

Swing Algo Setup & Trading Beginner's Guide

- **Alright, so you never traded in your life before?** You have **no clue** what **cryptocurrencies** are and why you should buy let alone trade them? You saw DeanTrader's swing trading algorithm indicators (e.g. Swing Algo V1.4), but you have **no idea how to get started?**
- **Then you've come to the right place!** Here we discuss all basic steps to get you started, such as: where to sign up to trade, which steps to perform to get DeanTrader's algorithms going, and how exactly to perform those long and short trades. Also, don't get discouraged by this 28-page document, as actually only the first 14 pages talk about the setup & trading (the important stuff), and the rest is mostly a big glossary that explains many trading terms.

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Intro: Cryptocurrencies

- **Cryptocurrencies (Bitcoin, Ethereum, etc.) and why we want to buy or trade them.** One could talk endlessly about this topic, but to keep it short:
 - 1) **General pros (Benefits of use):**
 - **Borderless and permissionless:** We can send value very quick to anyone without a third party interrupting us or even closing our cryptocurrency account/wallet (unlike bank or PayPal accounts, which can get closed easily: think WikiLeaks or other displeasing journalists for example who got cut off completely from their financial accounts).
 - **Decentralized:** There's no central server that can be shut down or be manipulated. Bitcoin, Ethereum and so on are near indestructible because the node points of their networks are distributed over the whole world.
 - **Easily stored and unconfiscable:** Cryptos can be stored digitally on wallets (e.g. extremely safe hardware wallets), where no one without knowledge of your private key can access them. Think about buying gold and holding it in some central vault: in case of a crisis where everything gets closed, do you think you can get easy access to it?
 - **Fixed supply:** There will only be 21 million Bitcoin ever. This is in contrast to fiat currencies like USD or EUR which are endlessly printed by the push of a button, leading to heavy devaluations of the latter ones over time (euphemistically called „inflation“).

2) Trading pros (Benefits of trading):

- **Very easily accessible:** No broker needed, often only an e-mail address or some documents verifying your identity are needed to get started on an exchange.
 - **High volatility** (= large price swings in both directions): If you roughly know what you are doing or have powerful trading tools in your arsenal (e.g. DeanTrader's Swing Algos), then you always want high volatility, so that you can make more money faster.
 - **Friendly price action:** For a beginner not easily verifiable, but cryptocurrencies have, despite their high volatility, very rule-observing price developments (more so than e.g. stocks), making them ideal for swing-algorithm-based trading. You can see a more detailed presentation about this in our [Swing Algo Introduction](#).
- **For more information** on Bitcoin, Ethereum etc. please check the internet. You could start with the [Wikipedia article of Bitcoin](#) to get a rough overview about all aspects of the topic. For technically interested people the official [Bitcoin Whitepaper](#) covers all basics in only 9 pages. For Ethereum you could start with the [Homepage of the Ethereum Foundation](#). To get quickly into the scene, it is recommended to visit the Crypto Twitter community which features some of the brightest (and frankly also some of the dumbest) minds in the space. Still, most of the fruitful discussion and idea-generation regarding crypto & trading takes place somewhere there.
 - **Note that you do not *have* to use DeanTrader's swing algorithm for analyzing cryptocurrencies** if you rather want to trade other assets, but from our multi-year long experience it seems to give the best performance when trading ETH (Ether, the intrinsic token of the Ethereum network) due to its more friendly price action.

Setup I: Exchange Account

- **How to create and setup an exchange account:**
To trade you need at least access to one exchange. There are plenty of cryptocurrency exchanges out there. One popular exchange is **Kraken** (kraken.com) for trading, as it is the safest exchange available in our opinion and has fiat on-ramp (meaning you can send your fiat money, e.g. USD or EUR, directly to that exchange via SEPA/bank transfer or wire), as well as margin and futures trading, so you will get to know the steps for this exchange as an example. However the steps are similar for other exchanges. Some of the better known ones (aside from Kraken) are Coinbase Pro, Binance and potentially Huobi.
 - **If you want to use another exchange make sure it has the following features:**
 - Fiat on-ramp (at least if you own no crypto already and need to fund with USD, EUR etc.)
 - Ability to „short“ (via futures or margin trading): We will later discuss what this means!
- 1) **Step I: Sign-up on Kraken and verify your account.** In some countries (e.g. Germany) you need at least Level 2 (Intermediate). For this you need to fill in some information and submit a few documents. It will probably take a few moments until your verification is reviewed and accepted. In the worst case it might take a few days. Don't forget to click the „Start Trading Now“ button on the Kraken „[Get Verified](#)“ Page afterwards - but note that Kraken changes their verification process from time to time, which means that the process might differ slightly from the here written version (especially such „Start Trading Now“ buttons could be missing at some point in the future).
 - 2) **Step II: Secure your account.** Make sure to enable 2FA (Two-Factor-Authentication = a

