EWI - Crypto Trading Guide:

5 Simple Strategies to Catch the Next Opportunity

In the nine years since a mysterious programmer named Satoshi Nakamoto launched the bitcoin blockchain network, the world of digital currencies has been filled with more twists than a Jason Bourne movie.

Part of its cache is its mystery: an unregulated cyber-exchange with no ties to a government, central bank or financial institution. While uncertainty surrounds the market, one thing is crystal clear: Cryptocurrencies are red-hot.

Soaring from a single market worth under half a cent in 2009 (Bitcoin) to over 1565 altcoins (and growing), today the total crypto market exceeds $430 billion (as of April 2018).

But by no means is the crypto market stable.

Several currencies have already gone to zero.

The biggest, Bitcoin, has seen gut-wrenching intraday swings of 30% -- not to mention its 70% sell-off from the December 2017 high near $20,000 to the February 2018 low of $5800.

For first-time cryptocurrency traders, the trick is to approach this wild market in a way that insulates you from the hype, frenzy and rumors -- and **helps you act** when others flounder.

How can you do that?

Here's our answer: By using a proven market-forecasting methodology that can analyze price trends in **Bitcoin, Ethereum and Litecoin** objectively and clearly.

Strategy 1:

Stand Apart from the Crowd's "Madness"

The 2013 Amazon Finance bestseller, *Visual Guide to Elliott Wave Trading*, states,

> "If you aim to be a consistently successful trader, then you *must* have a defined forecasting methodology -- a simple, clear, and concise way of looking at markets to predict what's coming. Guessing or going on gut instinct won't work over the long run.
>
> "If you don't have a defined methodology, then you don't have a way to know what constitutes a buy or sell signal."

For thousands professional and individual traders around the world, that methodology is the Elliott Wave Principle. If you're new to it, you can summarize its basic tenets as follows:

- Group psychology swings from excessive optimism to pessimism, and back again
- In the markets, group psychology forms repeating patterns in price charts
- Because these price patterns repeat, they are also **predictable**
- Once you know which of the 13 known Elliott wave patterns your market is in, you can make a probability-based forecasts as to **what's next**.

What's more, extreme bullish or bearish sentiment toward a market often coincides with significant turning points. At those points, when you see a completed Elliott wave pattern, the sentiment becomes a contrarian indicator.

In other words, when everyone is bullish (or bearish) and you see five finished Elliott waves on a chart, the markets are about to move in the *opposite direction* as the public expects.

Consider Bitcoin. When it debuted in 2009, one bitcoin was worth around 0.5 a cent. For several years, the blockchain was shrouded in mystery, intrigue and suspicion, with doubters calling it "a mirage," "a fraud," and a black market for nefarious transactions.

By 2011, Bitcoin suffered one blow after another, from hacking and theft to scandals. It remained currency-non-grata to most of the world. Here are a few headlines from that period:

- "**Bitcoin: From Success to Flop** in Record Time" (June 2011 Associated Press)
- "So That's the **End of Bitcoin**... It's difficult to see what the currency has going for it." (June 2011 Forbes)
- "The landscape of monetary innovation is littered with carcasses of **dead digital currencies**." (May 2012 Wired Magazine)
- "**Bitcoin is not going to fly** because there is no central bank or power base. It's doomed to fail." (April 1, 2012 Reuters)

As you can see, the headlines registered extreme negative market sentiment -- a bullish signal for an Elliott wave contrarian.

And it was those Elliott wave contrarians who saw Bitcoin's potential. Consider this quote from the August 2012 issue of *The Elliott Wave Theorist*:

"Presuming Bitcoin succeeds as the world's best currency -- and I believe it will -- it should rise many more multiples in value over the years. With a such a positive long-term outlook, it is possible that its decline in 2011 will be the only significant interruption in trend.

"Be prepared to ignore the bad news, which will give other investors reasons to justify selling at the bottom."

Result:

What happened next... well, you already know. After a few years of consolidation, Bitcoin and its digital currency clones reached escape velocity and soared out of orbit. Bitcoin went from $15 per coin in 2013 to $20,000 at its height in December 2017 -- a gargantuan 133,233% gain.

