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Dos and Don'ts of Trading and Investment

Discussion

Preliminary notes:

- This series of advices is mostly intended to not very experienced traders or investors. Experienced ones will likely already know what's in this post, and more.
- **IMPORTANT**: This post doesn't contain in any case any kind of advice to invest or not, to trade or not, nor in what to invest or what to trade, nor any financial advice of any kind.
- This post is based on my personal experience and observation, that is still in the building and therefore has its limits. Don't forget it.
- Even right advices can be wrong.
- Always DYOR and think by yourself.
- Feel free to add your own recommendations, advices, feedback or experience in the comments.

If necessary, I'll edit the post accordingly, quoting the usernames for developed arguments or if requested.

1 - The Basics

- The fiat you invest is lost fiat. Consider that you will completely lose it and be happy with it. If you're not, don't invest it.

- The crypto you take off one project to invest in another one is lost crypto: consider that you will lose it, and be happy with it. If you're not, don't invest it.
- Trading and investment in any asset are always risky operations. In crypto, that is an especially volatile and vulnerable market, it's even more risky. Be sure you will lose all your money, and be happy with it. If not, don't invest.
- Experience comes with mistakes: everything you will learn on your way, you will learn it by losing money. Some lessons are very painful.
- You're not a good trader or investor because you have good ideas. You become a good trader or investor because you have lost money many times, analyzed the mistakes you have been making many times, and learned to avoid them. Don't count on your talent.

If you are not happy with losing money many times, don't invest it.

- Evaluate your own risk tolerance: how many money can you lose from your invested money or gains because of a move you have made, and stay happy with it?

Accord your strategy with your risk tolerance.

The following advices are mostly cautious ones. You may want to have more risky behaviors or more cautious ones, depending on your personal risk tolerance, and investor / trader profile and goals.

- The basic goal is always to earn money. But from there, there are mainly 2 kinds of goals, and they don't lead to the same strategy: The first one is to want to make high gains, and be ready to make high losses on that way, possibly with no high gains at the end.

The second one is primarily to avoid losses, and possibly take more time to reach your goals.

This series of advices is mainly intended to not very experienced traders or investors, and therefore mainly focused on avoiding losses, and then on making gains.

- If you are facing that you completely suck at this game, at some point just get out of it. it requires certain skills, certain kinds of intuitions, and a certain state and configuration of mind. Maybe you don't have them, and you will not get them.

Not everyone is made to be a developer or a musician, not everyone is made to be an investor or a trader.

- **IMPORTANT NOTE: these advices are not investment or trading advices and are not made to be followed blindly.**

Analyze them, think by yourself, follow those that look right to you, don't follow those that look wrong to you. It's your decision, not mine. It's your money, not mine, and these advices reflect only a still limited experience.

- You can take good advices and make the right decisions, and still lose money. Never assume that taking even a good advice or making even the right decision will prevent you from losing all your money.
  It won't.

2 - The Projects

- Always Do Your Own Research and always think by yourself: never invest money in a project you have not completely studied and understood.

a) The project itself

- Do the project's fundamentals make it a good project? Is it smart, is it well done, is it technically well thought and well built, is its business model good?
- Will people actually use it, or just look at it, think « it's good », and not use it in their real life? Does it solve a problem people actually face in their daily life? Or does it bring advantages people were not imagining, but that they will want to benefit?

Will you use it?

- Will the target users be aware the project exists?

Does the project talk to the right people, how good is their marketing.

- Will they be able to use it? If it requires some technical skills and targets users that generally don't have these skills, it won't work. if its success is based on your mum using it, will your mum actually use it?
- How does the project position itself in the market: does it have competitors?

If yes, what will be its differentiating advantage? Will this advantage give it an actual chance to actually take a share of the market?

It's not enough for a project to get into a 10 trillion market if it has no clear room for itself to grow.

- Check the team: is it legitimate and verifiable? Does it have solid experience in what it's doing?

Read between the lines: sometimes a team's member is introduced as a superstar, but its credentials are actually very limited.

b) The token

- Understand the role of the token in the project's model: there are some great projects with a token that doesn't bring benefits to its holders.
- A benefit for its holders is a financial benefit for the holders. Not anything else.
- A financial benefit is when holding a token, not selling it, makes you earn money in your

daily life.