second 'time-based' password on e.g. your smartphone 2FA app for added security) in the „Security“ menu at least for normal login and funding (for trading it is often too much hassle and not needed). If you never used 2FA before, you have to choose a 2FA method, e.g. the „Google Authenticator“ app from an app store (for free), see more in the [official Kraken 2FA guide](#). **Do not forget to back up your 2FA code on paper!** For ultra-security you can also add a „master key“ (= third password) to activate a global settings lock as soon as all your Kraken settings are final (for the moment). In the best case the master key is another password written on a piece of paper, but could also be another 2FA. However a master key on paper (and therefore not being accessible via any device) adds a security layer. See more in the [official Kraken master key guide](#).

- 3) **Step III: Fund your account.** Via the „Funding“ menu item you can send money (typically USD, EUR or some other fiat currency) to your account via SEPA, wire transfer or Etana Custody (other methods might also be added or removed from time to time). If you already own cryptocurrencies like Bitcoin (BTC) or Ethereum (ETH), you can also send those to your account. You get the corresponding instructions where to send your funds if you click on „Deposit“ next to your preferred funding method.
- 4) **Step IV: Purchase DeanTader's Swing Algo and get ready for the first trade.** If you haven't purchased the algorithm yet and you want to pay in ETH, now would be the time to trade the fiat money amount needed to ETH via the „Trade“ menu (otherwise you can pay via the other options shown in the shop checkout on our website). There are several levels of settings depth for trades, but first you can use the „Simple“ interface. For a detailed explanation of Trading (on Kraken), see chapter „How to trade?“ further below. After the trade is done, withdraw the obtained amount of ETH to an ETH address we displayed during checkout in our webshop. Don't forget to also include the withdrawal fee of (typically) 0.003 ETH (for the case of Kraken) so that the correct amount arrives in our wallet (see also the [Kraken withdrawal fee schedule](#), where ETH is denoted as „Ethereum (ERC-20)“). When we received the payment, we will unlock the algorithms and indicators on TradingView for you and add you to our private Telegram and Discord chat groups. For this you have to enter your TradingView, Telegram and (optionally, though highly recommended) Discord name during checkout in our webshop. If you have no accounts for those services yet, see Setup II and III chapters for a quick guide.
- 5) **Step V: Setup your Kraken Legacy Futures Subaccount.** There are currently (Q3 2023) two interfaces for futures trading on Kraken (though there are some difference explained in the following): The first one is found in the Kraken Pro Futures area (pro.kraken.com/app/trade/futures-eth-usd-perp – note that you have to be logged in to get directed to the correct trading pair via this link) and uses „Perpetual Normal/Linear/Direct Futures“, and the second one is separated from the remaining trading operations to a Kraken Legacy Futures subdomain (futures.kraken.com/trade/futures/pi_ethusd) with separate (yet Kraken-internal) Holding & Futures wallets, where so called „Perpetual Inverse Futures“ can be traded (I'm calling this second platform „Legacy“ so that we get a clear differentiation in this guide). Note that the Legacy Futures platform's „Inverse Futures“ will be integrated into the Pro Futures platform in the near future, so that you can find all futures types in one location. So far we only used the second option, namely Kraken Legacy Futures, for futures trading (partly because the first option, namely Kraken Pro Futures, is rather newly available on Kraken, and partly because inverse futures can have some advantages regarding fees and taxes when dealing with ETH as the underlying collateral), and therefore **all trades (including leverage settings) in this guide will only be explained for the case of (perpetual) inverse futures!** I will still give the relevant trading parameters (mainly which leverage to use for

which signal, but also an overview of the fee structure) for linear futures in the glossary for comparison. For a summary on the differences of both Kraken futures platforms (here sorted by wallet collateral type, although the linear/inverse specification is the distinct aspect) see also the [Kraken futures table](#). To be precise, we so far traded perpetual inverse futures with single-collateral contracts on Kraken Legacy Futures (more on that later within this guide). Note that in theory one could also trade ETH/USD perpetual linear futures with multi-collateral contracts on Kraken Pro Futures and would be generally fine, although fees and some other aspects wouldn't be optimal. After you got Level 2 verified, you can switch to the Kraken Futures platform via futures.kraken.com and shortly do the „Investment Questionnaire“ (typically you will just get categorized as „Retail Investor“ like everyone else unless you trade with a volume of many million USD per month already; also not sure if this questionnaire still exists in 2023). After that you can transfer funds from your normal Kraken wallet (called „Spot Wallet“) to your Futures „Holding Wallet“ (which acts as an entrance-lobby to Legacy Futures where your funds are safe from liquidations). To actually trade you have to transfer your funds from the „Holding Wallet“ to the „Single Collateral Futures Wallet“. All these transfers can be done in the „Wallet“ interface accessible via the „Wallet“ menu item on the left in the Kraken Legacy Futures interface. As soon as ETH arrives in the „Single Collateral Futures Wallet“ futures trading (including shorting) can in principle begin. Details can be found in chapter „How to trade?“ below.