The Elliott Wave Theorist's "world's best currency" forecast came true in 2015, as this list confirmed:

Bitcoin: the world's strongest currency in 2015. (And 2010, 2011, 2012, 2013)

Top 5 strongest currencies in 2015

(Change against US $ at 12 December 2015 against rates one year ago)

1. Bitcoin (XBT) +21%
2. Israeli Shekel (ILS) +2%
3. US Dollar (USD)
4. Swiss Franc (CHF) -2%
5. Japanese Yen (JPY) - 2%

Next, something funny happened. Concurrent with cryptocurrencies' explosion to the upside, the world witnessed a 180-degree turn in public sentiment. Everyone from Apple Apps to Zappos to Playboy began accepting Bitcoin as a payment medium.

By the end of 2017, Cryptos had morphed from flops to the new darlings of Wall Street.

- "Bitcoin could easily reach $40,000 by the end of 2018." (November 2017 CNBC)
- "Bitcoin: Mystery Investor Bets a million it hits $50,000." (December 2017 Forbes)

You know what happened next. The end of 2017 felt was like 2011 -- but in reverse. You could clearly see signs of extreme market sentiment -- again; this time though, it was bullish extreme. And again, coupled with a completed Elliott wave pattern, the message was: *expect the opposite*.

In December 2017, Elliott Wave International's publications wrote, "If it walks and talks like a bubble, [it's a bubble]" and warned of the many "siren songs" tempting investors to partake in the overvalued market.

Consider this timely bearish warning from the December 2017 *Elliott Wave Financial Forecast:*

> "By the very late stages, the characteristics of a bubble are so pronounced that even neophytes recognize it for what it is. They also refuse to act on the most important implication of the runaway price rise: the reality that the asset in question will go down even faster than it went up.
>
> "*The Elliott Wave Theorist* identified bitcoins' potential way back when it was 'languishing at 6 cents in a sea of skepticism and disinterest'... 6 cents!
>
> "But a rising sea of euphoria, ever-higher price projections and the capitulation of financial sophisticates only reinforce our stance. Some insist more fervently that cryptocurrencies will benefit from a bear market.
>
> "We are more convinced than ever that bitcoin will disappoint its late-coming enthusiasts."

Result: From its December 2017 peak of near $20,0000 Bitcoin plummeted 70%-plus to below $6000 per coin **in just two months**!

In fact, the first quarter of 2018 was the worst period for cryptocurrencies in history.

Yet, as you just saw, in both cases -- **before** Bitcoin took off and **before** it crashed -- Elliott wave analysis and sentiment readings were several steps ahead of the markets.

Imagine what you could have done with such advance information.

Elliott wave analysis is uniquely equipped to warn you of changes no one else sees coming.

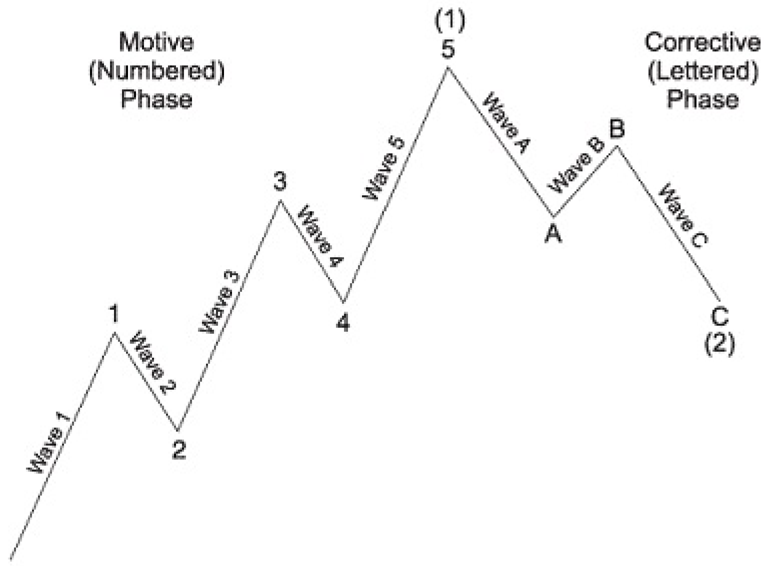
Strategy 2:

See -- and Act on -- **Predictable Patterns in Prices**

The definitive beginner's guide to all things Elliott, the *Elliott Wave Principle -- Key to Market Behavior,* offers this introduction to the basic concept:

> "The market's progression unfolds in *waves.* ...progress ultimately takes the form of 5 waves...
>
> "There are two modes of wave development: motive and corrective. Motive waves have a 5-wave structure, while corrective waves have a 3-wave structure or variation thereof...

