?

This is what this book is about.

Spoiler:

By the end of our ebook, you will learn how you can profit with Bitcoin on Autopilot!

Introduction

Almost a year ago, January 2014, the price of one bitcoin stood at \$913, down slightly after reaching an all-time high of over \$1,200 earlier in December. The new cryptocurrency came a long way from trading below \$4 just two years ago. Major online and offline retailers are starting to add the new currency as a payment method. But what exactly is bitcoin?

According to a recent Bloomberg poll, only 42 percent of Americans correctly identified bitcoin as a virtual currency. Six percent thought it was an iPhone app.

Bitcoin is a peer-to-peer digital currency launched in 2009 by "Satoshi Nakamoto". Satoshi worked on the project alone for 2 years before releasing the code to the public. He disappeared shortly after creating the cryptocurrency, but before leaving he posted the now infamous quote:

"It might make sense just to get some in case it catches on"

Satoshi Nakamoto, January 17th, 2009.

What's so special about Bitcoin?

Bitcoin is a cryptocurrency and a new and unique financial vehicle, unlike anything the world has ever seen. It's called a cryptocurrency because it uses cryptography to control the creation and transfer of money. Despite the name, there is no physical coin to speak of, Bitcoin is a completely electronic form of money.

Bitcoin solves the so called "double spending problem" present with digital goods. For example, if I have an mp3 file or an ebook on my computer, I can freely copy that file a thousand times and send it to a thousand different people. For a digital currency, the possibility for unlimited copying would mean a quick hyperinflationary death. Bitcoin solves this by maintaining a peer to peer network and recording each transaction in a public ledger called the block chain. Say I send 1 bitcoin from my bitcoin address to my friend John. The bitcoin network records that transaction in the block chain and I no longer have possession of that bitcoin. The coin "moved" from my bitcoin wallet to John's wallet.

What's so special about Bitcoin? There are many arguments on whether the new virtual currency will succeed or fail. We will not get into this nor discuss the politics behind the project. Our concern is strictly with the profit opportunities provided by this new payment phenomenon.

In the next few pages on the new digital currency we will outline our thoughts from the perspective of a trader and a potential investor in this upcoming market.

Bitcoin Basics

Bitcoin is a peer-to-peer virtual currency. This means that in order for a transaction to occur, no middle men or central authority is needed. You can send any amount of bitcoins to anyone living anywhere in the world, completely eliminating the need for traditional third parties like banks or money transmitters. The cryptocurrency also allows the bypassing of capital and AML restrictions.

In order to send or receive bitcoins, all you need to have is a bitcoin address and internet access. You only need to be online long enough for the transaction to process. Similarly to traditional bank accounts, you can receive bitcoins to your bitcoin address even if you're offline. When you want to "collect" your coins however, you'll have to find an internet connection.

How to get a bitcoin address

Like we mentioned previously, in order to send or receive bitcoins you will need to have a bitcoin address. You can get a bitcoin address either by downloading the bitcoin client or by getting an online wallet. The two most popular btc clients are Bitcoin-qt and Multibit. The main difference between these two clients is in the size of the block chain that needs to be downloaded. If you decide to go with Bitcoin-qt, have at least 10 Gigabytes free space on your hard drive for the block chain. As Bitcoin-qt is the "official" bitcoin client, if you can spare 10 GB, go for this option. [Here's a page](#) that has step by step instructions on installing Bitcoin-qt.

Multibit is a lightweight version of the bitcoin client. You can read more about it [here](#).

Where are my bitcoins stored?

But where are the bitcoins actually stored? After you install one of the two clients above, you can find your bitcoins in a file called wallet.dat. If you use windows this file will be located in the application data section. If your computer gets stolen or lost and you haven't made a copy of the wallet.dat file you will lose your bitcoins. It is always recommend to backup this file.

The bitcoins can also be stored in online wallets. There are specialized websites that offer bitcoin wallet services. However due to these sites being a frequent target for hackers, keeping bitcoins in online wallets is not recommended when you can easily store them offline on your computer. Wallets can be useful for storing small sums of bitcoins so that you can make quick online purchases. Some of the more popular wallet services are [Blockchain](#) and [CoinKite](#).