- 6) **Step VI (Optional): Download and install the Kraken Pro app** to be able to perform normal (and soon futures trades) on your smartphone from anywhere. One should add that the earlier available Kraken Legacy Futures app is discontinued since early 2022, and that futures trading in the Kraken Pro app is not yet unlocked (as of Q2 2023), so that one has to use the browser to trade via mobile. For that you have to visit either futures.kraken.com (for Kraken Legacy Futures) or pro.kraken.com/app (for Kraken Pro Futures). You should install the Kraken Pro app regardless as one day it will be possible to trade futures there.

Setup II: TradingView Account

- **How to create a TradingView account and apply the swing algorithms to your chart?**
There are many charting websites/programs available, but in our findings TradingView is one of the best and versatile ones, so we decided to publish our algorithms/indicators there.
- 1) **Step I: Sign up on TradingView (tradingview.com) and create a free account.** To use our swing algorithms you do NOT need a paid account (those have other benefits not needed here).
 - 2) **Step II: Open a full-featured chart of e.g. ETH/USD (Kraken pairing).** For this type into the search bar „ETHUSD“, wait for a drop-down list of trading pairs to appear (should be in the tab „Symbols“) and choose the one with „spot crypto - Kraken“ tagged on the right side. „Launch chart“ should be toggled on or clicked on. Otherwise you'll get to an overview page with a simple blue line chart and some infos. If that happens, click on „ETHUSD charts >“ on the left (or on the „See on supercharts“ button on the right) to get to the more complex chart interface of the in this case spot ETH/USD Kraken pair. Even if you trade on another exchange, we use this trading pair to get our signals as the swing algorithms are optimized for Kraken spot pair volume patterns, and DeanTrader will always reference the spot ETH/USD Kraken pair in all his posts on Twitter and in the private groups. Note that algorithm signals for different ETH/X pairs on Kraken, or ETH/USD and ETH/X pairs on other exchanges can come at different times, e.g. a few days earlier or later, as the data on

different pairs is slightly different. In general it shouldn't make a very big difference in the long-term, however as everything is optimized for the Kraken ETH/USD spot pair, it is recommended to chart this one, even if you do trade another ETH/X pair or ETH/USD pair on another exchange. Due to arbitrage the prices of different (but similar) pairs are often very close to each other (of course in relation to the pair's quote currency as USD, EUR etc.), however the volume can largely vary partly due to wash trading and other effects on some exchanges.

- 3) **Step III: Adjust some basic settings of the chart.** Set the timeframe to D (daily) in the upper left corner right next to the „ETHUSD“ badge. Then next to the D badge, check if you have chosen „Candles“ as the type of price presentation (the price chart should look like my chart plots seen e.g. on twitter or in the private groups; if you see a blue line or so, you're currently in the wrong candles settings). Now make sure the upper left area of the chart display reads „Ethereum / U.S. Dollar 1D KRAKEN“. Now we're in standard settings that work best for the algorithm.
- 4) **Step IV: Add the swing algorithms to your indicator favorites, and then apply one of them to your chart.** For this go to the [DeanTrader TradingView profile](#) and select „Scripts“ in the menu bar somewhat below the profile picture. Then click on the name of the algorithm or indicator you want to use. A script page pops up. You should now scroll down until you find a button „Add to Favorite Scripts“ and click it. Go back to your browser window with the full-featured ETH/USD chart(s) and click on the „Indicators“ menu item of the top menu bar. In the Indicators pop up menu select „Favorites“ on the left side, then click on the algorithm/indicator you want to use, e.g. „Swing Algo V1.4“. The algorithm indicator will then appear on the chart. You can then change appearance and input settings of the indicator via the „gear wheel“ right next to the indicator name that appears if you hover above the indicator name with your mouse. For users who just want to trade with the DeanTrader community as intended I would recommend not changing inputs for the ETH/USD Kraken trading pair on D timeframe (as they are already optimized). You can however change the style settings if something bothers you (e.g. hide the number tags of the red/blue signals on the chart by unticking „Quantity“ in the „Style“ tab).
- 5) **Step V: Actually use the swing algo for trading decisions.** For recommended algorithm & trading settings, and behavioral patterns one should incorporate, please check our [Swing Algo FAQs sheet](#). For advanced users who want to trade other assets, they can use initial algorithm input parameters for some assets listed in the [Swing Algo Library](#) or just experiment with any asset on their own altogether.
- 6) **Step VI (Optional): Download and install the TradingView app on your smartphone**, so that you can watch the swing algorithm indicator on your chart from anywhere and also get signal alerts directly on your phone via app notifications (those you have to set up first, for more info see the [Swing Algo FAQs sheet](#)). An alternative would be getting the alerts from the alert bots in our private Discord server.

