FEATURES OF THE CRYPTOCURRENCY MARKET

Abstract. In the modern economy, the process of digitalization is actively taking place, which cannot but affect the functioning of electronic systems. Cryptocurrency is a controversial tool that creates the largest number of questions in this system. This type of asset can be used as an alternative to a means of payment, circulation, and a means of storage. The problem is that this is not allowed everywhere, including in Ukraine. Therefore, this is relevant in the modern world, because every state faces the issue of regulation and benefits of cryptocurrency. Thus, the work will examine the development of the cryptocurrency market, its modern problems, the reasons for the growth and popularity of various types of tokens among investors, the problems and prospects for using cryptocurrency. The idea of online payments originated in 1983, when the concept of “electronic” money was created by two entrepreneurs, David Chaum and Stefan Brands. The project was developed more seriously 15 years later by A. Bakov in view of the idea of creating secure payments. There was a Hashcash system, which meant building blocks on the blockchain, but it was originally designed to counteract spam. The system received even more serious development in 2007. A cryptocurrency system was created, which was supposed to work on the principle of a peer-to-peer network. In 2007, the first block was created, 50 coins and a transaction worth 10 BTC. In the same year, cryptominers appeared who attracted other people to the development of the platform. When these participants in the system mine on a farm and create a resource, their device on which transactions are carried out is used by various institutions as an intermediary in carrying out some transaction, for example, for calculations or transactions in a bank.

Keywords: cryptocurrency market, cryptocurrency, regulation, digital asset, problems, prospects
ОСОБЛИВОСТІ РИНКУ КРИПТОВАЛЮТ

Анотація. У сучасній економіці активно відбувається процес цифровізації, що не може не позначитися на функціонуванні електронних систем. Криптовалюта – суперечливий інструмент, який викликає найбільшу кількість запитань у цій системі. Цей вид активів може бути використаний як альтернатива засобу платежу, обігу та засобу зберігання. Проблема в тому, що це не скрізь дозволено, в тому числі і в Україні. Тому це актуально в сучасному світі, адже кожна держава стикається з питанням регулювання та переваг криптовалют. Таким чином, у роботі буде розглянуто розвиток ринку криптовалют, його сучасні проблеми, причини зростання та популярності різних видів токенів серед інвесторів, проблеми та перспективи використання криптовалюти. Ідея онлайн-платежів виникла в 1983 році, коли концепція «електронних» грошей була створена двома підприємцями Девідом Чаумом і Стефаном Брендом. Більш серйозно проект був розроблений через 15 років А. Баковим з огляду на ідею створення безпечних платежів. Була система Hashcash, яка означала будівельні блоки в блокчейні, але спочатку вона була розроблена для протидії спаму. Ще більш серйозний розвиток система отримала в 2007 році. Була створена криптовалютна система, яка повинна була працювати за принципом однорангової мережі. Через 2 роки був створений перший блок, 50 монет і транзакція на суму 10 BTC. У 2007 році з’явилися криптмаїнери, які залучили до розробки платформи інших людей. Коли ці учасники системи майнить на фермі та створюють ресурс, їхній пристрій, на якому здійснюються транзакції, використовується різними установами як посередник у здійсненні певної транзакції, наприклад, для розрахунків або транзакцій у банку.

Ключові слова. ринок криптовалют, криптовалюта, регулювання, цифровий актив, проблеми, перспективи.

Formulation of the problem. In the modern economy, the process of digitalization is actively taking place, which cannot but affect the functioning of electronic systems. Cryptocurrency is a controversial tool that creates the largest number of questions in this system. This type of asset can be used as an alternative to a means of payment, circulation, and a means of storage. The problem is that this is not allowed everywhere, including in Russia. Therefore, this is relevant in the modern world, because every state faces the issue of regulation and benefits of cryptocurrency. Thus, the work will examine the development of the cryptocurrency market, its modern problems, the reasons for the growth and popularity of various types of tokens among investors, the problems and prospects for using cryptocurrency. Therefore, it is very important in the times of digitalization and the development of the cryptocurrency market to analyze the specific features of the cryptocurrency market.
Analysis of recent research and publications. Among scientific researches in the field of the importance of the development of the stock market, especially the cryptocurrency, the modern tendencies, presented in a number of theoretical, methodological and methodical approaches by foreign and domestic scientists such as B. Milner, I. Nonaka and X. Takeuchi, P. Senge, V. Bukovich, K. Viig, D.Ye. O’Leary, D. Snowden, Y. Vovk, M. Martynenko, A. Degtyar and M. Bubliy, A. Nalyvayko, N. Butenko, N. Smolinska and I. Hrybyk, S. Leonov, Kholiavko, N., Kodaneva S.I., Yi, Y., Karetma, O., Baharun, R., Awwad, M., Breznik, K., Yi, Y. and other scientists. At the same time, it is important to note that at the beginning of the XXI century, the understanding of the importance of the development of the cryptocurrency market has a lot of unsolved questions.