> "One complete cycle consisting of 8 waves, then, is made up of two distinct phases, the 5-wave motive phase, whose subwaves are denoted by numbers, and the 3-wave corrective phase, whose subwaves are denoted by letters."

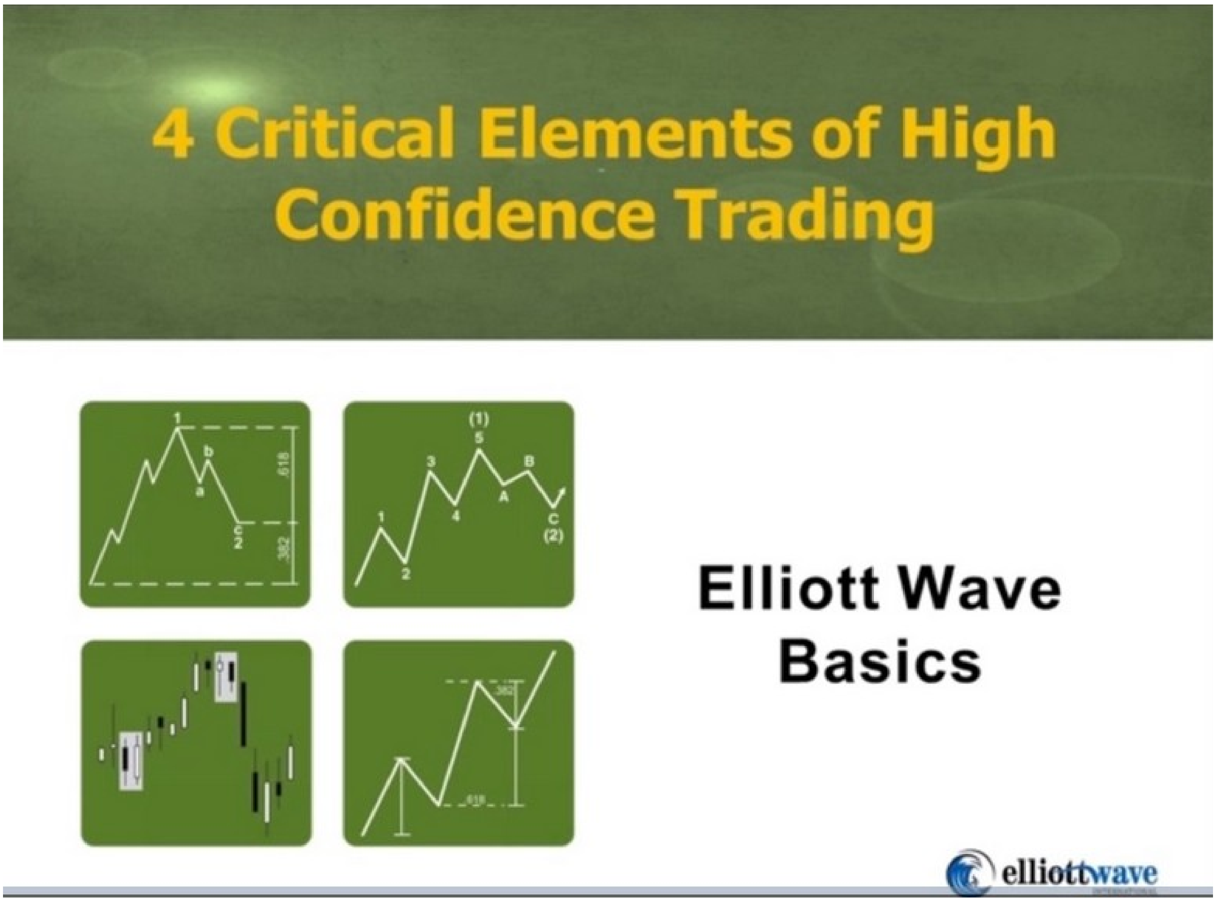


That's the essential Elliott wave design -- in theory. But what about its real-world application?

In the 2013 Amazon Finance bestseller, *Visual Guide to Elliott Wave Trading*, co-author and renowned Elliott wave forecaster Jeffrey Kennedy remarked:

> "My best advice to you is to start your search by asking the question, 'Do I see a wave pattern I recognize?' You should look for one of the five core Elliott wave patterns: Impulse wave, ending diagonal, zigzag, flat, or triangle.
>
> "Once you learn to identify them quickly and with confidence, these simple forms will become the basis for identifying all your trade setups."