Btc exchanges are a somewhat safer place for your bitcoins compared to online wallets because they keep most coins in what is known as "cold storage". Usually over 90% of the bitcoins deposited on an exchange are kept offline. A small 5 to 10% reserve is kept onsite for immediate redemption purposes. There are plenty of guides online on how to store/secure bitcoins, go over them. It's always safer to take care of this process yourself then to trust a third party with a substantial amount of bitcoins.

Bitcoin Advantages

Bitcoin has several advantages compared to traditional money transmitting services. We already mentioned two of these above, the elimination of the need for third parties and the bypassing of restrictions.

Another major plus of the new cryptocurrency is the very low cost for sending and receiving bitcoins. While it is possible to send transactions completely free of charge, it is recommended to pay the small fee in order to speed up the sending process.

The fee amount depends on the data size of the transaction. A typical transaction is 500 bytes and carries a fee of 0.0001 BTC. At current prices of \$250 per bitcoin, this amounts to a charge of 2.50 cents.

Because the fee is completely dependent on a transaction's data size and not on the number of bitcoins being sent, a \$10 transfer will carry the same fee as a \$10 Million transfer. The fee will take a 0.25% piece of a \$10 transfer but that same fee will only take 0.00000025% of a 10 Million transfer.

Bitcoin offers benefits to merchants as well, as transactions that involve the digital currency are secure and irreversible. Without the risk of fraud or fraudulent chargebacks, merchants can offer their products at a discount thereby generating more sales or pocket the difference themselves. In addition, with card processors out of the picture, merchants can save on the percentage cut taken by Visa / MasterCard.

Bitcoin and transparency

The screenshot shows the Blockchain.com website interface. At the top, there is a navigation bar with the Blockchain logo and links for Home, Charts, Stats, Markets, Developers, and Wallet. A search bar is located on the right. The main content area is titled "Largest Recent Transactions" and lists three transactions. Each transaction entry includes a long alphanumeric Bitcoin address, a green arrow pointing to the right, another long alphanumeric address, and the amount in BTC. The first transaction is dated 2014-01-17 18:04:49 and amounts to 205.83224552 BTC. The second transaction is dated 2014-01-17 18:54:06 and amounts to 206.40070784 BTC. The third transaction is dated 2014-01-17 18:11:06 and amounts to 0.5356 BTC. At the bottom of the page, there is a footer with "About & Contact: About Us - Status: Ok (703 Nodes Connected) - Advanced: Enable - Currency: Bitcoin" and a dropdown menu for the currency.

The picture above shows some of the recent large transactions recorded in the block chain. The first transaction is for 205 BTC, the equivalent of \$51,250 at today's prices. The long lines of letters and numbers you see in the pic are bitcoin addresses. A bitcoin address consists of 27-34 alphanumeric characters, beginning with the number 1 or 3. You can have as many addresses as you want, they're free and easy to generate.

Notice that there is no name that goes along with the bitcoin address. This is what outside observers mean when they say "Bitcoin is anonymous". Bitcoin is in fact "pseudo anonymous". While all bitcoin addresses and transactions are public, the holders of those addresses remain hidden.

The only thing that can be discerned by looking at the block chain is that address 1XXxxxXXXxxxxxxXX sent 100 Bitcoins to address 3XXxxxXXXxxXXxxXX at a certain time. Who sent the coins, the reason for sending, and the users location is not revealed.

However, keep in mind that as soon as you connect your bitcoin address to your real identity (for example, by purchasing bitcoins online or in a face to face meeting), the pseudo anonymity provided by bitcoin is lost. There are ways to regain the lost anonymity but that is beyond the scope of this introductory article.

Buying Your First Bitcoin

But how can you actually get a hold of a bitcoin? The easiest way to acquire bitcoins is to buy them at an online exchange. There are three major bitcoin exchanges, each of them with their own unique properties and a different fee structure.