Methods of the article. The methodological basis of the article is the methods and forms of scientific knowledge adopted in national science, such as system approaches, comparative and synthesis methods, methods of abstract logical evaluation, methods of detailing, groupings and generalizations, experts’ evaluations. Dynamics series, logic analysis, paired and multiple correlation techniques were applied, and the Google Trends search engine was used.

Formulation of the goals of the article. The main goal of this article is to analyze the specific features of the cryptocurrency market.

Presentation of the main research material. Bitcoin version 3.0 appeared, and the mining process became more complicated. An increasing number of people began to participate in the creation of the resource and a mining pool occurred, which brought great income to the participants of the system. After 7 years, the cryptocurrency system gave a strong jump - the rate and capitalization of Bitcoin increased 20 times, and the crypto market as a whole - 34 times. At the same time, Bitcoin became legal among some legislators and financial companies. Japan has legislated Bitcoin as a legal payment, Russia has begun to use this type of cryptocurrency in cryptocurrencies, and the Norwegian Internet Bank has combined regular financial accounts with Bitcoin accounts. Exchange trading also increased in 2017; trading volume increased by 1500%.

Review of the most popular market instruments. According to analysts, the most promising are the following types of tokens:
- Bitcoin (BTC)
- Ethereum (ETH)
- Litecoin (LTC)
- Cardano (ADA)
- Chainlink (LINK)
- XRP (Ripple)
- Bitcoin Cash (BCH)
- Tron (TRX)

The cryptocurrency market combines a number of features that can pose a serious challenge for beginners. If you really want to join the huge community of
crypto traders and make constant profits, you need to study the main details in advance, consult with experts, and familiarize yourself with the basic principles and mechanisms of the functioning of the cryptocurrency market.

If you don't know what to buy, where to store it and how to use it, you will quickly lose your savings. It is necessary to create wallets for cryptocurrencies in advance. Essentially, it is a repository of encrypted passwords for interacting with the blockchain in which the cryptocurrency is stored. Modern crypto wallets are distinguished by high quality of work, technology and functionality. Depending on the connection type, they can be cold or hot. In order for investing in crypto to be as profitable and profitable as possible, you need to clearly understand the following points [2]:

1. Cryptocurrency is a volatile asset, so in the short term (within a day, an hour or even a few minutes) its value can change in both directions. This creates both risks and opportunities for profitable trading.

2. Cryptocurrency is a high-tech investment instrument. Therefore, before entering the digital asset market, you need to study all the details and features. You need to understand how cryptocurrency works, how to create a wallet, how to choose an exchange, and how trading works. After this, you can move on to choosing a strategy that can bring maximum profit in the long term. In addition, the investor must take into account all possible risks in order to make rational decisions, preserve and increase their capital.

3. Since the appearance of crypto on the world market, many have been skeptical about it, believing that this is a temporary phenomenon. However, investors and traders around the world are proving that this is a highly liquid investment instrument that can well replace fiat means of payment. The main thing is to be able to use it. Research and analysis of the cryptocurrency market should not be neglected before making investment decisions.

4. The availability of cryptocurrency allows everyone to work with digital assets, getting rid of the problems inherent in fiat.

5. The cost of cryptocurrency depends on many parameters. The main and logical factor is the relationship between supply and demand. The rate will rise as demand for a specific coin increases. Consequently, if demand falls, then the price will begin to decline, becoming more attractive to a potential investor.

There are a lot of possible risks in cryptocurrency. In addition to high volatility, cryptocurrencies are characterized by significant risks of permanent loss of funds due to fraud, hacker attacks, and lack of legal protection. In addition, the price of cryptocurrency depends on a number of factors, including: the situation on the global market, news background, global upheavals, the influence of government regulators, etc. It is also necessary to take into account the following features [3]:

1. Technological complexity in working with new types of cryptocurrencies can lead to problems in creating transactions and executing operations. This is due, first of all, to the factor of fear and fear of the unknown.
2. Difficulty of in-depth market research. Without proper theoretical and practical training in the cryptocurrency market, it is simply impossible to earn money. In order to reach a new level and benefit from working with digital assets, you need to constantly improve your knowledge and skills.

3. Studying the main risks of working with crypto allows you to minimize their negative impact and formulate a profitable investment strategy even in conditions of high market volatility.

Cryptocurrency has several characteristics that make it an attractive asset type [4]:

1. Volatility. The value of cryptocurrencies is constantly and greatly changing. Such jumps allow you to quickly earn or lose a significant share of your deposit. It is important to clearly understand the market situation and possible risks.

2. Lack of high correlation with other types of assets. What happens on the financial or stock market often does not have a noticeable impact on cryptocurrency prices. In most cases, during drawdowns in major stock indices, the demand for digital coins increases. However, there are also economic processes that encourage investors to quickly withdraw their funds from risky projects.

3. Growth potential. If the value of currencies and shares often has limits to maximum growth, then cryptocurrency can rise in price to the most unexpected values, but it must be remembered that the opposite situations also happen.

