Insights Into Personal Trading

This e-book provides a concise overview of the benefits and challenges of personal trading. It highlights common pitfalls and equips you with tools and tactics to manage and analyze your own digital asset portfolio.

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Welcome to the exciting world of personal trading: one that offers you the possibility to take charge of your financial future and start earning passive income.

While the world of personal trading is open and accessible to all, navigating it requires an investment of time, finances, and other resources.

The first and second e-books in this series explored the fundamental principles of digital asset trading and the benefits of managed trading. This third installment delves into personal trading: the benefits, the challenges, and how to get started on this rewarding journey.

Once you have finished this e-book, you will have gained an understanding of trading plans, financial management tools, and useful strategies to handle market volatility and other common pitfalls.

CHAPTER 1

Defining Personal Trading

Personal trading is the buying and selling of financial assets like stocks, bonds, commodities, and currencies by individuals for their own account. Of course, this also includes all types of digital assets.

Unlike when investing via an institutional investor, personal traders make all the investment decisions on their own. There are various styles of personal trading to suit different preferences and lifestyles.

Day trading

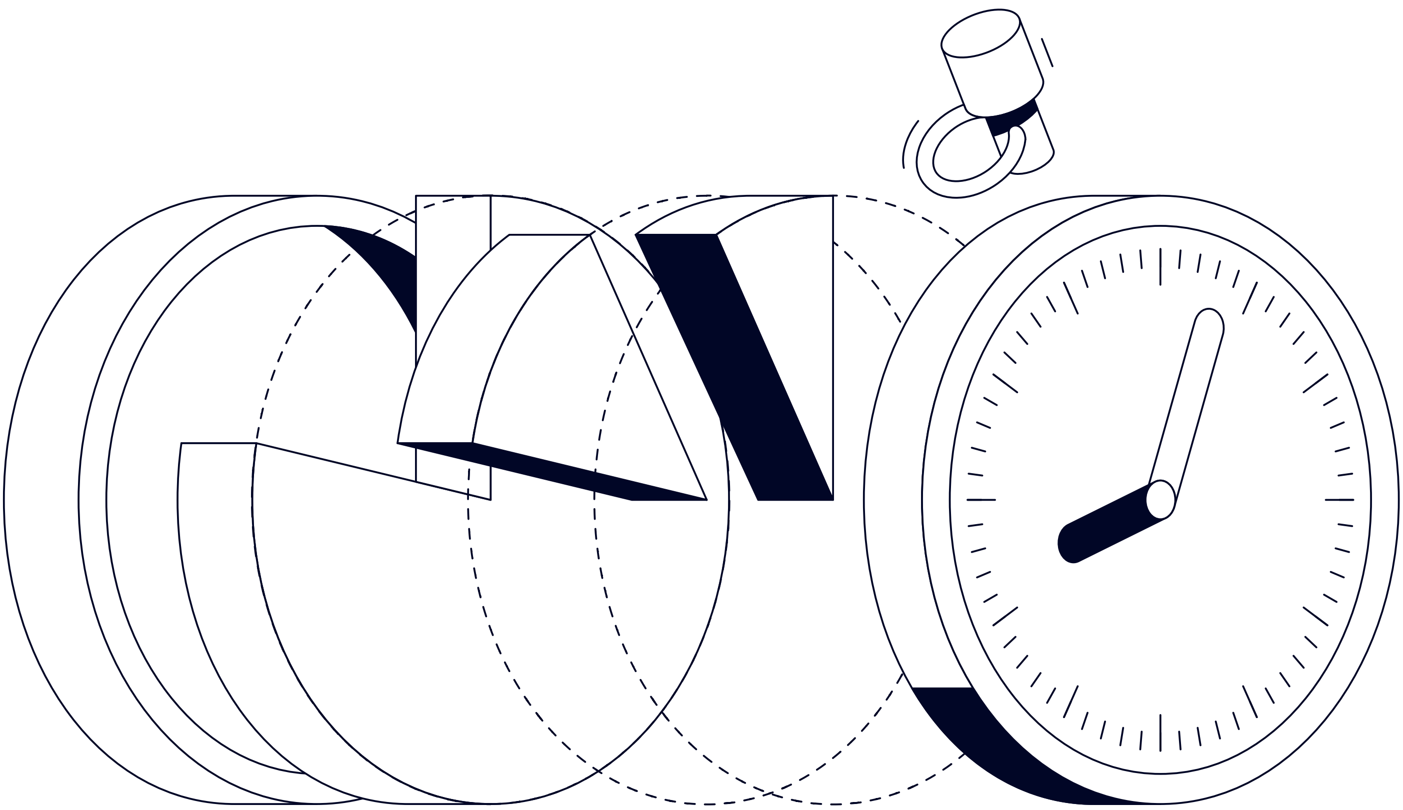
Day trading is for those who seek quick returns by buying and selling the same assets within a single day.

Swing trading

Swing trading suits those who are in it for slightly longer. This type of trading usually has a time frame of several weeks or a couple of months between buying and selling assets.

Long-term trading

Long-term trading typically involves trades lasting for a year or longer.



A successful personal trading journey requires sound preparation and ongoing attention to the market. The six-point checklist on the following page outlines the essential requirements.

01

Finding the right trading platform: Find out about different brokerages and research the trading platforms that best fit your needs, considering their fees, tools, and reputation. Chapter 5 of the second e-book, 'Insights Into Managed Trading,' provides a helpful overview of the different types of platforms on offer.

02

Understanding core principles: If you want to trade independently, you need a strong grasp of core trading principles. Each asset class (e.g. stocks or forex) has unique characteristics. You must also understand how market liquidity affects your trades and the role of leverage in increasing both gains and risks.

03

Developing analytical skills: Learning how to interpret chart patterns and indicators is a prerequisite for success.

04

Getting to grips with the legal framework: A sustainable trading career requires a confident grasp of the legal aspects. You must understand how to operate ethically and in line with current and changing regulations.

05

Learning to control your emotions: Trading is a psychological challenge. Emotions can heavily influence your decisions, and it is easy to get swept up in the highs and lows. It is advisable not to base trading decisions on spontaneous emotional reactions.

06

Staying attuned to the market: As your trading journey progresses, take time to analyze the market, regularly monitor your trade portfolio, and adjust your strategies accordingly.

CHAPTER 2

The Costs of Personal Trading

The Costs of Personal Trading

Embarking on any new adventure comes with costs. Entering the world of personal asset trading is no different. Understanding these costs is vital to effective overall financial management.

Brokerage fees:
Think of these as your 'entry ticket': the price of being allowed to trade. You pay a brokerage fee each time you make a trade. While the individual amounts are relatively minor, they can add up quickly over time, particularly for those who trade frequently.

Spread costs:
Spread cost is the difference between the ask price and the bid price of a trade. The ask price is the lowest price for which a seller is willing to sell a security at a given point in time; the bid price is the highest price for which a buyer is willing to buy it. As such, spread cost can be thought of a bit like the cost of making the transaction. A smaller spread cost equals a cheaper transaction.