Bitstamp.net

BITSTAMP

Home Account Buy / Sell Order book Deposit Withdrawal

Trade Bitcoins with style

You can send Bitcoins over the Internet directly to anyone with no middlemen. Like cash, Bitcoin transactions are irreversible. Bitcoins are traded worldwide. Here are some links to get you started:

What is Bitcoin? How to buy Bitcoins? How to sell Bitcoins?

Open an account

OR

Login

Funding
SEPA deposits: FREE
SEPA withdrawals: 0.90 €

Market
Trading Fee as low as 0.20%
Live Market Quotes

Service
We provide professional service and responsive support. Our site is actively

If you're European, [Bitstamp](https://www.bitstamp.net) is your best bet to get some bitcoins at a low cost. The company is based in Slovenia, part of the EU. Deposits by SEPA are free, withdrawals are charged a fixed 0.90€ fee once the funds are converted to Euros. Because Bitstamp only offers trading in BTC/USD (Bitcoin versus the US Dollar) all Euro transfers are immediately converted to Dollars. If you want to withdraw by SEPA, you have to convert your funds back to Euros.

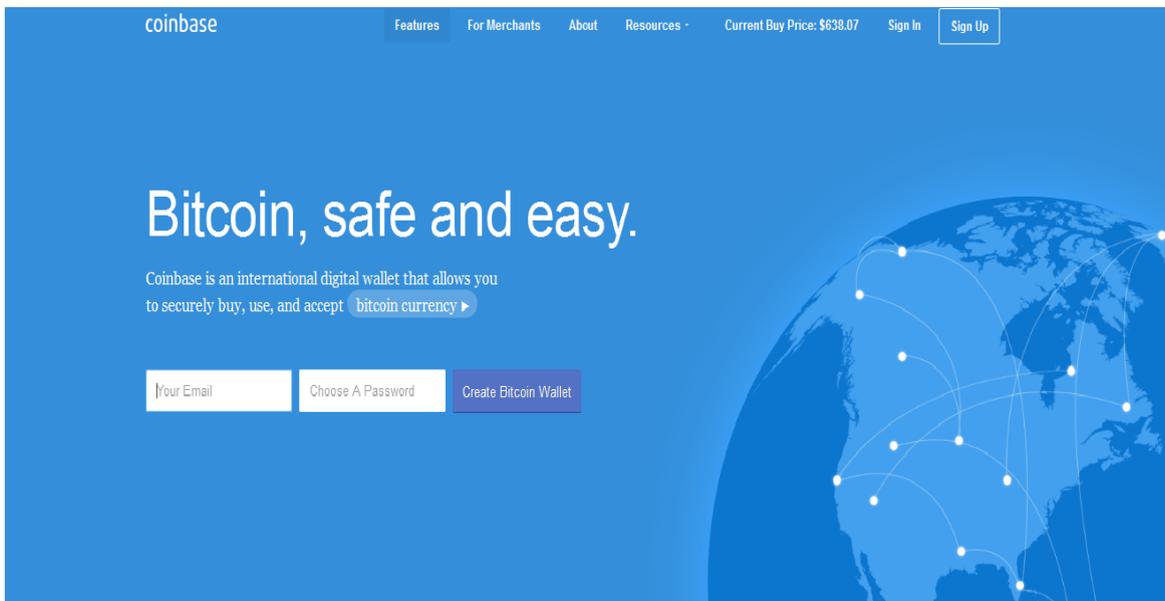
The fee structure favours big traders and market makers. The basic fee for new accounts starts at 0.5% and goes all the way down to 0.2% if you trade over \$150,000 in one month.

Yes forex traders, you heard that right, the LOWEST fee structure is 0.2 percent. The 0.2% charge is per side, so you will get hit with this fee whenever you buy or sell bitcoins.