Setup III: Telegram & Discord Account

- **How to create a Telegram account and join our private chat group?**
This setup is rather straightforward.
- 1) **Step I: Download & install the Telegram app** on your smartphone and/or desktop and create an account (you probably need to verify it via your phone number).
 - 2) **Step II: Set up or find out your unique public @TelegramName, enter it during checkout in our webshop and get added.** To set it up or find it, go to the „Settings“ menu and either

type in a new username or just look up your already appointed username.

- **How to create a Discord account and join our private server?**
This setup is also straightforward.
 - 1) **Step I: Download & install the Discord app** on your smartphone and/or desktop and create an account.
 - 2) **Step II: Set up or find out your unique public DiscordName#0000, enter it during checkout in our webshop and get added.** To find it, go to the „User Settings“ menu and look up your username. It's important to tell us also the #0000 tag behind your name, as otherwise we're not able to add you to the server. Also note that the discord name is case-sensitive!
- **In general the Telegram account is very important** as we discuss all Swing Algo trades for ETH/USD there. In our **DeanTrader Discord server** we implemented some Swing Algo bot alerts for users who are interested in those, and hold discussions about #DeFi (decentralized finance) and smaller coins. At the moment, it's mandatory to join the **DeanTrader HQ Telegram channel** to get the full DeanTrader experience, while joining Discord can in principle also be done at a later date (though it is highly recommended to do right from the start).

How to use the swing algorithm indicator?

- **How to actually use the algorithm?** After you set everything up (exchange account, TradingView chart, and Telegram/Discord accounts), you basically follow the instructions given by the swing algorithm. For more details on this, please visit the [Swing Algo FAQs sheet](#) and the indicator description page of **Swing Algo V1.4**. Additionally Dean is very active in the private groups and accompanies all trades with updates, comments and guidance. Current questions will always be answered there.

How to trade?

- **In general we'll always want to swing between Long and Short**, that basically means we want to either bet on rising or falling markets, respectively. This can be done in a variety of ways: For example just buy when a Long signal appears, and sell when a Short signal appears. Here you just save your capital from potential drops by selling into stable assets (e.g. USD), with the ability to later purchase the asset back at lower prices. One could also use financial contracts to even make money when the prices fall – called shorting. This is exactly what we want to do for the **Short** periods, and we typically use so-called **„Perpetual Inverse Futures Short“ contracts (denominated in ETH/USD)** for that (see „Futures“ and „Perpetual Inverse Futures“ in the glossary for more details, where also the eponymous paper published by the inventor is linked). For **Longs** however we still normally want to **just spot buy the underlying asset (e.g. ETH)** (again see glossary for terms like „Spot“), which in the context of perpetual inverse ETH/USD futures means to close any futures short positions to sit again in the used collateral, which is ETH (hence the name 'inverse', as normally - in 'linear' futures - one would sit in the quote currency USD after a short position has been closed).
- **Important:** Here all trades (including the correct leverage settings) are explained for

(perpetual) inverse futures! For (perpetual) linear futures the leverage settings in the trading interface would be different to get the same desired 'gain/loss multiplier' as in the inverse futures case (more details below and in the glossary under „Leverage“ and „Leverage and Multipliers“), caused by the fact that the underlying collateral would not be ETH, but USD (or some other stable currency)!

- Within our new **Swing Algo V1.4 system**, the trading principle is even a bit more sophisticated, as we not only get Long and Short, but also Hedge signals (meaning to not bet at any market direction at all, but lock the portfolio value for the time being until a new signal appears and the system reaches a new state: Long or Short). This algorithm consists of two sub-logics that act independently from each other. **The following rules apply:**

* When **both sub-logics are long**, we get a **Long** signal, and the swing trader goes **spot long** by closing any futures positions.

* When **both sub-logics are short**, we get a **Short** signal, and the swing trader goes **-2x leveraged short** via a futures position.

* When **one sub-logic is long and the other is short**, we get a **Hedge** signal, and the swing trader **hedges (= opens a / reduces to a -1x leveraged short)**. It doesn't matter which component is long and which is short.