Before you start trading, it is worth studying the most popular coins, understanding their current status and the reasons why they may rise or fall. You need to work with cryptocurrencies that are understandable. If a trader cannot explain to himself why a coin should go up or fall in price, then it is better not to choose it. If the amount of funds allows, it is advisable not to invest more than 3% of the total deposit in one transaction [5].

It should be taken into account that almost all altcoins depend on the BTC exchange rate. Therefore, it makes sense to buy Bitcoin for a larger amount to stabilize the portfolio. The rest of the money can be distributed among coins that are linked to other blockchains. A good option would be tokens of promising projects focused on development in the Ethereum network. It has a different consensus algorithm and is popular due to its smart contracts.

As for directly replenishing your balance, you can use the Binance P2P exchange, or the built-in service for purchasing cryptocurrency through fiat gateways. In addition, it makes sense to create an external wallet. You can have several different ones - for small and large operations.

Strategies for trading cryptocurrency on the exchange. Depending on the strategy, all traders trading in the digital asset market can be divided into four main groups [6].

1. "Hamsters". This is the name given to newcomers who do not yet have experience and constantly doubt the correctness of their decisions. They often rely on the sentiment of the market crowd and the forecasts of other traders. That is, they use their own analysis minimally. Such players tend to enter the market at the first
sign of a profitable deal. And if the position goes negative, they become afraid of loss and exit the trade too early. The consequence of such work with cryptocurrency is constant losses.

2. "Whales". The main characteristic of such investors is that they have huge deposits. Whales have ways of creating market situations themselves, leading to significant profits of their own at the expense of losses of a large number of small traders (hamsters).

Such players have access to insider information. They use this data to manipulate the market. For example, such tactics as “Pump and dump”, “Short attack”, “Sell wall” and others are known. Whales create false trends, to which a large number of small traders react. As a result, the big players make money, and the hamsters suffer losses. This category includes representatives of banks, hedge funds and large financial conglomerates. The average capital of whales starts from 1000 BTC or other currency for the same amount.

3. "Bulls and Bears". Bulls are traders who raise the price by opening serious buy positions. Figuratively, this can be thought of as throwing the horns upward [7]. Having seen the impulse towards higher quotes, small inexperienced players also open purchase transactions and push the rate further. As a result, the bulls get the most favorable price for selling their asset and distribute coins to the inspired hamsters. Bears, in turn, work in the opposite direction - they push the price down. When hamsters see negative momentum, they begin to panic and sell their coins at a loss. Thus, large players again receive the most favorable prices for purchase.

Interestingly, the terms “bulls” and “bears” appeared in the stock market at the beginning of the twentieth century. And now they are actively used, including by crypto traders. And “whales” and “hamsters” first appeared in the cryptocurrency community, and then spread to traditional markets [8].

It is worth knowing about such manipulations in order not to succumb to general panic in the event of a sudden change in exchange rate. And to get stable results, you need to follow the basic rules of trading:

1. Don't risk all your capital. Using even the most reliable forecasts, you need to be prepared for losses. The market can change dramatically in a matter of hours or even minutes. For this reason, it is better not to invest more than 30% of the deposit. This way, in case of an unsuccessful scenario, there will always be the opportunity to open positions again.

2. Don't look for the perfect moment to enter. Cryptocurrency is an asset with a high level of volatility, everything changes very quickly. For this reason, it is better for beginners to simplify their search for entry points. It is difficult to understand at what stage the coin will go up. But using high-quality fundamental analysis, it is possible to predict long-term trends to open profitable positions.

3. Before each transaction, you need to analyze the total capitalization of the selected coin and its market trading volume. If the level of capitalization does not grow or gradually goes down, then the chances of the quotes taking off are
minimal. It is better not to work with such cryptocurrency. This principle also works in the opposite direction.

4. You should not rely on the majority opinion. The market crowd often follows obvious signals without deep analysis of the situation. For this reason, whales easily manipulate hamsters. You need to act based on fundamental factors [9].

Conclusion. The main advantages of cryptocurrencies are the possibility of using them as an investment instrument, protection against inflation, lack of control and financial restrictions transactions, anonymity, high transaction speed and low commissions compared to banks.

However, there are also disadvantages: the possibility of a hacker attack, high cost cryptocurrency, the instability of its exchange rate, the complexity of legislative regulation, possibility of tax evasion and financing of criminal groups, speculation on virtual currency market [10].

Despite all the advantages and disadvantages of cryptocurrency, its prospects are ambiguous. The international practice of using cryptocurrency has shown that it is state-owned regulation and taxation in different countries of the world is different. Highly developed countries implement regulation and control of electronic payments, tax their taxes. Countries with weaker economies are not ready to use such payment systems. Therefore, they choose neutrality, avoid making decisions in the field virtual currency, or ban it altogether, as in Bolivia, Ecuador, Thailand and Vietnam. Ukraine in this matter remains at the stage of consideration, but there are prospects legalization of cryptocurrency.

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