- The rise in value of a token is not a financial benefit: for the rise in value to happen, people need to want to own the token, not sell it. For people to want to own the token, the token needs to bring them a financial benefit without selling it.

If it doesn't bring you a financial benefit without selling it, counting on a rise in value is counting on other people being as stupid as you are, or manipulating the market. Don't invest.

- How many tokens does the project have, and what is the ratio between the number of tokens and its current price?

If there is a huge quantity of tokens with a price that's not very cheap or not anymore, it's likely over, except for extremely solid and extremely promising projects, that have a very good audience and are still far from their full bloom.

If there is a small quantity of tokens and the price is still cheap, it's good. (Not sufficient for the whole analysis and to buy into it, but good for that point.)

Between both extreme options (few tokens cheap, a lot of tokens expensive), evaluating the good ratio comes with experience. If you're not sure, don't invest if you don't want to lose your money, or you may go in if you are happy losing it.

- What is the ratio between the project's current market cap (circulating supply of tokens x price of 1 token) and its expected future market cap?

Evaluating a fair market cap is always a limitedly accurate prediction, and comes only with experience: having seen many projects and their market cap depending on the kinds of projects they were.

- Be careful with tokens that have already pumped a lot: maybe they have already reached their fair price, or maybe there are close to it, or maybe it's over-evaluated and will drop at some point. You don't want to be in when it happens.
- If all the questions tick the right box, the sooner the better to invest, except if it recently had a fast or big pump and gives signs that it will drop a bit, in which case you may either wait for that drop, or you may get in anyways, accepting it might drop first, to be sure to own some tokens in case it doesn't drop, if you are expecting that it will pump on the longer term.

Evaluate your own risk tolerance and strategy priority (earning / not losing), and make your own personal choice.

3 - Investing vs Trading

- Investing is a long-term play.

Does the project have a long future ahead? If not, don't invest.

Is the project still early enough or undervalued enough to have a sufficient growth ahead? If not, don't invest.

If yes, always remember that it's still risky.

- Trading is a short play: buying and selling, sometimes many times in both ways, to leverage the rises and drops along the way.

Trading is more risky than investing, and requires more experience in many ways.

Don't trade if you are not already experienced in investing, in following market movements, in having seen projects rise, fall, re-rise, re-fall, die, many times with many projects, and having understood why they did so.

Technical analysis is a good tool to learn if you're planning to trade, but beware that 1 real technical analysis is a complex technical skill that requires in-depth study, and 2 it always has its limits on any market, and especially in crypto due to its lower volume than traditional stocks, higher volatility, and higher vulnerability to many parameters. Including, many parameters you'll never see coming. In many occasions.

- If you see the words margin trading and are not a very experienced trader, just run. It would kill you.

4 - Investing

- Investing or not is a decision based on sections 1 and 2. Study, analyze, think by yourself, take opinions from experienced people, analyze their answers and think by yourself about what you think about their answers.
- If you have done all this and still can't decide what is the right choice, at the end, follow your guts. It's your money, not anyone else's. You're building your own gains and you're building your own losses.

5 - Trading

- To sum it up, if you don't know yourself what to write in this section, don't trade.
- Still, check the following section, The Dos and Don'ts of Trading and Investing, to give you some good basic lines to follow, whether you want to trade or to invest.

6 - Dos and Don'ts of Trading and Investing

a) Limits of these advices

- These are the most common mistakes one does, and advices that may save you time and money if you follow them at the right moment.
- Still, these dos and don'ts will never prevent you from losing all of your money. Don't count on them to be always fine, you will not be always fine. They just give you ways to at least give you less chances to crash. And sometimes, the right advice happens to be the wrong advice. So don't take any for definitely true, always analyze and think by yourself.
- There will be good surprises and there will be bad surprises. Don't count on the good ones, count on the bad ones.

b) What is a right decision?