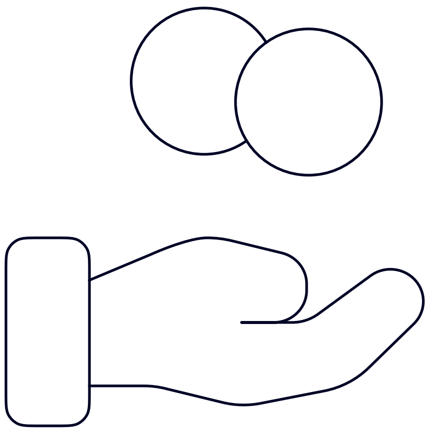
Account management fees:
As the name suggests, these are the regular charges you pay to keep your trading account open. Think of them like a subscription fee.

Trading platform fees:
These are what you pay to gain access to the trading world. Using a trading platform is a bit like renting a car for a journey. Some platforms charge for the essential service of connecting you to the trading marketplace.

Market data fees:
Access to market data is crucial for making informed decisions. Think of these fees like buying a map for your trading journey, ensuring you are not trading blindly.

Transaction fees:
Every trade you make comes with a breadcrumb trail of minor processing costs. These can influence the overall return on your investments.

Tax implications:
Taxes on capital gains and losses can significantly affect your overall financial outcomes. This is a complex area requiring careful consideration.



Note that fee structures in personal trading differ from those applied in managed trading. Unlike personal trading, managed trading often involves percentage-based fees, which can fluctuate based on your account's performance. Depending on your trading interests, trading frequency and volume, the cost arrangements of personal trading can offer a range of benefits and challenges compared to those involved in managed trading.

The main advantages include:

- **Personal trading fees are predictable;** managed trading fees have the potential to vary more.
- Managed accounts may have more complex fee structures compared to the relatively **straightforward costs** of personal trading.
- Personal trading **offers control and flexibility.** You can tailor your trades to avoid unnecessary fees and choose only the services you need.
- You will **not pay performance fees**, a common cost of managed trading.

The disadvantages include:

- Active traders might find that the **costs of frequent trading add up quickly.** Managed accounts often bundle different services under one fee, allowing traders to take advantage of a variety of options with the security of a capped price.
- **Personal trading requires time, knowledge, and skill.** Without the requisite expertise, net return on investment may be less than hoped for and the lower costs of personal trading may turn out be to false economy.
- The absence of professional account management may mean **missed opportunities** or less informed trading decisions, meaning that traders get poorer value for money in the end.
- Individual traders often **do not have the benefits of economies of scale** that large managed funds do.

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CHAPTER 3

Smart Financial Management Tools

Effective trading calls for smart financial management.

If you decide to trade on your own, there are a number of tools that can help you manage your finances efficiently. This section provides a brief overview.

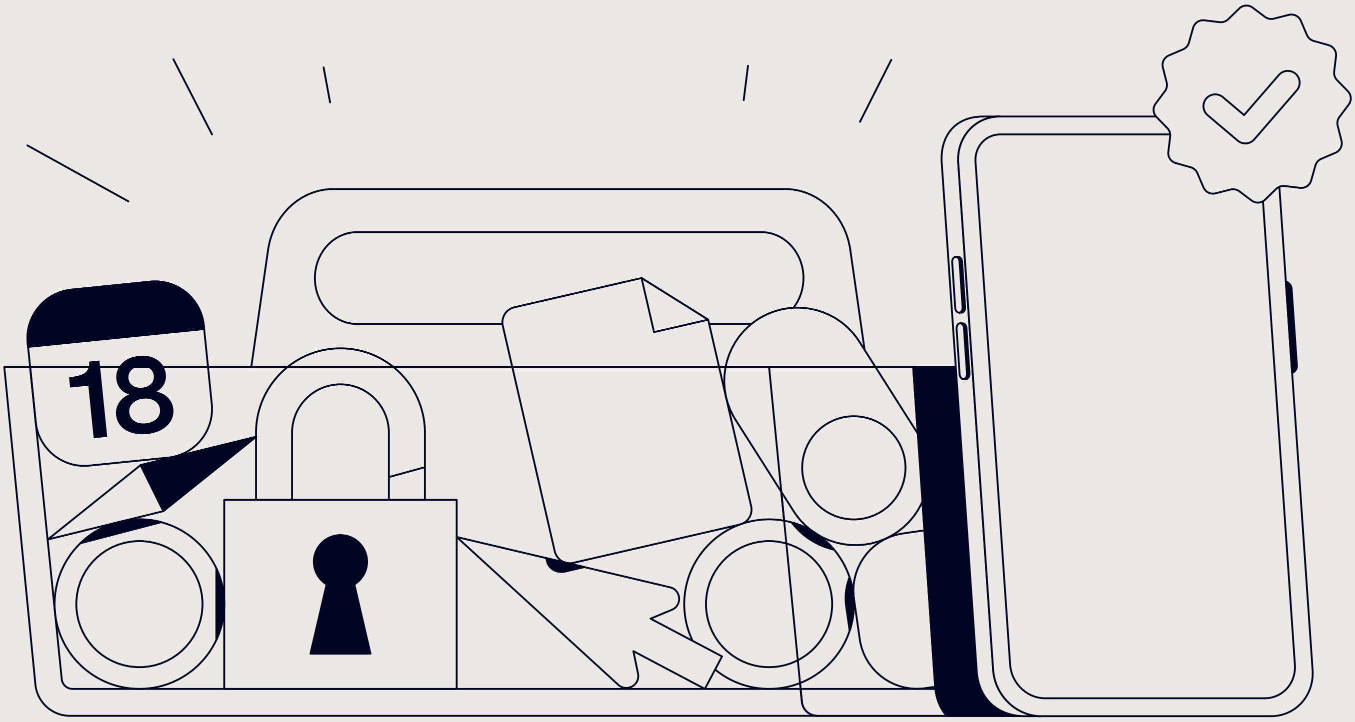
Budgeting software helps you balance your trading capital with daily expenses.

Tax preparation software is vital for accurately reporting your trading income and losses.

Retirement planning tools integrate trading into your long-term financial goals.

Banking apps provide hassle-free fund transfers and credit monitoring services to keep an eye on your overall financial health.

Income protection insurance and investment diversification tools can help to mitigate market volatility and balance your trading activities optimally through a broader investment portfolio.



CHAPTER 4

The 10-Step Guide to Developing a Trading Plan

When you are the one in charge of your investments, clarity and precision are key.

Whether quick scalping, longer-term position trading or anything in between, your chosen trading style must align with your individual preferences, mindset and goals. Different trading styles require varying levels of time commitment and financial investment. Find a balance that suits you without overextending your resources.

Your plan requires careful documentation and regular review. It is crucial to clearly define your financial objectives and the steps you will take to get there. A personalized trading plan serves as a roadmap for your trading journey, laying out clear directions and helping you avoid random, emotionally driven decisions.