This is just for illustration purposes, the sub-logics do not have to be tracked in any way by the user, just look at the signals that appear on the chart. For actual trading we would reduce/increase our futures short positions appropriately. For example if we are currently in a hedged position, and a Short signals appears, we would increase our short leverage from -1x to -2x. Then if a Long signal would appear next after some time, we would reduce the 2x leveraged short position completely to be spot long. How to exactly increase/reduce the position appropriately is explained further below. Note that hedging is similar to selling the asset and just holding e.g. USD, with the difference that we still hold ETH as collateral in the background while being hedged via perpetual inverse short futures.

- The reason to **not** use perpetual inverse long futures (which come with a gain/loss multiplier higher than 1 – as 1 itself would be the same as just holding the asset) is the asymmetric risk-to-reward for Longs & Shorts due to a) fundamental asymmetries in percentage math (a 50% drop is equivalent to a 100% rise) and b) the fact that for example a 1x leveraged long is equivalent (in terms of gain/loss multiplier) to a -3x leveraged short. This is due to the definition of inverse futures. The gain/loss multiplier gives the proportionality between price changes and how much gains (or losses) in USD equivalent one would make due to that change (negative sign means we make profit when price drops, and vice versa). For comparison:

Signal/State	Gain/Loss Multiplier	Inverse Futures Leverage	Linear Futures Leverage
2x Long	2	1.00x	2.00x
Long	1	Holding spot ETH, no leverage	1.00x
Hedge	0	-1.00x	Holding spot USD, no leverage
Short	-1	-2.00x	-1.00x
2x Short	-2	-3.00x	-2.00x

Note that with such trading leverages, we always mean the initial effective leverage when

opening a position. The result is that leveraged inverse longs are much riskier than leveraged inverse shorts for the same effective leverage. For example a 1.00x leveraged inverse long has a gain/loss multiplier of 2 while a -1.00x leveraged inverse short has a gain/loss multiplier of only 0. The higher the gain/loss multiplier, the easier it is to get liquidated! For more infos on leverage, see the glossary under „Leverage“.

- **If you want to test the following Trading Plan first**, you can create a **demo futures account** on demo-futures.kraken.com (already funded with „demo ETH“ in the „Holding Wallet“).
- **Note: For a quick reminder**, the general trades performed in the Trading Plan below (buying/selling spot and opening/closing futures positions) are also shown in a condensed way in the [Trading Cheat Sheet](#) (with images), which is however mostly focused on the correct execution of the trades in the interface, and not how to appropriately set the leverage for any specific signal change.
- **Trading Plan - What we typically want to do is the following** (explained for Swing Algo V1.4; for prior algorithms such as V1.3 just ignore the intermediate Hedge signal/state):

1) **Initial ETH Buy**: First we do what all swing traders do most of the time: we wait until a new signal appears (either Long, Short or Hedge). Until that happens you just leave your funds as they are (in most cases you will have funded your exchange account with EUR or USD, or in a few cases already with BTC or ETH). **For the case of a Long signal as the next one**: If you're still sitting in fiat money, just spot (= without leverage) buy ETH using the „Trade“ interface on Kraken Exchange. Go to „New Order“. **Make sure you've selected the appropriate trading pair (e.g. ETH/EUR)!** There are 4 levels of the trading interface:

- **Simple**: Just enter the amount you want to buy in the „Total EUR“ field. Click buy, done. This will market buy the amount shown in „Amount ETH“ (see glossary at „Market Order“ for more infos).

- **Intermediate**: Here you can additionally enter order type (market/limit), leverage (for margin trading, which is by the way not the same as futures trading!) and a few other options (see e.g. „Limit Order“ in the glossary).

- **Advanced**: Here you can (additionally to „Intermediate“) set stop losses, take profit etc. We as swing traders will not need those. Regardless you can find more general infos on this in the glossary („Stop Loss“, „Take Profit“) and a commentary in the [Swing Algo FAQs](#).

- **Pro**: By clicking on the „Kraken Pro“ button in the upper right area you will be directed to a fully-fledged trade interface at the subdomain pro.kraken.com/app. Here you can see the exact chart, orderbook and overall trade history. Apart from that you have the same options as in the „Advanced“ interface.

You will use this interface typically only once (except for the cases where new fiat money is deposited into your account, or you want to trade ETH back to fiat money), so you can just use the **Simple** one as a beginner (note that market orders, which are the only available option in the „Simple“ interface, have slightly higher fees than limit orders, which however should still be negligible small as you only perform this initial buy once). After we have bought ETH, we will transfer it to the futures.kraken.com platform and only trade between ETH and Perpetual Inverse Futures Short contracts (PI_ETHUSD). **For the case of a Short or Hedge signal as the first one**: Still do the above (as you need ETH in all cases to start) and follow the Steps below quickly, because it is now time to purchase Short

contracts immediately.