- A right decision is not the decision that will make you earn the most money in the future.
- A right decision is the best decision to do at a certain point of time with the information you have at that moment.
- Knowing you have no information on a certain parameter is an information in itself, and therefore also has to be taken into account in your analysis.
- You can make the right choice and earn less money or lose some, or make the wrong choice and earn money.
- If you make the right choice and finally lose money, don't blame yourself, if at the time that you made your decision you hadn't the information that would have justified making a different decision.
- You can't know how things will be in the future, because you don't have the information that will come in the future. What you have is the information available right now, including knowing where you have no information, and this is the only information you will base your decision on.

- Making the right decision, to buy, to sell, to not buy or to not sell, is based on what you know here and now. These limits can't be overcome.

c) Don't care about the USD value, care about the multiplying factor or dividing ratio

- If you invest $1000 in a $30 000 token that goes $120 000, the value has grown $90 000, but what counts is that the price has multiplied by 4 since you bought, and you have earned $4 000.
- If you invest $1000 in a $0.001 token that goes $0.02, its value has gained $0,019, but the price has multiplied by 20 since you bought and you have earned $20 000.
- Oppositely, if you invest $1000 in a $0.02 token that goes $0.001, you have lost $950, while if you invest $1000 in a $30 000 coin that goes $10 000, you have lost $666.
- What counts is not a coin's value, meaning it's not how many dollars it is worth, it's the multiplying factor it will grow at, or the dividing ratio it will drop at, from the moment you bought.
- This is absolutely crucial and very often underestimated by novice investors or traders.
- All this said, nobody said it was necessarily easier for a $0.001 coin to go $0.02.

Back to the project and tokenomics analysis step.

- All this means, is that the parameter you must focus on, is not the token's USD value, but how much you expect it to multiply or to divide itself.

d) Market comes in cycles, but you can't time them

- The market mostly comes in cycles, both generally and for each project.

General cycles are bull and bear markets.

Cycles for individual projects mean that a token's price will always pump at some points and always dump at some other points.

Exceptions are made for very bad projects that always drop or die, or for both extremely good and extremely lucky projects. Otherwise, there will always be dumps and pumps.

- What makes it difficult to use, is that you can't know in advance how much it will pump, how much it will dump, how long it will take it before it pumps, how long it will take it before it dumps, and when it will reach a potential, approximate stability.
- Studying projects' life and market's life gives you clues about these questions, but at the end it always comes to the same fact: you can not time the market. You can not accurately estimate when, until what point and for how long the pumps and dumps will come.
- So you may base your decisions on expected pumps, expected dumps, and expected sideways movements, but you can not base them on when and for how long these pumps, dumps and sideways movements will happen, and until what value pumps and dumps will occur.
- This is true for investments' decisions, but it is especially important for trading's short-term plays. Never think you are smarter than the market. You're not.

e) Never panic

- Panic is always a bad advisor.
- If you're in a state of panic, don't make big decisions.
- Buy panic and sell panic are always bad moves, or often enough to decide, in advance

when your mind is clear, that you will not follow these panic states when they happen.

- If you still take decisions in a state of panic, make small decisions, not big ones: don't buy a lot, don't sell a lot.
- In situations of panic, you can buy or sell, but just enough for the safety: if you have a high fear of an imminent or current crash and can't refrain yourself from selling in panic, sell just enough to avoid big losses, in cases it does happen. But not more. It's risky.

If you have a high feeling of an imminent pump and can't refrain yourself from buying in panic, buy just enough to not miss on potential high gains. But not more. It's risky.

- Mostly you are not the only one to panic: everyone panicking implies big market movements, but once panic for everyone has settled down, the price will often come back to approximately the same value, and if you sold a lot or bought a lot, you will have lost a lot of money.
- Adapt this advice to your faith in the token: a crash on a top 20 coin is probably more temporary than a crash on a shitcoin no one cares about and that is meant to die anyways.

If a top 20 coin crashes, avoid to follow your panic. Maybe it will actually crash and never recover, but it's not very likely. If a shitcoin crashes, try to not panic and stay clear, but maybe it's time to sell it to cut the losses.

- Adapt this advice to your own risk tolerance.