The following 10 steps provide a rough blueprint for developing and maintaining an effective trading plan. Many of the steps are covered in more detail later in the e-book series.

01

Be clear on your trading timeframe: Determine whether you are seeking quick gains through day trading, long-term wealth accumulation, or a balance between short and longer-term investment goals.

02

Harmonize your trading with your life goals: Your trading activities should complement, not clash with, your other life goals (like retirement planning or buying a home). Your trading plan must reflect your personal investment timeline and align with your overall financial strategy.

03

Determine your time budget for trading: Think carefully about the amount of time you are able and willing to devote to trading. This will also help to determine whether you are more suited for day trading, swing trading or long-term position trading.

04

Set achievable profit goals: Begin by setting clear goals, remembering that building a strong trading portfolio is a gradual process. Whether you are pursuing a certain return percentage or the achievement of progressive milestones, all of your trading activities must be guided by your goals. Make your goals SMART (specific, measurable, achievable, realistic and timely) to track your progress and maintain focus.

05

Set your comfort level with risk: Decide in advance how much risk you are willing to take. Whether low, medium, or high, your attitude to risk will shape your trading approach. Determine what portion of your capital you are prepared to risk on each trade and allocate capital accordingly to prevent overextending yourself.

06

Limit losses: Step five asked you to consider the maximum amount you are willing to risk per trade. This is crucial for making rational decisions - not emotional ones - when the pressure is on. Now, use this information to establish specific criteria for when to enter and exit trades. This reduces the likelihood of impulsive decisions and helps to maintain consistent results.

07

Test strategies with historical data: Use past market data to test your strategies. This can help to refine them without placing actual capital at risk.

08

Document and revise your plan and actions: Regularly revise your trading plan based on performance and market changes. Documenting the strategies you have pursued and reviewing them against market conditions ensures they remain relevant and effective.

09

Combine quantitative and sentiment analysis: Blend mathematical models with an understanding of market sentiment to enhance your strategy.

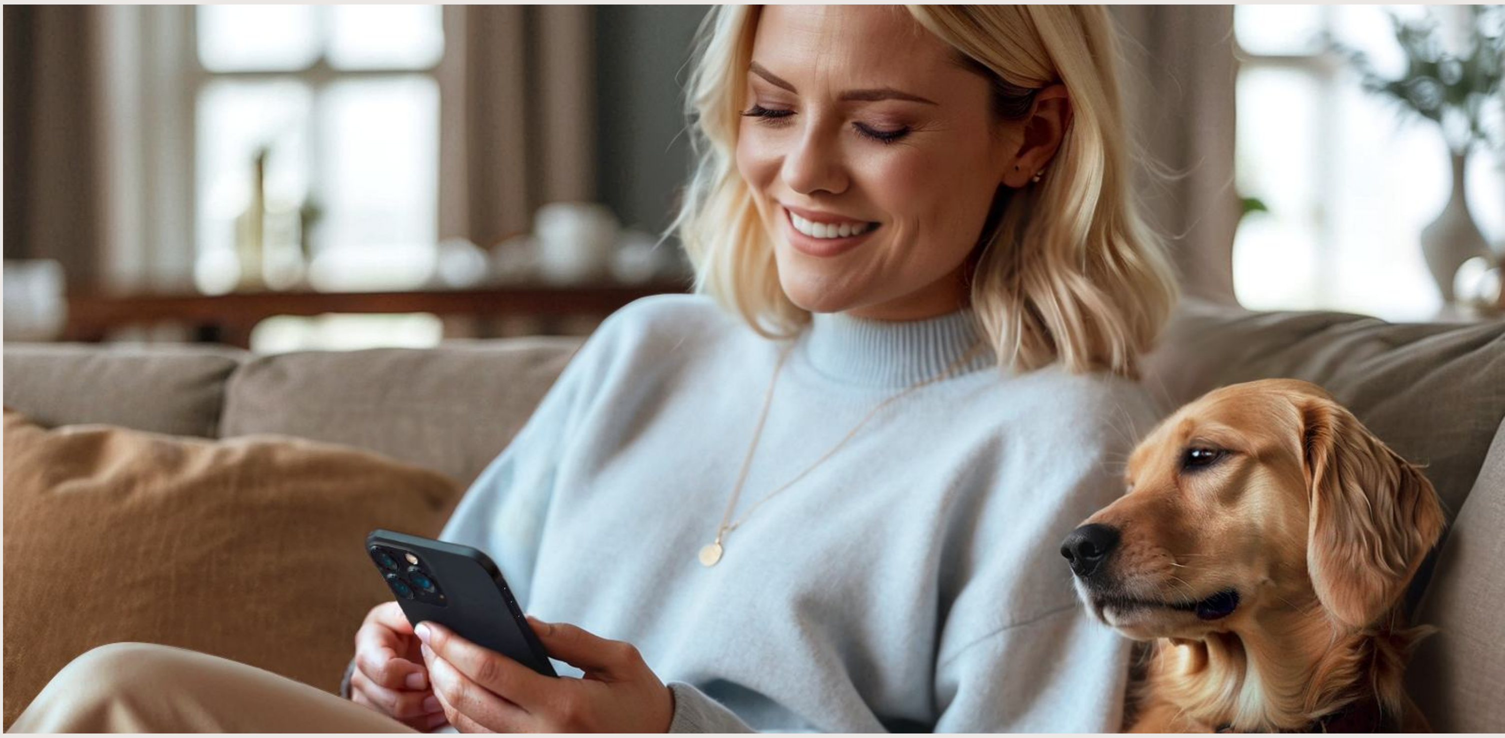
10

Keep your analytical tools up-to-date: Continuously update your toolkit with the latest analytical tools to stay competitive. Keeping a trade journal is a great way to reflect and grow. Regularly reviewing your performance and goals keeps you agile and ready to adapt to market changes

Becoming a trader is an ongoing journey - one that involves navigating market challenges and constantly learning and adapting with the times.

As a trader, your goal is not merely to participate in the markets but to truly understand and fluently speak their language. At the core of this language lies the ability to interpret chart patterns, trends, and volumes. This will help you to anticipate market movements.

The following chapter will help you recognize key economic indicators and support you in developing your analytical skills.



CHAPTER 5

Analyzing Market Trends and Economic Indicators

Analysis lies at the heart of trading.

When you choose to engage in personal trading - i.e. when you are the one to decide which digital assets to buy or sell - it becomes all the more important to continuously refine your analytical skills.

With a personal trading journey comes vast oceans of data to sift through. But having access to the data is just the beginning: you also need to understand and apply it effectively.

Here are three key tips to keep in mind.

01

Identify reliable information streams: By taking time to select the right sources, you ensure that expert advice is always on hand. Financial news websites and market reports are your bread and butter, providing a constant stream of updates. Keep in mind, however, that the quality and timeliness of these sources can vary. For best results, curate a personal list of publications and industry insiders that align with your trading philosophy.