- 2) **Transferring to Single Collateral Futures Wallet:** Transfer your ETH via „Funding“ (on kraken.com) → „Transfer“ (next to the Ethereum entry in the funds list on the right side) to your „Holding Wallet“. Then go to the Kraken Futures interface (at futures.kraken.com), open the „Wallets“ menu and transfer your ETH from the „Holding Wallet“ to the „Single Collateral Futures Wallet“. Now we have set up our funds for all swing trades in the future.
- 3) **Start Swinging (First purchase of short contracts):** If we got a **Long** signal initially, we now still just sit and wait for the next Short or Hedge signal and do nothing until then (because we possess ETH which technically is a long position (called 'spot long') as we are betting on rising ETH prices). If, however, we got a **Short** or **Hedge** signal (initially or after some waiting time), we have to purchase Perpetual Inverse Futures Short contracts (PI_ETHUSD Short contracts) with our ETH funds. For setting this trade up, first in the upper left of the futures trading interface click on the current trading pair badge (for first-time users it will probably display „BTC/USD MC Perpetual“) and then choose „**Single Collateral**“ (!), then „**ETH**“ and (if not set by default) „**ETH/USD Perpetual**“. Note that if you mistakenly are in the Multi-Collateral mode, the contract size will be denominated in ETH (with only a notional value given in USD) instead of USD, meaning those are Linear Perpetual Futures and not Inverse ones! Dean will (until further notice) only perform trades in Single Collateral mode and recommends this for all Swing Algo users. Now for the actual trade you need to fill out the fields in the „Order Form“ on the left side. **First click on the „Sell | Short“ button** at the top right of the order form. Again beginners can **start with a „Market“ order** (slightly higher fees and less options to set, but immediate trade execution). As a matter of fact Dean also sometimes uses market orders for convenience or to act quickly, so that this order type is not necessarily only meant for beginners.

If you use a „Limit“ order you have to specify at which contract price you want to purchase the short contracts (typically at the current one by clicking on the lowest price in the red order book area on the right side). For a guaranteed limit order (and no accidental market order by matching with green buy orders that are already available in the order book) and therefore lower fees you need „Maker Only“ ticked. If you then would match with an existing green buy order, the order would be rejected, saving you from a market purchase. „Reduce Only“ is typically only used for the case of going into the Long state, as we are closing the complete futures position at that point. If ticked it makes sure that a particular order only reduces the position size, but never adds leverage in any direction, thus preventing some overshoot if e.g. one is not careful with the order size when trying to close a position. Below we will also talk about the „Close Position“ order, which features „Reduce Only“ intrinsically. More infos on fees can be found here: [Kraken Futures Fee Schedule](#) („Maker fees“ are for limit orders, while „Taker fees“ are for market orders).

Now you have to enter the **contract quantity** (valued in USD) you want to buy in the field „Quantity“, also called **order size**. As there are different trading scenarios with different leverages, we will first look at the ones in detail that are relevant for the first trade (which are basically either going from Long to Short, or from Long to Hedge). Note: Decreasing short positions (Short to Hedge) or even going fully spot long again (Short/Hedge to Long) is discussed in detail below in „4“. I will also give a **comparison table** at the end of this chapter for all possible signal-to-signal scenarios and how to set the correct leverage for **quick reference**. If you're not trading via Swing Algo V1.4 (which has the leverage for each

signal/state clearly defined), but with prior algorithms, please refer to the general leverage guidelines given in the [Swing Algo FAQs](#) to find appropriate leverages.

Before we go into the correct order sizing, note that there are **two types of contracts**: „PI_ETHUSD Long“ and „PI_ETHUSD Short“ (however they are not named distinctly on the exchange, they are just defined by the trade button, or say leverage direction, you use)! We will only ever purchase and later re-sell the **Short contracts** (the one you get when you are in the „Sell | Short“ order form tab)! The „Buy | Long“ order form can be used for closing short positions via buying long contracts which neutralize/close the open short contracts. Closing short positions can also be done easily via „Close Position“ orders, which will be explained later.

Important in the following: When I write 'buy short contracts' what actually is meant is: „Place Sell Order“ for futures contracts (via the button of the same name in the „Sell | Short“ order form tab). When I write 'sell short contracts/the position (or part of it)' again what actually is meant is: to reduce or dispose of the futures position by either using the „Place Buy Order“ button in the „Buy | Long“ order form to neutralize the appropriate amount of short contracts via long contracts, or alternatively by using a „Close Position“ order. As we're opening/closing positions and therefore technically *buying/selling* contracts, I opted for this language to hopefully reduce possible confusions. To summarize:

Button	What does it do?	Used by us for:
Place Buy Order	Purchases/buys long contracts, thus neutralizes (or 'sells') short contracts	Reducing/closing a Short/Hedge
Place Sell Order	Purchases/buys short contracts	Going Short or Hedge
Position Close	Sells currently held contracts	Reducing/closing a Short/Hedge

Moving on with your first purchase of short contracts and finding the correct order size! Let's now say your **current portfolio value** (= the value of your ETH swing trading stack shown in the Single-Collateral Wallet in the column „Estimate“, found in the „Wallets“ section under „Single-Collateral Wallet“) as you just hold the ETH while not being in any futures position (= currently being in the **Long** state) is approximately equal to \$1000.