Terms Of Use >	0.50%	< \$500
Privacy Policy >	0.48%	< \$1,000
AML Policy >	0.46%	< \$2,000
Cookie Statement >	0.44%	< \$4,000
Risk Warning >	0.42%	< \$6,500
	0.40%	< \$10,000
	0.38%	< \$15,000
	0.36%	< \$20,000
	0.34%	< \$25,000
	0.32%	< \$37,500
	0.30%	< \$50,000
	0.28%	< \$62,500
	0.26%	< \$75,000
	0.24%	< \$100,000
	0.22%	< \$150,000
	0.20%	> \$150,000

Luckily, the spread between the bid and the ask price is very low, most of the time ranging between 1 and 2 dollars. At a current bitcoin rate of \$250, this amounts to an added cost of 0.1 to 0.25%. You only pay the spread if you want to enter a trade right away with a market order. If you placed a limit order to buy and you're willing to wait until someone wants to sell, you can purchase your bitcoins at a small discount at the bid and later sell them at the ask, pocketing the spread in the process.

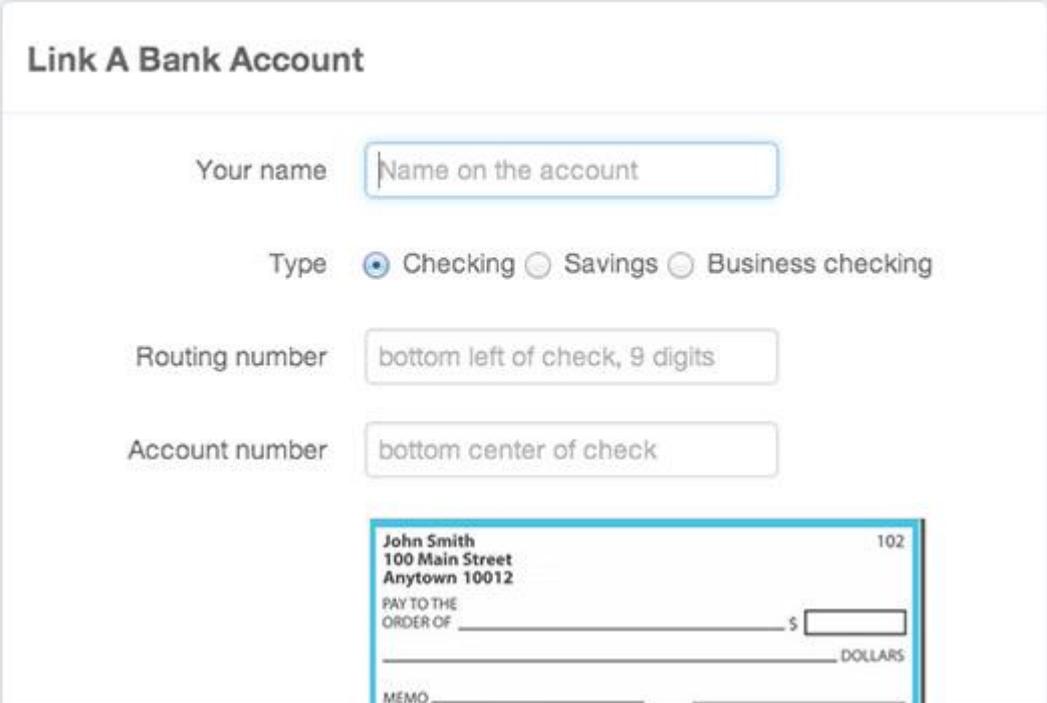
Bitstamp has largely avoided the deposit and withdrawal problems that plague many bitcoin exchanges. With a lack of regulation on the upcoming virtual currency and its checkered past, many financial institutions remain reluctant to get involved with processing bitcoin related transactions. You can deposit funds in USD, EUR, GBP and CHF. US clients are accepted.



Coinbase is probably the easiest and safest way to purchase bitcoins in the U.S. Unlike BitStamp, Coinbase is not an exchange. They act as a counter-party to all customer trades, you buy or sell your bitcoins directly to Coinbase. The buy/sell fee is 1% on top of the buy/sell spread. The bid/ask is usually close to BitStamp where the firm gets its liquidity from. For example, the current bid is at \$244.48 and the current ask is \$247.07. In addition to this, the firm has daily limits on the amount of bitcoins bought/sold. These limits are not applied on the individual level. Basically Coinbase has a set amount of bitcoins that it is willing to buy or sell every day. During times of high volatility, users may not be able to buy/sell bitcoins until Coinbase decides to “refill” their stock. Here’s a good explanation on this issue from their Customer Support:

“The limit you’re seeing is Coinbase’s daily limit being reached, not your personal limit. Sometimes the Coinbase site itself will run into a daily rolling limit on purchases or sales if there is an exceptional amount of activity in the bitcoin markets. We put up this temporary pause to make sure that we have enough funds to accommodate the transfer orders being created. This should be a rare exception rather than the general rule however. There is no specific time of the day where this limit starts – it’s on a 24 hour rolling basis. It might be best to check in at 6am or 7am Eastern Standard Time tomorrow. Sorry for any inconvenience this has caused you – we know this can be frustrating. This is something we’re working on as we speak.”

Coinbase claims that over 97% of all customer funds are stored offline in bank vaults to prevent theft or loss. If you live in the States, you can easily link your bank account to Coinbase to facilitate quick and easy bank transfers.



Link A Bank Account

Your name

Type Checking Savings Business checking

Routing number

Account number

John Smith
100 Main Street
Anytown 10012

102

PAY TO THE
ORDER OF _____ \$

_____ DOLLARS

MEMO _____

BTC-E.com

If you're a forex trader, [BTC-E](#) is probably the easiest exchange to get into. The company offers its own MetaTrader platform. The instrument comes with a leverage of 3 to 1 and the ability to short bitcoin. Shorting is not an option at Bitstamp. You can still sell any bitcoins you already own at these exchanges but you won't be able to short bitcoin outright.

The fees on MetaTrader are slightly higher, 0.3% per side compared to 0.2% if you used btc-e's web interface. If you're a forex trader btc-e might strike you as the best option of the three. But alas, nothing is as straightforward in bitcoin world.

No one knows who the real owners behind btc-e are. Apparently the headquarters of the company are in Bulgaria and the support staff is more familiar with Russian than with English, but the rest is a mystery. The company operates a complicated deposit and withdrawal process that relays the money through several banks and payment processors

before depositing them to your account. If you plan to deposit on BTC-E, make sure to follow their deposit instructions to the letter. Because the deposits go through a web of banks, tracking down a lost deposit is near to impossible.

On the plus side, the company does offer deposit and withdrawal by several popular e-wallets like Webmoney, PerfectMoney, Ukash and Paypal (withdrawal only \$500 minimum). According to user reviews, deposits and withdrawal by these methods are a lot faster and smoother compared to bank wires.

BTC-E does accept US clients. However, starting from the middle of December 2013, the company stopped processing US dollar wires or any wires connected to a US bank. Here is an email reply to a customer's question on this: "We don't accept international wire transfers from US Citizens or from US Banks. All transfers from US Citizens or US Bank will be refused by bank."

Other ways to purchase bitcoins

Aside from the exchanges, you can also buy bitcoins on ebay and similar auction sites. Keep in mind that due to the possibility for chargebacks and fraud, bitcoin and other cryptocurrencies trade at a premium on ebay. Face to face meetups are another option to acquire bitcoins. Check localbitcoins.com for bitcoin sellers and buyers near your area. Always exercise caution when doing an offline exchange. Meet during the daytime and in places with a lot of people around. If possible, bring a friend.

We'll leave the choice of where to buy your first bitcoin up to you, we hope that our presentation relayed enough information to help you make an informed decision. It all depends on your needs and requirements. Some exchanges are better for trading, others have superior banking relations with bankwire deposit and withdrawal options.

Leveraged Bitcoin Trading

In this section we'll go over several options for trading bitcoin on margin. We'll also outline the options to short the virtual currency. Before we go any further, a caution is in order. Bitcoin prices are highly volatile. Prices rose from a low of 195.50 on November 1st to a high of 1,090 by November 30th 2013. From here, the btc price crashed to a low of 420 on December 18th, only to go back up and retest the 1,000 level in January of last year. One bitcoin is currently worth 247.88 on btc-e. The chart below demonstrates this volatility.