02

Be aware of the impact of global events: From an election in a major economy to a natural disaster impacting supply chains, global events can send ripples or even tsunamis through the markets. Understanding the interconnectedness of events and market reactions is more art than science, requiring experience and a keen sense of observation.

03

Cut through the noise: The market is bombarded with news 24/7 - but not all of it really matters. Learning to distinguish between what is impactful and what is 'just noise' is a skill that comes with time and conscious practice.

Personal traders must learn to identify market trends.

A market trend is the overarching story of price movements over time, fluttering between the highs and lows. It entails not just recognizing a pattern, but grasping its narrative - why it exists, how it is sustained, and when it might pivot in a different direction.

TIP

As a starting point, look out for these three basic developmental trends.

01
Charts where uptrends are the heroes, guiding prices upwards.

02
Charts where downtrends are the adversaries, pulling values down.

03
Charts dominated by sideways trends: uncertain subplots that can swing either way.

Your detective work involves discerning these patterns and translating the market's story into a coherent, meaningful narrative. In addition, keep an ear to volume: Is the murmur of the crowd growing louder in agreement or fading away in doubt? Volume confirms whether a trend is founded on the applause of an enthusiastic audience or is merely a one-man show.

The timeline of trends also plays a critical role. Short-term trends can be viewed as the fleeting thoughts of the market; long-term trends are the deep-seated beliefs. Grasping this temporal element can mean the difference between skimming the waves and riding the tide.

CHAPTER 6

10 Tools and Tips for Trading Decision-Making

A variety of tools are available to support you in developing your trend analysis skills and understanding patterns. In today's market, technology and tools can provide a significant edge.

Below are 10 tools and tips for making sound personal trading decisions.

01

Keep an economic calendar to track indicator releases: An economic calendar is like a schedule for your favorite TV show. It ensures you are present for all the action and do not miss out on critical events.

02

Stay up-to-date with news aggregators: Modern technology allows you to set up alerts for particular market events or indicators, ensuring you never miss a beat. In a market that never sleeps, real-time alerts can be a personal trader's most important ally. Leverage the power of news aggregators to curate a tailored news stream with the most relevant news for you.

03

Use charting tools and indicators in your trade analysis: Charting software is indispensable for technical analysis and identification of potential trading opportunities. Applying charting tools and indicators to your trading activity is like using a magnifying glass to read between the lines, spotting the trends and patterns that lie hidden in plain sight.

04

Practise with simulation tools: Trade simulation tools allow you to practice your strategies and hone your skills without placing capital at risk.

05

Take advantage of automated trading systems: Automated trading systems can execute trades based on predefined criteria, removing the emotional element from trading.

06

Use portfolio tracking: Implementing portfolio tracking tools helps you monitor performance and ensure that your asset allocation aligns with your strategy.

07

Embrace analytics and AI: Analyzing your own trade data with statistical tools refines your approach by identifying what works and what doesn't. With advanced analytics and machine learning, traders can predict trends and movements with greater accuracy. Algorithmic trading systems can automate various aspects of your strategy, freeing up time to focus on the bigger picture.

08

Learn from the past through backtesting: Historical data is a goldmine for testing and refining trading strategies. Backtesting helps to verify whether a strategy would have been successful over the longer-term past and is likely to produce consistent results. It's like the dress rehearsal before the live performance, familiarizing you with the potential twists and turns.

09

Continue learning: From webinars to courses and published literature, the importance of an ever-growing knowledge base cannot be overstated. Joining forums and engaging in trader communities can provide insights and perspectives that might not be found in mainstream news. Note, however, that these communities can also be a hotbed for rumors, so it is important to verify the information you acquire via multiple sources.

10

Stay mobile and integrated: Mobile apps and integrated trading platforms ensure that you remain connected 24/7, whether at the coffee shop or on the go. They enable you to manage trades and monitor positions from your pocket - anytime, anywhere.

CHAPTER 7

Combating Market Volatility

Combating Market Volatility

When you dive into the world of personal trading, there are various challenges of which you, the trader, must be aware. Navigating market volatility is one of the most important.

Market volatility manifests in rapid and unpredictable movements in asset prices. It can be influenced by a confluence of factors, from the release of economic data to geopolitical shocks and shifts in market sentiment.

Volatility is a barometer of uncertainty. Indicators like the VIX, known as the 'fear gauge,' allow traders to quantify this uncertainty. Be aware, however, that volatility also comes in different guises: **historical volatility** looks backward, assessing past price fluctuations, while **implied volatility** gazes into the crystal ball, predicting future turbulence based on market expectations.

News and investor behavior are the amplifiers of market volatility. A mere hint of unrest can send shockwaves through markets, as liquidity dries up and traders scramble to adjust their positions.

To master volatility, personal traders require a comprehensive toolkit of both technical and fundamental analysis tools. This gives them the means to decipher the patterns and underlying causes of market upheavals**. Risk management, the shield against volatility's arrows**, involves methods like stop-loss orders, ensuring traders do not fall on their swords during market mayhem.

Diversification is the trader's life raft, preventing them from sinking when the market storms hit. **Options and derivatives serve as the protective armor**, hedging against the volatility beast. And when the market roars, **automated trading systems and mobile trading apps** stand as vigilant sentinels, enabling quick and strategic responses.

To find out more about diversification methods and strategies, see Chapter 2 of the second e-book, 'Insights Into Managed Trading.'

CHAPTER 8

Being Aware of Emotional Biases

Being Aware of Emotional Biases

Decision-making is a pivotal skill in personal trading. Traders are often their own worst enemy - not because of a lack of technical ability or understanding, but due to emotional biases that skew their judgment. This chapter delves into the labyrinth of the trader's mind, exploring how emotions affect trading decisions and what can be done to navigate this treacherous terrain.

Patience is a virtue and stress management a necessity. Goal setting and a clear trading plan are the trader's compass, guiding them through the fog of market uncertainty and steering them away from impulsive decisions.

Emotional biases are the silent saboteurs of rational decision-making. Traders, being human, are susceptible to a spectrum of emotions that can distort their judgment. Fear might cause them to sell too early, while greed can cause them to hold on to losing positions in hope of a turnaround. Regret may paralyze future decision-making, while overconfidence can inflate the perceived likelihood of success. These biases often stem from cognitive distortions and emotional reflexes formed in response to past experiences.

Self-awareness is the first defense against emotional biases. There are several methods traders can use to build awareness of their personal biases. One such method is keeping a trading journal: a detailed record of past decisions that, upon retrospective review, can reveal recurring patterns of emotional bias. Seeking feedback from mentors or peers may also highlight biases that would otherwise be overlooked.

Traders can adopt a range of helpful practices to decouple their emotions from their trading decisions, including:

01

Creating a systematic trading plan with predefined entry and exit criteria: a roadmap to keep emotional whims in check.

02

Making use of stop-loss orders - a practical tool to enforce discipline and ensure that losses are capped at acceptable levels.