In his instructive video, "4 Critical Elements of High Confidence Trading," Jeffrey Kennedy illustrates those five "core" Elliott wave price patterns -- watch:



What this tells you is profound.

Market trends aren't random.

On the contrary, prices unfold in repeating patterns that you can measure with a ruler, a calculator, or basic software.

This gives you objective "sign posts" to your desired destination -- namely, **low-risk market opportunities**.

And *lots* of them.

To learn more about Elliott Wave International's *Cryptocurrency Pro Service* that forecasts Bitcoin, Litecoin and Ethereum around the clock, 5 days a week, [click here](). See how objective Elliott wave rules and guidelines help you identify intraday and daily price patterns underway -- and act on them.

Strategy 3:

Identify the Market's Likely Turning Points -- and Act!

Once you've properly ID'd a pattern on a market's price chart, you can then anticipate the direction prices will likely move **next**.

What's more, every Elliott wave pattern adheres to specific rules and guidelines which determine its length. This means you can identify just how large a new opportunity is likely to be.

For example:

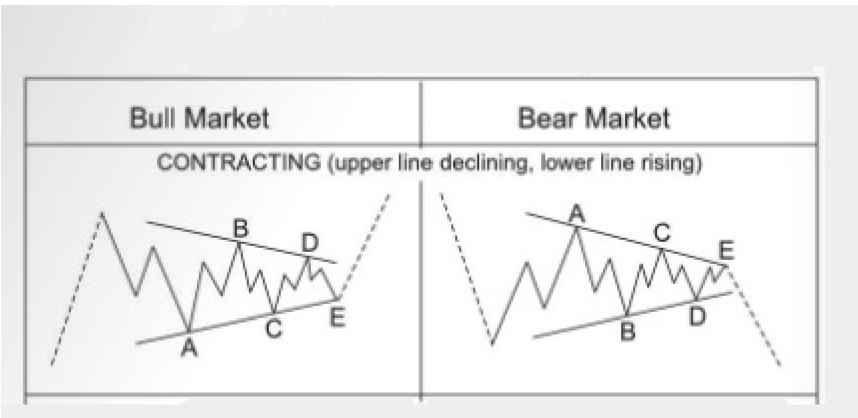
- Within an impulse wave (a 5-wave move), wave 2 can never retrace more than 100% of wave 1
- Wave 4 may never end in the price territory of wave 1, and
- Wave 3 may never be the shortest among waves 1, 3, and 5.

Those are the three core rules of Elliott.

Similarly, Elliott wave corrections follow guidelines, as well. Arguably the most useful corrective pattern is the triangle.

Triangles are easy to spot on a chart. They are like neon signs. In fact, many Elliott traders consider triangles to be their "best friends."

Here's what the most common triangle, a contracting triangle, looks like in a bull market (left) and in a bear market (right):



A triangle can occur only in a position prior to the final move -- usually, as wave 4 of a 5-wave impulse.

Triangles are complex, and they can try your patience. But the wait is worth it.

When the triangle is finished, then comes the drama of a "thrust" -- a sharp, swift, final move in the direction of the previous trend.

In fact, you can think of post-triangle thrusts as the **last gasp** of that larger trend.

Here's another **real-world example** of how Elliott wave analysis cuts a clear path through a seemingly tangled market move.

Bitcoin's Story

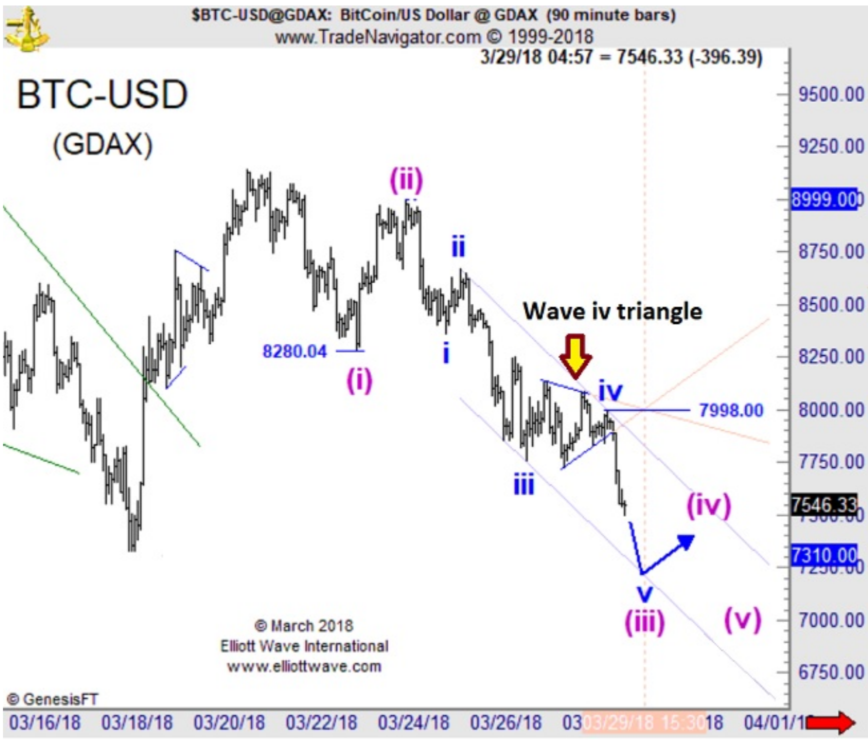
On March 28, 2018 the Elliott wave-based intraday *Cryptocurrency Pro Service* identified a completed 4th wave triangle in Bitcoin. The triangle set the stage for a sharp decline, a 5th wave thrust:

> "XBT remains within a tight trading range. It represents a possible triangle that will lead to a thrust to a new low beneath 7724.00 to complete the larger decline sequence."

On March 29, at 5:04 AM intraday *Cryptocurrency Pro Service* adjusted its bearish Elliott wave count for even further lows -- to below 7000:

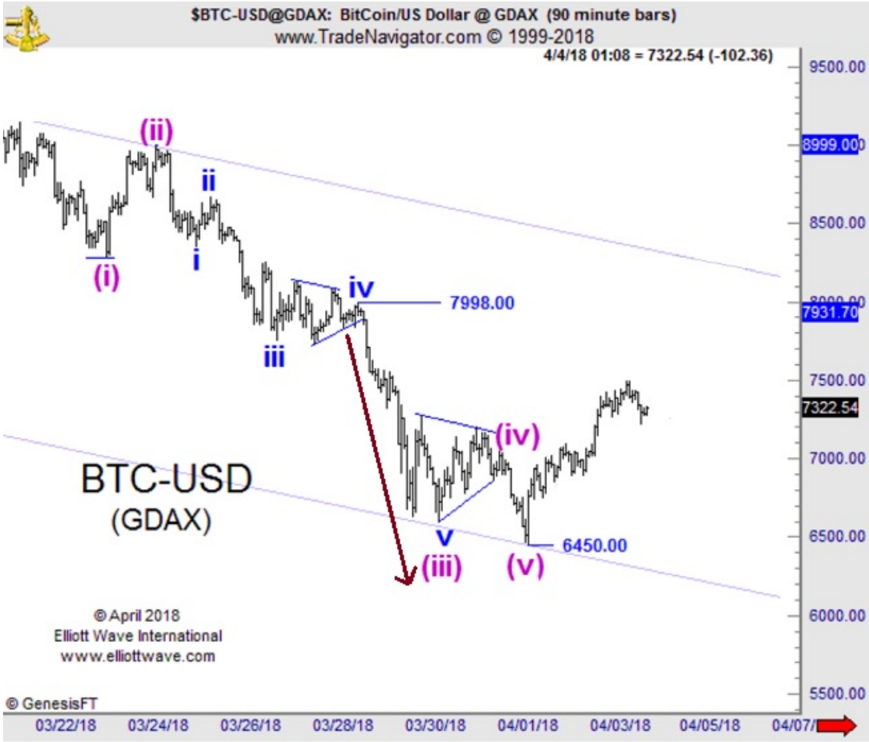
> "Against trend channel resistance and 7998.00, we'll keep the focus lower, looking for five waves to unfold and form wave v of (iii) against this level."

Here's a chart of Bitcoin's prices on March 29, with the 4th-wave triangle shown by the converging trendlines, and the post-triangle 5th-wave thrust in progress.



Again, keep in mind that, because post-triangle thrusts are *final* moves within the trend, they also presage the start of a new trend -- **in the opposite direction!** -- after the thrust completes.

That's exactly what happened with Bitcoin. The next chart shows you how the expected "thrust-down, new-trend-up" sequence played out in real life as prices rallied off the wave (v) low.



Remember, these are real-life stories.

You just saw the predictive power of the Elliott wave triangle, just one of the five core Elliott wave patterns.

Each pattern helps you in its own distinctive, risk-limiting way, giving you a **precious advantage**.