If you sell a lot and at loss, are you comfortable with the money it makes you lose if the market recovers and you don't have your tokens anymore?

If you buy a lot at high price and the price then comes back to a lower value, are you comfortable with having bought it more than what it's worth now?

On the other hand, if you don't sell at a loss and risk either a recovery or a higher loss, are you comfortable with losing more than the current loss you would have if you sell now?

Your money, your strategy, your choice.

- There will always be some new great projects, new great coins, new gains to make: don't panic and don't be reckless to be absolutely not miss on one coin in FOMO if it looks risky, you'll get the next coin and make your money.

f) Don'ts

- You can't time the market. As a consequence: make your decisions based on one project's moves expectations only, not more than one.

Situation:

You see a token A that's having a pump, and you expect a higher pump.

You want to buy that token A, but don't have easily available funds to buy it.

Still, you own a token B. You were planning to hold it, because you expect token B to pump at some point, but you don't know when. Right now, this token B is still low, or going sideways.

You may think: I sell token B that is slow right now, I buy token A with the sell, I benefit token A's pump, I rebuy token B, I win.

This is dangerous: there will be situations, even on a very short term, where token B will rise precisely in the 12 hours after you sold it, and token A will dump or stop pumping at this very moment too. This is more common that you think.

If you can, avoid this kind of risky strategies. If you do it, be prepared for losses, and as much as possible, keep some token B.

- Don't neglect advices. Your knowledge and skills are limited, look for more knowledge and experience in others. Absolutely analyze it and think by yourself about what they really mean and whether they are good or not. At the end, choose to listen to them or not.
- Don't listen to advices as if they were honest: many people give bad advices to manipulate the market and make their own gains, not to help you. The less experience you have, the more easily you will fall for them.
- See who's advising you: what do you know about their experience and honesty? A solid project's admin's words are more likely to be trustworthy (although never 100%) than those of a redditor with 2 months age and a tiny karma, or a nobody on a Telegram group giving poorly worded advices to buy or sell with only many exclamation marks or memes to justify what they are advising you to do.

g) Dos

- Take your initial back when you can.

Yes, if you don't take your initial back and the token keeps rising, you will make more gains. But still, take it back. Depending on the token, on the stage it's in (early, established, big player) and on your own risk tolerance, the right moment might be 1.5x, 2x, 3x, or even 4 or 5x if you have big expectations, but don't wait too long.

Taking your initial is not a loser's play.

First because the most important thing is that you don't lose money.

Second because the initial you're taking back can be invested in new coins and make more gains.

Third because once you took your initial back, your coins are free money, so you have less stress of potential losses, therefore you are less subject to panic, and to taking wrong decisions due to panic.

- **Take your gains!**

If you have made good gains, take them out.

Keep a moonbag in case there are more pumps to come, but take some gains out. Maybe the token will drop, temporarily or indefinitely, maybe in the best case it will go sideways, but you are here to make actual money, not theoretical value.

Too many became very wealthy in 2017, and back to nothing the next year because they didn't take their gains, hoping for a higher value. It will happen again. You don't want to be that person.

- Take gains along the way.

If you are ambitious, be humble.

You might have big expectations for a project, and maybe these big expectations will be met, but you don't know for sure and you don't know how long it'll take.

Before the big value, if it reaches a decent one, you've earned money: take some cash out.

Leave some if you have more expectations, but take some. Not doing it is an extremely common and annoying mistake.

Taking some cash out is what you're here for at the end, and even if it's not to take it back to fiat or stablecoins, it increases your funds availability for more and bigger investments and trades, meaning it increases your potential future gains on future coins. (But also increases your potential losses on future investments, be aware.)

It also increases your risk tolerance, and gives you more freedom of mind to be less inclined to panic.

- Keep a moonbag.

If for whatever reason you sell a token that you have or had expectations for, but that is currently not meeting your expectations, always keep a moonbag of it: a small stack, just in case.

This way, if it pumps after you sold it, you will make less gains, but you will still make gains.

And if doesn't, as you have just kept a small stack, your losses are limited.

- Adapt your holds proportionally to your total capital.

If you want to make actual gains in a not too long future, don't freeze 90% of your capital in a long-term hold.