03

Diversifying their portfolio by spreading investments across various assets, reducing the emotional impact from any single trade.

04

Implementing emotional hygiene measures such as regular breaks and a supportive trading environment, which can minimize stress and prevent emotional overload.

05

Understanding and applying the principles of behavioral economics as a means of identifying market irrationality. Behavioral economics provides insight into how and why traders often act against their own best interests. Principles such as loss aversion and herd behavior are directly applicable to trading decisions.

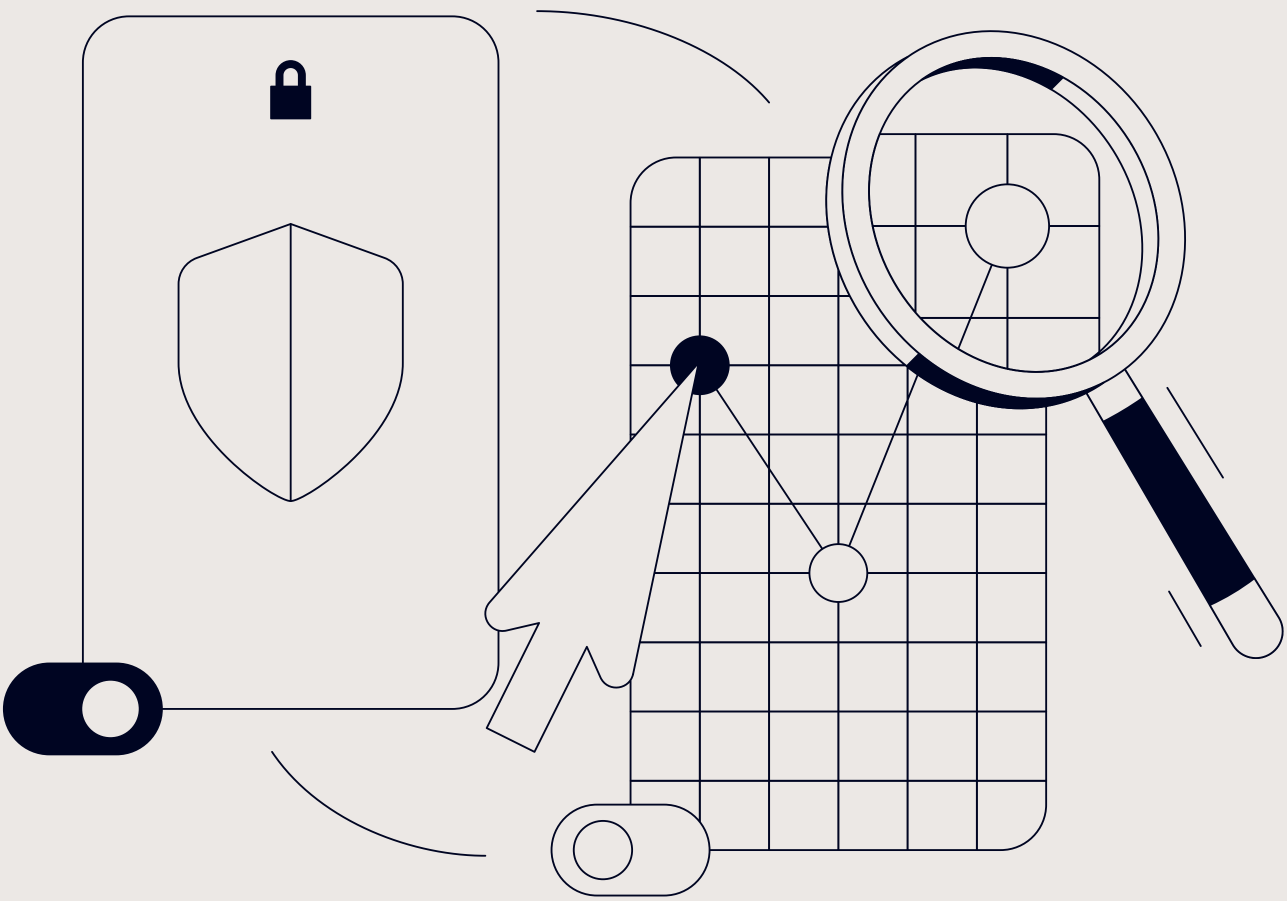
CHAPTER 9

Establishing Risk Management Tactics

Risk management is the process of identifying, analyzing, and mitigating the uncertainties that come with investment decisions.

In personal trading, it's on you as the decision-maker to stay informed about protecting your portfolio.

Risk management is about shielding your trading capital from the unexpected twists and turns of the market. A disciplined approach is key, as this helps to avoid decisions driven by emotions rather than reason.



Effective diversification:
Diversification is an investor's first line of defense. By spreading investments across various asset classes, sectors, and geographies, you reduce the impact of a single poorly-performing investment on your overall portfolio.

Stop-loss orders:
Setting stop-loss orders is like taking out an insurance policy for your trades. Your stop-loss value is the predetermined point at which you intend to exit a position to prevent further losses, helping maintain your capital for future investment opportunities. This value can be set on your trading platform to function as an automatic exit for losing trades.

Regular monitoring:
Because the market is always in flux, regular monitoring of your positions is vital. Adjusting your strategy based on market conditions can mean the difference between a minor setback and a major loss.

Technical and fundamental analysis:
Both technical and fundamental analysis play a role in setting realistic stop-loss and take-profit levels as well as in understanding market movements and identifying economic indicators.

Quantitative models:
Using quantitative models helps predict potential losses in different market scenarios, adding a layer of sophistication to your risk management strategy.

Software tools:
Software tools alert you to significant market changes as they happen, allowing you to practise real-time risk management by adjusting your strategy accordingly.

Leverage:
Understanding leverage and its impact on your trading account is critical. A good understanding can amplify your gains, while poor attention to leverage can amplify your losses.

Risk-to-reward ratio:
The risk-to-reward ratio is a critical concept that helps traders assess the potential upside and downside of a trade. It’s all about finding the right balance for you: the point at which the potential gains justify the risks involved.

These and other risk management practices are the safety net that can save you from catastrophic losses. If you want to survive and thrive in the markets long-term, implementing robust risk management measures is non-negotiable.

CHAPTER 10

Navigating Common Pitfalls

Personal trading can be an exhilarating and profitable venture. At the same time, it is fraught with traps that can derail even the most disciplined investor.

By understanding how to navigate common pitfalls, personal traders can fine-tune their performance and achieve sustained success. Seven of the most common pitfalls of personal trading include:

01

The trap of overtrading: Too many trades without proper analysis can lead to erratic results. It is important to trade with purpose and justification.

02

The temptation to chase losses: Impulsive trades aimed at recovering losses often merely exacerbate the problem. It is vital to remain disciplined and stick to your trading plan.

03

Unpreparedness for market anomalies: Rare and unpredictable market events can affect the consistency of your trading results. 'Expecting the unexpected' is an integral part of a robust trading approach.

04

Unawareness of personal biases: Awareness and mitigation of personal biases helps prevent skewed decision-making that can affect trading consistency.