◆ Scenario - Long to Short:

So for going directly -2x leverage short (= into a **Short** state) from this initial **Long** state, you would buy „2000“ PI_ETHUSD short contracts (which are worth \$2000, as 1 contract is worth \$1 at the moment of purchase), so as a rule of thumb for going *directly* to a **-2x leveraged short** you 'just buy short contracts for roughly double the amount of your actual current portfolio value' (of course this applies only if you were previously spot long (= in a **Long** state *or* after the first initial ETH purchase, which is the case for beginners)).

◆ Scenario - Long to Hedge:

If you would only have to go -1x leverage short (= **Hedge** state) from an initial **Long** state, you would only buy „1000“ PI_ETHUSD short contracts (being worth \$1000), so as a rule of thumb for going to **-1x leverage short** you 'just buy short contracts for roughly the amount of your actual current portfolio value' (of course this applies only if you were previously spot long (= in a **Long** state *or* after the first initial ETH purchase, which is the case for beginners)).

There is also **another way to ensure the correct order size** for a desired short leverage instead of checking the current portfolio value (which might be a bit more confusing for beginners though): For both order cases („Market“/“Limit“) the „Initial Leverage Limiter“ slider is put *e.g.* to 2x for the case of getting a **Short** signal (or 1x for the case of getting a **Hedge** signal) to guide you to approximately the right amount to set in the „Quantity“ box. Make sure that „**Available Margin**“ is equal to or just slightly above „**Margin Requirement**“ (which means that you have just enough margin to fund the short position with the set leverage). The leverage slider itself is only there to show you how large the order size is allowed to get until you reach the set leverage. The correct order size has still to be set manually, it does not automatically set up your trade for your full stack correctly.

Generally when entering the contract quantity, note that the contracts are still denominated in USD (although we purchase the contracts by using ETH as collateral)! You can **only use integer numbers**, so no „1000.5“ etc. (if you use non-integer numbers, the trading engine will give an error when trying to execute the order).

If everything is set up, click on the „**Place Sell Order**“ button (we technically 'buy' contracts here, but those are „Sell/Short“ contracts – can be a bit confusing at first!). Then an open order is created for the case of „Limit“ orders (s. „Open Order“ tab in the lower middle area). If you „Market“ bought, the open order will instantly be filled/executed (that means a matching offer of such a PI_ETHUSD Short contract from another trader is directly taken) and transforms to an open position (see „Open Position“ tab). **Now the position is just running** and you are done for the moment. You can watch how the position develops in real-time. Most important is the PNL (Profit-and-Loss ratio) and ROE (Return on Equity) parameter, which gives you your current profits or losses on the position (see „PNL and „ROE“ in the glossary for more infos). Note that the ROE parameter displayed on Kraken Futures isn't of much interest for us as the calculation via the initial margin leads to very high percentage values not reflecting the real profit/loss percentage in USD terms, so that you might ignore this value for now. Another way of looking at profit/losses is documenting the portfolio value at the time of entering the trade, and then looking into the wallet for the current value.

You can **verify** after each specific short/hedge trade that **the correct leverage** was obtained by looking at the „Account Activity“ area in the bottom region of the „Trading“ interface (where your open positions, open orders etc. can be found). There under the tab „Open Positions“ in the column „Effective Lvg“ (Effective Leverage) it should be showing the leverage you wanted to obtain (so either „2.00x“ or „1.00x“). There will be no negative sign, as direction is indicated by the „Long“ or „Short“ in the column „Size“. **Just make sure that it reads „Short“ there** (it will by the way never read „Hedge“ or so, as a hedge with (-)1.00x leverage is technically also a 'short' from a general naming perspective). Note that for the case of a **Short** state (-2.00x initial eff. leverage) it would also be okay to see 1.99x or 2.01x initially, same with a **Hedge** state (-1.00x initial eff. leverage) and seeing 0.99x or 1.01x initially (mostly appearing there due to some rounding). As soon as the ETH price moves on the chart, the effective leverage will change, as the ratio of your position value and your ETH collateral value also changes (which is of no concern for us regarding the actual trading as we only care about the initial leverage at the time of the trade; and of course we would like it very much for our position value to increase versus the ETH collateral value, which also means that if price moves in our favored direction during the short or hedge (here: down), the effective leverage will actually decrease). Note that a changing effective

leverage does not change your liquidation level once a futures position has been opened.

