Cryptocurrency Plummeted. Rules of Thumb for Sailing on Rough Water

Original:
https://www.btcc.com/en-US/academy/research-analysis/cryptocurrency-plummeted-rules-of-thumb-for-sailing-on-rough-water

Cryptocurrency crash. Margaret paproski, co-founder of investdefy, said that once the market bottoms out, it will take time for risk appetite to recover. In the past few weeks, we have experienced the worst cryptocurrency bear market in a long time.

The prices of Bitcoin (BTC), Ethereum (ETH) and alternative currencies have been hit. Some large cryptocurrency companies have collapsed or are facing a liquidity crisis, including terra/luna, Celsius and most recently Sanjian capital. In the next few days, weeks and months, there may be more casualties. Is there any way to manage the cryptocurrency crash?

Cryptocurrency Crash. Rule of Thumb

It is important to remember that investing in cryptocurrency is still a highly volatile and high-risk investment, which is not suitable for many investors. For example, the one month implied volatility of BTC is 141, and the one month implied volatility of eth is 186. This is 9.5 compared with the average one month implied volatility of G10 currencies (although the volatility of these three currencies has increased recently).

Any time, when you invest in something that you want to get 10 times or 100 times return, this is by no means normal. This kind of investment will be accompanied by huge risks. Therefore, only deploy venture capital that you can afford to lose. If you decide to reach out to the cryptocurrency market, here are five rules of thumb.

Know What you Invest in

Are you buying BTC, ETH or altpoints? Do you put these investments in your wallet or in a specific place or “exchange”? Have you pledged your assets, lent them out or otherwise deployed them to earn returns beyond potential appreciation? If you don’t put your investment in your wallet, have you considered the risks of the counterparty? Do you know how your capital is used? Did you know that cryptocurrency sites and “exchanges” are usually not protected by any insurance or SIPC like protection?

These are all issues to be considered. Historically, it is difficult to really peek under the hood to understand how your capital is deployed. It is hoped that one of the benefits of the recent slump is to increase the pressure on venues and “exchanges” and provide account holders with more information on how capital is deployed. Do your homework and ask questions before you decide whether to deploy your money to a specific location.

Accept the fact that unless you’re lucky, you can’t accurately time the market. We know that the current prices are falling, but have they reached an absolute bottom? Maybe not. No one really knows. Do not enter these markets with the belief that you are a professional trader and can time the bottom or top of the market. If you can catch 60% or more of the movement, you think it is a great success.

Don’t try to actively trade these markets unless you are an expert. These markets are highly volatile and operate 24/7/365. You may sleep thinking you made a good deal, but wake up to find that you lost a lot. The fact that these markets operate on 24/7/365 is a very important difference from traditional financial markets.

Leverage should be avoided now, and probably forever. These are highly volatile markets. Pay attention to your investment time span. The closer you want to use your investment funds, the less risk and volatility your investment should have.