05

The struggle of undercapitalization: Consistent trading with limited financial resources is a challenge - one that requires smart strategy and realistic expectations.

06

The double-edged sword of technology: Technical issues can affect trade execution and must be managed effectively to maintain consistency.

07

Failure to keep pace with regulatory changes: The trading world is bound by ever-changing regulations. Staying compliant is essential for consistent results in the long term.

CHAPTER 11

Conclusion and Key Takeaways

Effective personal trading unites the skills of information scraping, data analysis, unbiased decision-making and risk management with a thorough understanding of economic market interlinkages and legal frameworks.

To be a successful personal trader, you must **embrace the need for continuous learning** in each of these complex areas.

Staying informed and adaptable is not just about having access to information: **it is about curating, analyzing, and responding to that information in a way that aligns with your trading goals and strategies.** By building routines, utilizing technology, continuing to learn, and maintaining emotional resilience, you can navigate the choppy waters of the digital trading market with confidence.

When it comes to personal trading, it is consistent results that are the mark of true proficiency. Traders can achieve consistency by understanding the factors that affect it, employing strategies to enhance it, and learning to navigate common obstacles.

Key Takeaways

The key lessons from this third e-book are:

01

Personal trading is defined as the buying and selling of financial assets like stocks, bonds, commodities and currencies by an individual for their own account. (This also includes all types of digital assets.) Personal trading involves a number of different **trading fees.** These fees are generally transparent and straight-forward; however, personal raders may find that they **add up quickly** to a high total amount with frequent trading activity.

02

A clear trading plan serves as a roadmap for success and a key tool for avoiding random, emotionally driven decisions. Such a plan should include a clear timeframe, achievable profit goals, a set limit on losses, and a defined risk tolerance level. **At its core, successful personal trading arises from analyzing market trends, identifying reliable information streams, understanding the interconnectedness of events and market reactions, and learning to distinguish between irrelevant noise and events with genuine impact.** Trading decisions should be made and continuously adapted on the basis of these key inputs.

03

Using the right trading tools and technology can help to simplify your digital trading routine and professionalize your personal trading decisions. Such tools include keeping an economic calendar, setting news aggregators, using charting tools, practicing with simulation tools, turning on automated trading systems, embracing AI, setting up portfolio trading tools, backtesting, and staying mobile.

04

In the world of **personal trading, traders are often their own worst enemy** - not because of a lack of technical ability or understanding, but due to emotional biases that skew judgment. **Emotional biases are the silent saboteurs of rational decision-making.** To decouple emotions from trading decisions, traders must become self-aware, stick to a systematic trading plan, use stop-loss-orders, diversify their assets, and enhance their emotional hygiene.

CHAPTER 12

Glossary

Glossary

You can also visit our glossary online: www.teroxx.com/learn/glossary

A

Administrative fees
Charges incurred for administrative services provided by a financial institution, typically applied to managed trading accounts for services like account maintenance and reporting.

Alpha and beta
Alpha is a measure of an investment's performance relative to a benchmark, reflecting the excess return achieved by the investment manager through skill or strategy. By contrast, beta represents the sensitivity of an asset's returns to movements in the overall market. A beta greater than 1 indicates higher volatility compared to the market, while less than 1 signifies lower volatility.

Anti-money laundering (AML)
Anti-money laundering (AML) refers to regulations and procedures designed to prevent the process of illegally concealing the origins of money obtained through criminal activities. In the context of digital asset trading, adherence to AML guidelines and Know Your Customer (KYC) policies is essential for maintaining legal compliance and safeguarding investments from illicit financial activities.

Asset(s) / Digital asset(s)
An asset typically refers to any resource with economic value that an individual, company, or entity owns or controls and that can be used to generate future benefits. In the context of digital asset trading, digital assets are assets that exist in electronic form and are stored digitally, such as cryptocurrencies, digital tokens, or digital representations of real-world assets like art or property. These assets rely on blockchain or similar technology for security and verification.

Assets under management (AUM):
The total market value of assets managed by an investment firm or financial institution on behalf of an investor.

B

Bear markets:
Bear markets are periods in the financial markets characterized by declining prices across various asset classes. They are typically accompanied by pessimism and a general expectation of further losses.

Benchmarks
Standard reference points that provide a baseline for comparison when evaluating the performance of investments, portfolios, or strategies.

Bitcoin
Bitcoin is a decentralized digital currency that was introduced in 2009 and pioneered peer-to-peer transactions without the need for intermediaries like banks. As the first cryptocurrency to enter the market, Bitcoin revolutionized the concept of digital value exchange and sparked the growth of the digital asset market. In doing so, it also prompted increased scrutiny and attempts at regulation from governments and regulatory bodies worldwide.

Blockchain
A blockchain is an open, decentralized digital ledger that records transactions across a network of computers in a secure and transparent manner. Each transaction, or 'block,' is linked to the previous one to form a chronological chain of blocks. This gives rise to the name 'blockchain.' This technology enables secure and immutable record-keeping, with applications ranging from cryptocurrencies like Bitcoin to supply chain management and voting systems.

Bull markets
Bull markets are periods of sustained optimism and rising prices in the financial markets. They are marked by investor confidence, economic growth, and expectations of continued upward momentum.

C

CBDCs (central bank digital currencies)
Central bank digital currencies (CBDCs) are digital forms of national currencies issued by central banks. They enable electronic payments and transactions while maintaining the backing and stability of traditional fiat currencies.

Centralized exchanges (CEXs)
Centralized exchanges are platforms where users can buy, sell, and trade cryptocurrencies and other digital assets, with transactions facilitated by a central authority or intermediary.

Coincident indicators
Coincident indicators are economic indicators that move in tandem with the overall economy's business cycle, offering real-time insights into current economic conditions.

Compliance
Compliance describes adherence to laws, regulations, and standards set by regulatory bodies and governing authorities to ensure ethical and legal conduct within financial markets.

Consensus mechanisms
Consensus mechanisms are protocols used in blockchain networks to achieve agreement among participants on the validity of transactions and the state of the ledger. This ensures the integrity and security of the network without the need for a central authority.

Correlation coefficient
A statistical measure indicating the degree of relationship between two variables or sets of data. In a trading context, the data sets are financial instruments such as stocks. If two financial instruments have positive correlation, it means they tend to move up and down together.

Crowdfunding
Crowdfunding is a method of raising capital for projects or ventures by collecting small contributions from a large number of individuals, often via online platforms. It enables supporters to invest in or donate to projects they believe in.

Cryptocurrency
A cryptocurrency is a type of digital or virtual currency that uses cryptography for security and operates on decentralized networks based on blockchain technology. Unlike traditional currencies, cryptocurrencies are typically not issued by a central authority such as a government or central bank. Instead, they rely on an open, distributed ledger to record transactions. They can be used for various purposes, including online purchases, investments, and as a medium of exchange.

