

CRYPTOCURRENCIES – WHAT ARE THEY?

There has been a surge in interest in Cryptocurrencies over the last few years with many investors like me making huge profits out of them. The very first digital currency of such was Bitcoin and since then there have been many others that have sprouted. In this article I hope to give you a little insight into the world of cryptocurrencies and why they have become so popular with everyday people.

What is a Cryptocurrency?

In its simplest terms, it is a form of digital cash – a virtual form of currency that is secured by using cryptography. Unlike banks which are government controlled and have a central authority, cryptocurrencies are managed in a peer-to-peer network by miners. After all, in a traditional banking system, the balances in your account are just records kept in a database and not physical cash kept in the bank. The same applies here – digital cash balances of transactions are records kept in a database which is highly secured by cryptography held by miners. The basic definition of cryptocurrencies is “limited entries in a database no one can change without fulfilling specific conditions.”

Here is an example of how it works:

- X gives Y 100 Bytecoins (BCN)
- X signs the transaction with his private key
- Once signed, the transaction is aired in the peer-to-peer network (called a blockchain). The network knows about the transaction immediately.
- Confirmation is the key to cryptocurrencies. Unless a transaction is confirmed, it is not valid as it can be forged. Once it is confirmed, no changes can be made. Miners are the only ones who can confirm transactions. Once the miner stamps the transaction, it's recorded in the database and the balance in X and Y's accounts are updated.

That wasn't that hard was it? If investing with a bank does not scare you, you would be safer

Why Cryptocurrencies?

Benefits

- It makes it easier to transfer funds between parties
- The fees are minimal – not anything like telegraphic transfers
- It is almost anonymous.

Drawbacks

- As these digital currencies are kept in a virtual database, if the computer crashes and backups are not done, then the entire database is wiped out.
- Cryptocurrencies such as Bitcoin has been hacked before and has lost over \$1 million through theft in its short trading history.

Who are the Miners in Cryptocurrencies?

Each transaction in the blockchain is recorded and tallied up by the miners in their powerful computers. Mining fees are paid as a reward. Miners perform two functions – adding and updating transaction to the blockchain and releasing new currency.

Who are the big boys out there?

Since the inception of Bitcoin, many cryptocurrencies have sprouted in the last year. To name a few we have LiteCoin (LTC), Bytecoin (BCN), Siacoin (SC), Ethereum (ETH) and the list goes on. We're going to discuss a few of the more popular digital currencies.

Bitcoin (BTC)

Bitcoin was the first digital currency supposedly created by Satoshi Nakamoto in 2009. No one knows if he really did, but the purpose of digital currency is for privacy reasons. The media believes that the original miners in 2009 would now be worth about \$900 million hence, it is safer for them to be anonymous.

Bitcoin was valued around \$770 in late 2016 and took a leap to \$1,223 in April 2017. Hope these highlight why I enjoy trading in digital currencies. I did make a fortune.

Ethereum Classic (ETH)

Following Bitcoin, ETH is the world's second most popular cryptocurrency. In the last 24 hours (Investopedia News, 12 December 2017), the price of Ethereum increased by 31%. Did you jaw drop reading that? Since the start of 2017, ETH has had a whopping 14,500% price increase. So, even if you had invested \$1, the value of your investment would have grown to \$14,500 just sitting and doing nothing.

There are a few reasons which may have caused the price spike on the 11th of December 2017. One could be the fact that the network had the record number of transactions on that day. Secondly, the Asian market appointed South Korea as the "Ethereum powerhouse" being the second largest cryptocurrency market in the world.

Litecoin (LTC)

Litecoin was launched in 2011 by Charlie Lee with the aim of improving Bitcoin's shortcomings. Litecoin is a global payment network which is fully decentralized and open sourced.

Is there a future for LTC? Developers say yes! Litecoin was invented in the shadow of its big brother Bitcoin and fixing the flaws that Bitcoin had. The most protuberant characteristic of Litecoin is that it has won the confidence of the cryptocurrency community. Enthusiasts have compared the speed of exchange of Litecoin to a hardware wallet and found LTC to perform the best. Litecoin seems to make eCommerce a breeze.

Litecoin's community believe that LTC is the truest form of digital currency leaving the rest behind.

Bytecoin (BCN)

Bytecoin is a private, open source cryptocurrency which is run a little differently. Anyone can take part in it. Though all other cryptocurrencies are the same, with BCN, no special computer set up is necessary – no powerful or ASIC computer is required. Your ordinary home or office computer can start you up. Therefore, as transactions are decentralised, not only can you be a user, but you can be a participant as well. If you are a participant, you get rewarded for it or if you are a user, you buy Bytecoin on the exchange. Basically if you are a participant, you are mining and getting paid for your services.

Just like all other digital coins, Bytecoin provides privacy, totally anonymous and transactions are all without any fees.

Google Play released Bytecoin's Mobile Wallet for Android version 1.1.0 on 21 November 2017. The release has a QR code reader allowing you to send coins in just a few seconds and manage your accounts in the app. It also uses the 2FA Google authenticator.

Monero (XMR)

Monero is a cryptocurrency that is peer-to-peer and decentralized just like Bitcoin. However, Monero is classified more as private digital cash. Monero has more anonymization than Bitcoin. The Bitcoin blockchain makes all transactions available to the public which does not happen with Monero. Transacting with Monero is extremely private that even the recipient will not know the coins that the sender holds. Therefore no one examining the ledger would be able to find the addresses and details of individuals.

Monero was one of the best growing currency in 2016. The price grew from \$0.50 in early 2016 to \$13.00 at the end of 2016. That was over a 200% rise.

As of April 2017, XMR was one of the top 5 digital currencies in the market.

Trading Cryptocurrencies 101

In order to trade cryptocurrencies, you need:

- At least one cryptocurrency wallet – a place where you would keep your passwords for your coins. Remember to always trade in price for convenience.
- At least one cryptocurrency exchange – a place to trade your digital currency

You need to know the following:

- Cryptocurrency Exchange and the Wall Street Stock Exchange are not the same. You would use an exchange called Coinbase (for the beginner – it is the simplest place to trade). Therefore, sign up with Coinbase. Once you have mastered Coinbase you can move on to GDAX.
- There are fees involved with trading
- Set your wallets up. Setting wallets up in USD makes it easier to trade and easier to exchange
- Trading is extremely volatile – you could make a fortune or lose it all so consider mitigating risks as with any stock trades.

Online Calculator

There are various calculators online to workout the value of your coins in terms of USD. These calculators usually have a drop-down box showing the list of coins and a convert to USD vice-versa. You enter the value you are requiring a calculation for and it returns the value of the coin or the USD value.

Here is a link to a [Cryptonator](#) – a Cryptocurrency calculator

In Summary

Cryptocurrencies have been around since the evolution of Bitcoin. They are sprouting everywhere at the moment. It is always prudent to keep an eye on the news on the top 5 and the more reliable digital currencies before taking a plunge. Keep an eye on our website for updated news on the various currencies and upcoming currencies that you can take a plunge on.

Keep an eye on the following new ICO (Initial Coin Offerings, equivalent to Initial Public Offerings in the stock market) – Energi Mine (ETK) which is a UK based tokenized energy platform rewarding energy saving behaviour and Crypto20 (C20) aims to be a replica of Vanguard 500 that maintains US' top 500 public listed companies. In the same way Crypto20 is the first of its kind to maintain a portfolio of the top 20 cryptocurrencies with regular rebalancing.

Cryptocurrencies is the future of trading.