If you're strictly in an investment perspective, and if you have studied this project deep enough and have high expectations enough to go for this, then why not. At the end it's your call, your goal, your strategy, your money.

But if you intend to be more playful and make more trades along the way, give yourself a bit of room.

Which doesn't mean being only playful: long-term holds on solid projects are good too, and potentially less risky.

- Buy low, sell high.

Sounds easy, right? But not in the situation.

Buy when there is blood in the streets, at least buy the good projects when there is blood in the streets. It will come back. Sell when everything is glory. It will come down.

The only thing is: you can't time the market.

So when there is blood, will there be more blood before the recovery? Will it recover tomorrow?

When everything is just glory, does it still have a 30% rise before the crash? Will it all start to die tomorrow morning?

Nobody knows. And nobody will know for you, nor care about your money as much as you do.

Analysis, knowledge, information, information sources check, information analysis, guts at the end, and all of the above advices.

And at the end: your money, your choices, your responsibility.

- You prefer earning less than losing.

You already made comfortable gains, you're thinking of selling, but you're afraid it might rise again after you sold. So what if it rises again after you sold? It's ok!

Much better than crashing after you didn't sell. Money is money.

- Keep some ETH on all your wallets.

ETH likely still has a bright future ahead, and you'll need it to pay transaction fees, that may sometimes be very expensive, at a moment where you absolutely need to make a trade.

You don't want to be stuck just because you don't have enough ETH. When you sell a coin, it's a good thing (and most common especially on DEX) to sell it for ETH.

But as a side-note, as ETH is already high at the time of writing, purposely buying a lot of ETH as an investment might prove risky or simply too late for it to be very interesting (see paragraph c) Don't care about the value, care about the multiplying factor or dividing ratio). (But this might prove wrong, so as always, DYOR and make your own choice).

- Keep stables.

Even the biggest projects like ETH or BTC are subject to market volatility.

Supposedly, stablecoins are not.

Stablecoins won't rise in value, but won't fall either, except in the case of black swan events.

Keeping stablecoins prevents you from losing everything in the case of a market crash, plus allows you to always have available funds for time-sensitive new investment opportunities.

For instance, 1/3 of your stack in stables is a good ratio.

At the time of writing, privilege USDC over USDT.

- Invest in big projects, trade small ones.

Likely big projects will follow a more steady growth or stable value (but never assume they will, sometimes they won't), which makes them more adapted to long-term investments, while the smaller ones are more prone to volatility, which unless you expect them to become big, makes them usually less appropriate to investments, because they're too risky, but more suitable for short-term trading, because they offer more moves to take advantage of.

Still, remember that both always keep being risky: investing is always prone to failure, and trading is in its very essence a risky play. Don't invest more than you are happy to lose, don't misjudge your risk tolerance, don't make moves that are beyond your zone of comfortable decision. Your experience is limited.

- Always remember that absolutely no one has the final truth on what is right or wrong to do. You are responsible for your own choices.

It's your money, not anyone else's. It's your responsibility, not anyone else's.

Never invest more than you are happy to lose, avoid panic decisions, always DYOR, get informed as much as you can in all the fields related to blockchain and crypto, market movements, and to the projects you are interested in: for instance, if you are planning to invest in a DeFi project, understand DeFi. In-depth.

Ignorance is your worst enemy, knowledge is your best friend.

Never give your private key to anyone on earth, nor give it on a website that you are not 100% sure about, which is extremely rare, such as Metamask or Myetherwallet. Always double check the URLs to be sure you're not on a counterfeit website pretending to be these ones to scam you. People who PM you on Telegram on or Reddit, and Telegram groups you suddenly find yourself subscribed to without having asked for it, are scams. Period. Don't answer, block them, and never click on any goddamn link they might send you whatever the fucking reason.

- Never take an advice for the final truth. DYOR and think by yourself.
- Never assume an advisor's honesty.
- Don't underestimate your ignorance.
- Improve yourself, be intelligent, analyze yourself and see if you fit with the job, learn from your mistakes and avoid keeping making the same ones.

- Be careful, have fun, be careful.
- Good luck!