D

DAOs (decentralized autonomous organizations)
Decentralized autonomous organizations (DAOs) are organizations run by code and smart contracts on a blockchain. They allow for decentralized decision-making and governance without the need for centralized management.

Decentralized exchanges
Decentralized exchanges are platforms that enable peer-to-peer trading of cryptocurrencies and digital assets directly between users. They remove the need for intermediaries or central authorities, thereby enhancing privacy and security.

Decentralized Finance (DeFi)
Decentralized Finance (DeFi) refers to a variety of financial services and applications that are built on blockchain technologies. The goal of DeFi is to create open, permissionless, and transparent financial systems that enable activities such as lending, borrowing, trading, and investing without traditional intermediaries like banks.

Derivatives
Derivatives are financial contracts whose value derives from the performance of an underlying asset, index, or rate, often used for risk management or speculation.

Dividends
Dividends are the portions of a company's earnings that are distributed to its shareholders. They are typically paid out on a regular schedule, usually quarterly, as a reward for owning the company's stock.

Dodd-Frank Act
Dodd-Frank Act: U.S. legislation enacted in response to the 2008 financial crisis, aimed at regulating the financial industry and reducing systemic risk.

Drawdowns
Drawdowns represent the peak-to-trough decline in the value of a portfolio or investment during a specific period, measuring the extent of loss experienced before a recovery.

E

Environmental, social, and governance (ESG) factors
Environmental, social, and governance (ESG) factors are criteria used to assess the sustainability and ethical impact of an investment. They consider things like a company's environmental impact, social responsibility, and corporate governance practices.

Entry and exit fees
Charges incurred when entering or exiting an investment, often applied to managed trading accounts or investment funds.

Exchange-traded fund (ETF)
Exchange-traded funds (ETFs) are investment funds traded on stock exchanges in a similar way to stocks. They hold assets like stocks, commodities, or bonds and typically aim to replicate the performance of a specific index.

F

Fear gauge (VIX)
The VIX (Volatility Index), more commonly referred to as the 'fear gauge,' is a measure of market volatility derived from the prices of options contracts on the S&P 500 index. It is often used as an indicator of investor sentiment and market uncertainty.

Financial Conduct Authority (FCA), United Kingdom
The Financial Conduct Authority (FCA) is the regulatory body in the United Kingdom that is responsible for overseeing and regulating financial firms and markets to ensure their integrity and protect consumers.

Forex
Forex, or foreign exchange, refers to the global market on which currencies are traded. It enables individuals, businesses, and institutions to buy, sell, and speculate on the value of different currencies relative to one another.

Futures
Derivative financial contracts that obligate the

G

Gross domestic product (GDP)
Gross domestic product (GDP) is the total monetary value of all goods and services produced within a country's borders within a specific time period, often used as a key indicator of a nation's economic health and performance.

H

Hedging
Hedging is a risk management strategy used to offset potential losses in one asset by taking an opposite position in another asset. Its aim is to protect against adverse price movements.

Hash rate
Hash rate refers to the speed at which a computer or network can perform the cryptographic calculations required to mine cryptocurrency blocks or validate transactions on a blockchain. The hash rate is a measure of the computing power dedicated to a blockchain network and is often expressed in hashes per second (H/s), kilohashes per second (kH/s), megahashes per second (MH/s), gigahashes per second (GH/s), or terahashes per second (TH/s), depending on the scale of the network's operations. A higher hash rate indicates greater computational power and network security.

Herd behavior
Herd behavior refers to the tendency of individuals to follow the actions of the crowd or group rather than making independent decisions. It often leads to exaggerated market movements and the formation of bubbles or panics.

Historical volatility
Historical volatility measures the past price movements of a financial asset over a specified period, providing insights into the asset's past performance and the level of risk associated with it.

I

Implied volatility
Implied volatility is a measure of expected future volatility derived from the prices of options contracts. It indicates the market's expectations for potential price fluctuations in the underlying asset.

ICOs (initial coin offerings)
Initial coin offerings (ICOs) are fundraising events in which new cryptocurrencies or tokens are sold to investors in exchange for established cryptocurrencies or fiat currencies. ICOs enable blockchain projects to raise capital for development, but come with risks such as regulatory uncertainty and potential for scams.

Index funds
Index funds are investment funds that aim to replicate the performance of a specific market index, such as the S&P 500, by holding the same proportion of assets as the index they track. They offer broad market exposure with lower fees compared to actively managed funds.

IPO
An initial public offering (IPO) is the process by which a private company offers its shares to the public for the first time, allowing it to raise capital by selling ownership stakes to investors on a stock exchange.

K

Know Your Customer (KYC) policies
Know Your Customer (KYC) policies are procedures and regulations implemented by financial institutions and other businesses to verify and authenticate the identity of their customers. KYC measures typically involve collecting personal information - such as identification documents and proof of address - to prevent fraud, money laundering, and terrorist financing activities. This ensures compliance with legal and regulatory requirements.

L

Lagging indicators
Lagging indicators are economic or financial metrics that change after the economy or market has already begun to follow a particular trend. They provide confirmation of past trends but offer limited predictive value for future movements.

Layer 2
Layer 2 refers to any scalability solution built on top of an existing blockchain network. Layer 2 solutions aim to improve transaction throughput and reduce fees by processing transactions off-chain or in a more efficient manner.

Leading indicators
Leading indicators are economic or financial metrics that change before the economy or market follows a particular trend, offering insights into future trends or shifts in economic activity.

Leverage
Leverage refers to the use of borrowed funds to amplify potential returns from an investment. However, it also magnifies the potential losses, thus increasing both risk and potential reward.

Limit orders
Limit orders are instructions placed by traders to buy or sell assets at a specified price or better. These orders are executed only if the market price reaches the specified level, allowing traders to set precise entry and exit points for their trades.

Liquidity
Liquidity refers to the ease with which an asset can be bought or sold in the market without significantly affecting its price, often characterized by high trading volume and tight bid-ask spreads.

Liquidity mining
Liquidity mining is a mechanism used in decentralized finance (DeFi) protocols to incentivize users to provide liquidity to trading pools or lending platforms by rewarding them with tokens. Users contribute their assets to these platforms to facilitate trades or loans and help maintain liquidity in the ecosystem. The tokens are given in return.

Longer-term position trading
Longer-term position trading involves holding investment positions for an extended period, typically months to years, based on analysis of fundamental and technical factors rather than short-term market fluctuations.

Loss aversion
Loss aversion is a psychological bias whereby individuals feel the pain of losses more acutely than the pleasure of equivalent gains, often leading to risk-averse behavior and suboptimal decision-making.

M

Managed trading
Managed trading refers to a type of service whereby professional traders or investment firms manage the trading activities of clients' accounts on their behalf, typically for a fee or a share of profits. This approach allows investors to leverage the expertise and experience of professional traders while diversifying their investment portfolios as desired and mitigating the need for active involvement in trading decisions.

Management fees
Fees charged by investment managers or advisors for managing investment portfolios.