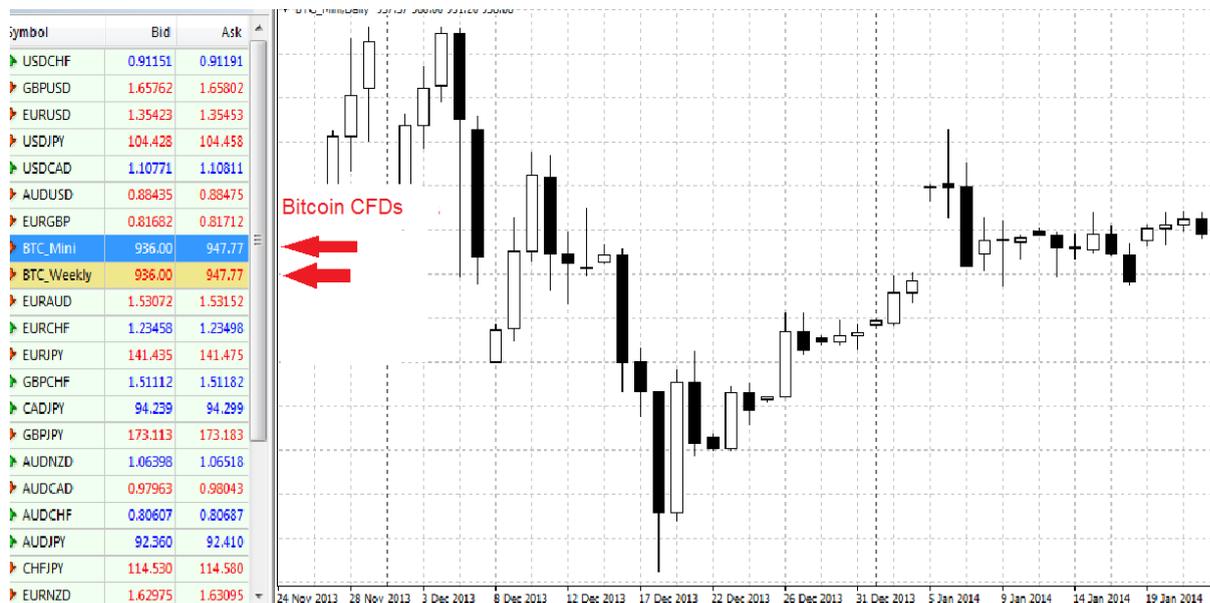
Unlike major forex currency pairs which barely move 1 percent per day, bitcoin prices can rise or fall over 30 percent in a single day. If you know how to trade, you don't really need any leverage to make money with bitcoin. With that caution out of the way, let's get down to business and go over some of the options for leveraged btc trading.

We already wrote about one of the more competitive options for shorting bitcoin and leveraged trading, BTC-E. The Bulgarian exchange offers the popular MetaTrader platform with 3 to 1 leverage, shorting capability and a low fee of 0.3 percent per side.

AVA Trade

[AVA Trade](#) is a forex broker that offers bitcoin trading through a CFD. Two bitcoin CFDs are available, Bitcoin Mini and Bitcoin Weekly. The Bitcoin Weekly CFD has a 20 to 1 leverage and expires every Friday at 21:00 GMT. The Bitcoin Mini only has a 2 to 1 leverage but doesn't expire. Both contracts are using data from BTC-E and AVA Trade adds around 10\$ premium on top of the exchange spread.

Here's a snapshot of AvaTrade's MT4.



A major flaw of both contracts is the inability to trade them during the weekend. Bitcoin trading is completely decentralized and doesn't rely on a network of banks for executing trades thus there is no set open and closing time. Unlike forex which trades 24/5, bitcoin trades 24/7 (except on AvaTrade). As can be seen on the chart, large gaps are frequent on AVA Trade's Bitcoin CFD due to this policy. AvaTrade does not accept US clients at this time.

Etoro.com

Etoro.com is one of the latest forex brokers to offer bitcoin trading. Unfortunately, the product is not very suitable for day trading as you can only enter and exit the market four times per day. It uses the BitStamp's data feed as a price reference. You can read more about Etoro's bitcoin offer [here](#). Here's a snapshot of their bitcoin CFD in action:

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