Strategy 4:

Stay Your Course despite Bullish or Bearish News

One of the most common misconceptions of mainstream financial analysis is the notion that news is the main driving force of financial price trends. "Negative data pushes prices lower, while positive data propels them higher."

The two examples above -- the onslaught of negative news before Bitcoin took off, plus the opposite wave of happy, "bullish" news stories right as it was about to crash from its $20000 high -- already showed you just how dangerous falling for this myth can be. Fortunately, there is an alternative.

The Elliott Wave Principle makes a radical counterclaim, best described here by the timeless resource, *Elliott Wave Principle -- Key to Market Behavior*:

> "**The market has a law of its own. It is not propelled by news.** Most days contain a plethora of both good and bad news, which is usually selectively scrutinized to come up with a plausible explanation for the (recent) movements of a market.
>
> "At best, these news reports are the tardy recognition of forces that have already been at work for some time.
>
> "News is startling only to those who are unaware of the price trend."

Here is a real-world example.

Ethereum's Story

On April 12, 2108 Ethereum, the world's second-largest digital currency, rocketed nearly 20% overnight to push above $500 per ether.

According to the financial news -- which reported on the price spike *after* it happened -- the reason for the surge was this: "Ethereum spikes were assisted with the launch of Golem GNT, an initial coin offering *two* years in the making."

That was the after-the-fact explanation for the 20% rally.

Now for the before-the-fact forecast.

Five days prior, the April 5 intraday *Cryptocurrencies Pro Service* analysis of Ethereum showed an ending correction on the market's price chart and wrote:

> "A drop below 360.00 will lend credence to the idea that wave A is in its late stages.
>
> "Looking ahead, a five-wave advance above 421.59 would provide the first hint that **wave A has bottomed**."

Implication: a powerful bullish reversal ahead.


$ETH-USD@GDAX: Ethereum/US Dollar @ GDAX (90 minute bars)
www.TradeNavigator.com © 1999-2018
4/5/18 10:32 = 379.49 (+1.06)
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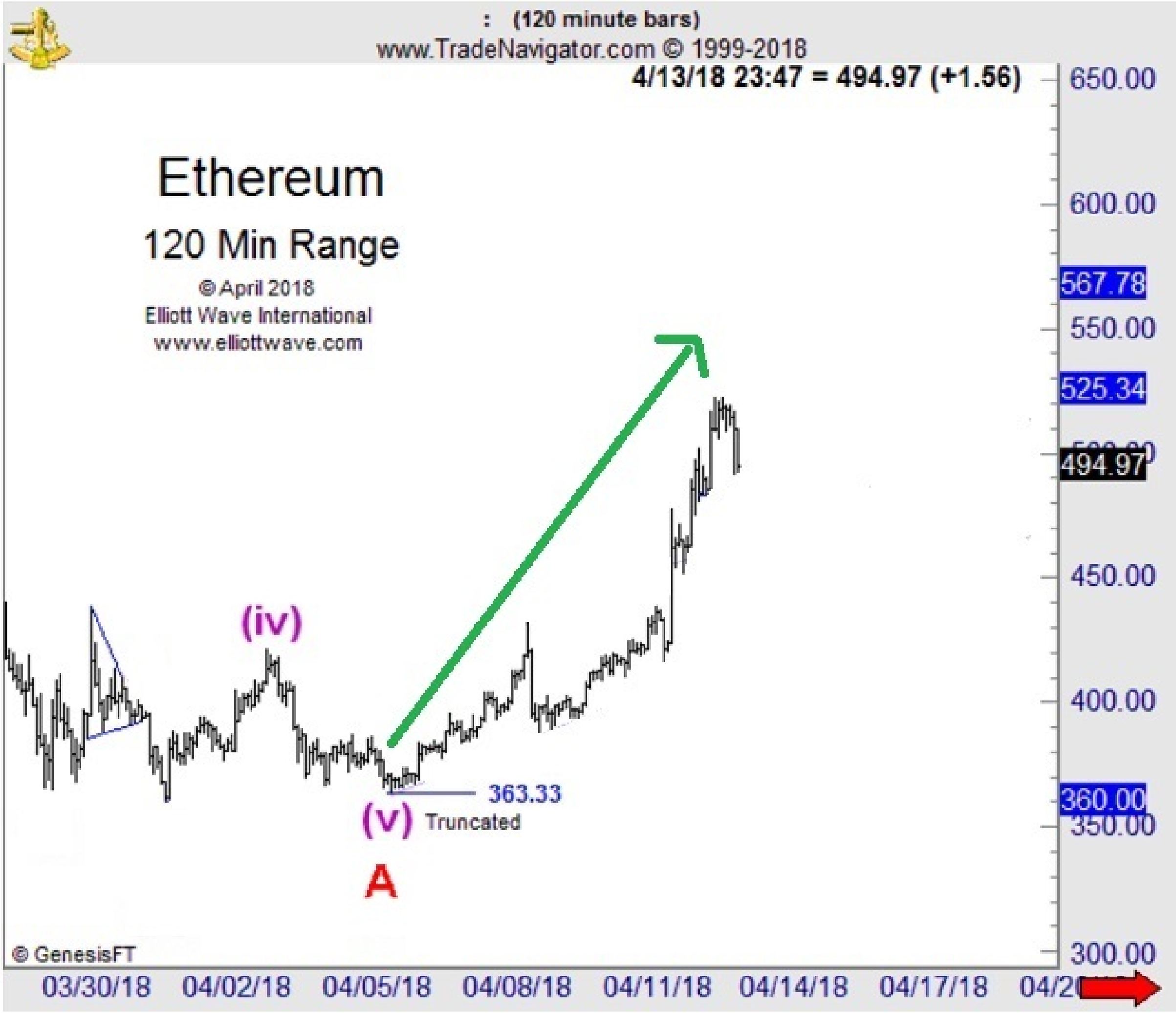
The following chart captures the rocket rise that ensued:



The conclusion is obvious: Following the news can make you *miss* big moves.

Taking it a step further: Can the news cause you to make a *wrong* move?

Absolutely. Let's consider what happened to Litecoin prices during the week of April 20 through April 26.

Litecoin's Story

Early the week of April 20, Litecoin investors were inundated with positive data. It started with a sub-Reddit thread that went viral carrying the subject line: "Holy Moly!"

The thread revealed that on April 18, a single transaction took place between two Litecoin wallet holders in the record-shattering amount of $99 million. Even more shocking, the transaction took just 2.5 minutes to process and cost 40 cents. The efficiency and cost-effectiveness of the sale reinforced the value of non-regulated exchanges. Wrote one news source:

"Now we have a transaction that was 500 times faster to process than a traditional bank transfer and cost less than a candy bar. This is a positive sign for the long haul." (April 24 Nasdaq)

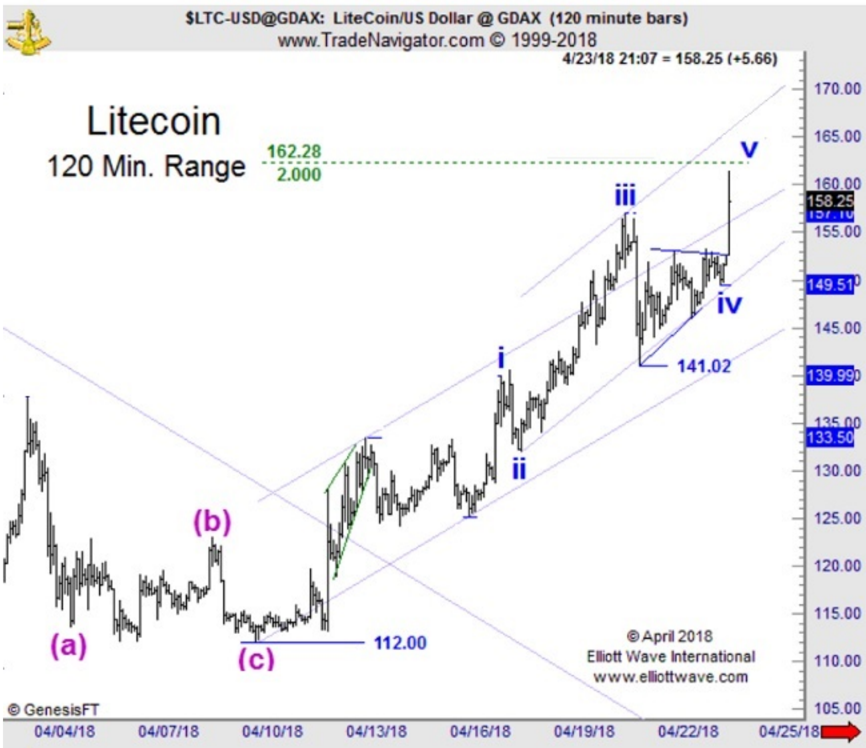
After that, good news for Litecoin continued to pour in. Litecoin announced its partnership with two popular crypto wallet providers and an imminent debit card debut. The market soared over 20% in just 7 days and all things were coming up Litecoin, as these news items show:

- "It`s supreme blockchain system holds great potential for LTC as a currency as well, with great odds of having it trade up in the following months." (April 23 GlobalCoin Report)
- "Litecoin looks to continue a steady increase in valuation and eat into the losses of the past several months." (April 25 TechNews Leader)
- "Litecoin Lighting Up, Approaching $200. Litecoin recovering lost ground on the back of positive announcements and exchange listings." (April 20 CryptoSlate)

To a news-following investor, the message was clear: Litecoin is going up.

But **on April 23**, the team of Elliott wave analysts behind *Cryptocurrencies Pro Service* identified the end of a mature five-wave move and stated:

> "LTC has thrusted as high as 161.48 out of its wave iv triangle. **[There's that triangle again!]**
>
> "Price is now within range of targets to complete wave v which lie at 162.28-171.01."



On April 24, Litecoin prices peaked just above 165 only to turn down in a sharp sell-off.

Wrote one April 25 news item:

"LTC/USD Slumps Over 10% As Bull Run Loses Steam" (April 25 FX Street)

The next chart captures the decline in real time:

Again, *Elliott Wave Principle -- Key to Market Behavior* best summarizes the fallacy of news-driven market analysis:

> "Sometimes the market appears to reflect outside conditions and events, but at other times it is entirely detached from what most people assume are causal conditions."

The news doesn't drive market trends.

At best, it's along for a ride already set in motion by investor psychology, which unfolds as Elliott wave patterns on the market's price chart.

Strategy 5:

Know when You're wrong before It's too late

Sometimes in the markets, you lose. There's no way around it, no loophole to make you immune.

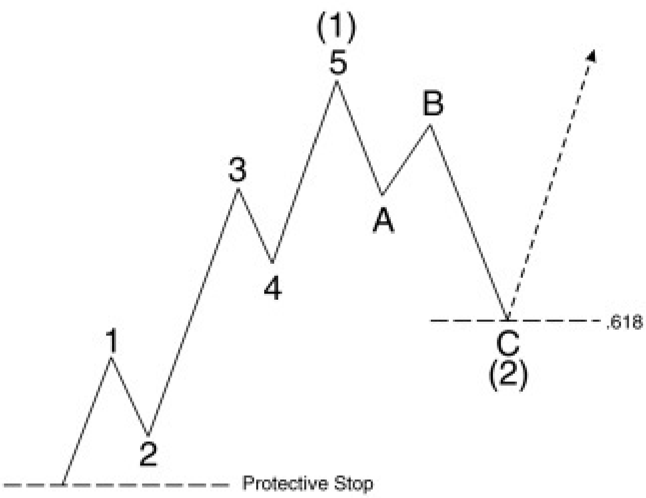
Often, traders make a bad situation worse when they double down and continue down the wrong path, hoping to win it back. Professional call it "vengeance trading." Gone is the objectivity if your trading plan -- your emotions are now in charge.

Elliott wave analysis can help you here, too. Elliott waves can help you minimize your risk *objectively*.

Jim Martens, editor of *Cryptocurrency Pro Service*, says in his eBook "*Trading Forex: How the Elliott Wave Principle Can Boost Your Forex Success,"* that Elliott waves improve your trading in six ways.

Jim goes on to write that of all six, the last one on the list is one of the most important. Jim writes:

> "When considering a trade, you always want to answer this question first: 'Where will I be wrong?'
>
> "I want to know that risk. For example, a market has been falling and you're expecting a low. All of a sudden, we see what looks like a five-wave advance on a 60-minute chart. At this point, should you take action?
>
> "No, you should wait for a three-wave decline, which would be the correction of that advance."



> "Based on one rule of the Wave Principle, I know where this count becomes wrong. [Remember from Chapter 1:] Wave (2) cannot retrace more than 100% of wave (1).

> "So, I draw a line at the start of wave 1. If the decline surpasses that level, I know that my count is incorrect.
>
> "Elliott wave analysis is one of few methodologies that give us an absolute number for our protective stop."

Many traders do everything in their power to ensure success; however, they often discount the possibility of failure.

Basic money management rules can't answer the question: at what point is my trade wrong? The Wave Principle does.