Market orders
Market orders are instructions given by traders to buy or sell assets at the current market price. Unlike limit orders, which specify a desired price for execution, market orders are executed immediately at the best available price in the market. They ensure swift execution, but may result in trades being executed at prices slightly different from the current market quote. This is particularly the case in volatile markets.

MiCAR (Markets in Crypto-Assets Regulation)
A regulatory framework established to govern the trading, issuance, and custody of crypto-assets within the European Union (EU). MiCAR aims to ensure investor protection, market integrity, and financial stability in the rapidly evolving cryptocurrency market landscape, promoting transparency and innovation while mitigating risks associated with digital asset transactions.

MiFID II
MiFID II, or the Markets in Financial Instruments Directive II, is a European Union regulation aimed at improving transparency, investor protection, and market integrity in financial markets.

N

NFTs (non-fungible tokens)
Non-fungible tokens (NFTs) are unique digital assets that are stored on a blockchain and represent ownership or proof of authenticity of digital or physical items, such as art, music, videos, or collectibles.. Each NFT has distinct characteristics and cannot be replicated, making them valuable for creators and collectors in digital markets.

O

Overconfidence in trading
A behavioral bias whereby traders overestimate their abilities and underestimate risks, leading to poor decision-making and investment losses.

P

Personal trading
Personal trading involves individuals buying and selling financial assets for their own investment goals based on their own research and analysis. It differs from managed trading in that it is carried out independently of a financial institution. It reflects the personal trader's individual risk tolerance and investment strategies.

Performance fees
Fees charged by investment managers or advisors based on the performance of an investment portfolio, typically calculated as a percentage of profits.

Pips
The 'pip,' or 'percentage in point,' is the smallest unit of price movement in the foreign exchange market. It typically represents the fourth decimal place in currency pairs and is used to measure changes in exchange rates.

Pre-IPO access
Pre-IPO access refers to the opportunity for select investors to purchase shares of a company before the initial public offering (IPO). It is typically offered to institutional investors or high-net-worth individuals.

Pump-and-dump
Pump-and-dump refers to a type of scheme whereby the price of an asset is artificially inflated (pumped) through misleading information or hype. This is followed by a coordinated sell-off (dump) to profit at the expense of unsuspecting investors.

Q

Quick scalping
Quick scalping is a trading strategy that involves making numerous small trades to profit from small price movements in a short period. It relies on high-speed trading platforms and rapid execution.

R

Regulatory technology (RegTech)
Regulatory technology (RegTech) refers to technology solutions designed to help financial institutions comply with regulatory requirements more efficiently and effectively, often utilizing automation, data analytics, and artificial intelligence.

Return on investment (ROI)
Return on investment (ROI) is a measure used to evaluate the profitability of an investment relative to its cost, calculated by dividing the net profit generated by the investment by its initial cost.

Risk-to-reward ratio
The risk-to-reward ratio is a measure used by traders to assess the potential return of an investment relative to its risk. It is calculated by dividing the expected profit of a trade by the potential loss.

S

Security tokens
Security tokens are digital tokens representing ownership of assets such as real estate or company shares. These tokens often adhere to securities regulations, providing investors with certain rights and protections.

Securities and Exchange Commission (SEC), United States
The Securities and Exchange Commission (SEC) in the United States is the regulatory agency responsible for overseeing and regulating the securities industry, protecting investors, and maintaining fair and orderly markets.

Settlement
Settlement is the process of transferring ownership of securities from a seller to a buyer and exchanging payment for the securities. It typically occurs a few days after a trade is executed.

Sharpe ratio
The Sharpe ratio is a measure of risk-adjusted return that calculates the excess return of an investment per unit of risk, with risk typically measured as the standard deviation of returns.

Spread
Spread is the difference between the bid and ask prices of a financial instrument. As such, it represents the cost of executing a trade and the profit margin for market makers.

Stablecoins
Stablecoins are cryptocurrencies designed to maintain a stable value by pegging their price to an underlying asset like fiat currency or commodities. In this way, they provide a reliable means of transferring value and hedging against volatility in the cryptocurrency market.

Standard deviation
Standard deviation is a statistical measure of the dispersion of returns or prices around the mean or average, providing insight into the volatility or riskiness of an investment.

Stocks
Stocks represent ownership in a corporation, entitling shareholders to a portion of the company's assets and earnings. They are typically traded on stock exchanges.

Stop-loss orders
Stop-loss orders are instructions issued by traders to automatically sell an asset if its price falls to a specified level. They help to limit potential losses and manage risk in volatile markets.

Systematic risks
Systematic risks are risks that are inherent to an entire market or economy and affect all investments to some degree. Examples of systematic risks include interest rate changes, political instability, or economic downturns.

T

Token(s)
Tokens are digital assets representing ownership, utility, or access rights within a blockchain-based ecosystem. They are often used in crowdfunding, decentralized finance (DeFi), and other applications.

Tokenized
'Tokenization' refers to the process of converting assets, such as NFTs, into digital tokens using blockchain technology ('tokenizing'), ensuring each unit's uniqueness and preventing replication or division. These tokens serve as proof of ownership and authenticity within the digital space.

Trading
Trading involves buying and selling financial assets such as stocks, bonds, or cryptocurrencies with the aim of generating profits through speculation, analysis, and market timing.

Trading futures
Trading futures refers to the act of choosing to buy or sell a futures contract: a standardized agreement to buy or sell an asset at a predetermined price on a specified future date. Trading futures provides investors with exposure to the price movements of the underlying asset without owning it outright.

U

Trading plan
A trading plan is a comprehensive set of rules and guidelines that outline an investor's approach to trading, including criteria for entering and exiting trades, risk management strategies, and performance evaluation criteria.

Unsystematic risks
Unsystematic risks are risks specific to an individual investment or company, such as management changes, supply chain disruptions, or product recalls.

V

Variance
Variance is a statistical measure of the dispersion of returns around the mean or average, representing the average squared deviation from the mean. It is often used to quantify the volatility or risk of an investment.

W

Volatility scalping
Scalping is a trading strategy that involves making numerous small trades with the aim of profiting from small price movements. It is often executed within a time frame of seconds or minutes.

Wash trading
Wash trading refers to the practice of artificially inflating trading volumes by repeatedly buying and selling the same asset to create the illusion of activity. It is often used to manipulate market perceptions or attract investors.

Whales
Whales are individuals or entities holding large amounts of cryptocurrencies or other assets. Due to their significant holdings, they are capable of influencing market prices through their buying or selling activity.

Y

Yield farming
Yield farming is a practice in decentralized finance (DeFi) whereby users leverage a range of protocols and strategies to maximize their returns by providing liquidity, staking assets, or participating in other yield-generating activities within blockchain networks.

Please Note

This e-book series is an advertorial for Teroxx. Founded in 2018, Teroxx is a boutique digital asset trading company serving private customers and institutional investors across Europe. It is among the first companies to have achieved wallet exchange and custodian authorizations in Lithuania, a European fintech hub.

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