On the chart the purchase price (or „Entry Price“), the current price (or „Mark Price“) and the „Liquidation Price“ are given (for -2x shorts the liquidation price will be far away (roughly 100% above entry price) so that we are in no great danger of getting liquidated, and for -1x hedging positions we cannot get liquidated at all, so there is typically no liquidation price shown, except rarely an extremely high one that realistically cannot ever be reached when there was a rounding to -1.01x leverage).

- 4) **First sell of short contracts:** Alright, so we're currently in a **Short (or Hedge) position** as we've held PI_ETHUSD Short contracts for some time, but now we either get a **Long** signal (going from Short to Long, or Hedge to Long), or a **Hedge** signal (going from Short to Hedge) on Swing Algo V1.4 next. We will discuss those scenarios in detail.

◆ Scenario – Short to Long & ◆ Scenario - Hedge to Long:

Both scenarios work in exactly the same way, so we just summarize them to one scenario. For going into a **Long** state from either a **Short** or a **Hedge** state, one has to sell all „Sell/Short“ contracts (again, confusing) via the small „**Limit**“ or „**Market**“ **buttons on the right side of your open position entry in the „Open Positions“ tab!** This is also called „closing the (short/hedge) position“. If you want to close the position via a limit sell/close order, click on „Limit“, and a „Limit Close Position“ pop-up menu appears where you have to enter details (similar to our purchase above). Here choose as „Quantity“ the full amount of your short contracts currently in the position. For „Limit Price“ choose the highest green price in the order book on the right side (typically this will already be pre-entered). Then confirm by clicking on the „Close Position“ button to submit a limit close order. Again, with a market sell/close order you have less hassle but slightly higher fees. In this case click on „Market“. The „Market Close Position“ pop-up menu appears and you just have to confirm that you want to close the position, which then happens right away. We could also use the „Buy | Long“ order form with the „Place Buy Order“ button here, then you have to 'buy' exactly the amount of long contracts equal to the amount of short contracts you currently hold (thus neutralizing the short contracts and closing the position entirely). As soon as all futures contracts are sold, you are in a spot long position by just holding ETH as collateral in your wallet.

◆ Scenario - Short to Hedge:

Let's say we're currently in a **Short** state and then received a **Hedge** signal, meaning that we have to partially close our -2x leveraged short position, so that we're decreasing the short leverage from (initially) -2x to -1x (note that the current effective leverage will likely be different from -2x, but that is of no further issue). For this you have to match your position size (contract amount) to your current portfolio value (USD amount). The equation would be: '**close size (in contracts) = position size (in contracts) – current portfolio value (in USD)**'. For example if you had an initial -2x leveraged short with 2000 contracts, your initial portfolio was of course valued \$1000. But now let's say the price of ETH dropped and your short position is worth more than before, e.g. your portfolio is now worth \$1500. To then get your position into a **Hedge** position, you have to close/sell $2000 - 1500 = 500$ contracts. This you would have to do either via „Limit Close Position“, where you can enter the number of contracts that have to be closed, or in the „Buy | Long“ order form, where you also can enter the number of contracts you want to 'buy' (thus neutralizing that amount of short contracts), confirming with the „Place Buy Order“ button. Attention: „Market Close

Position“ let's you only close the entire short position, so this one can't be used here! After partially closing the position, please check that the new current effective short leverage is roughly 1.00x (again, 0.99x or 1.01x is also fine), otherwise something went wrong and you would have to adjust your position further!

After either close position order type („Limit“/“Market“) and method („Close Position“/“Place Buy Order“) is chosen your closing is put as an order into the „Open Orders“ tab. For market order/close the trade then happens instantaneously (this happens so fast you normally won't even see the order appearing in the tab), for limit order/close you have to wait until you match with a trader for your contracts. When this happens your PI_ETHUSD Short contracts get traded for some amount of ETH (according to the current notional USD value of the contracts). If the price of ETH fell, the short contracts got worth more in USD (which is the main feature of the short contracts), and as the inverse futures have ETH as the underlying collateral asset, to represent that position gain in USD value - and also the fact that 1 ETH is now less pricey in terms of USD than before - you will have more ETH in your portfolio than before. So now you not only made profits in USD terms, but you even get more ETH because ETH is less worth in USD than before (note that this also works vice versa, if losses occur). **As we now hold ETH, we are automatically spot Long again!** For the next signal and corresponding trade scenario we can look in „5“ for a quick recap of what to do. We continue trading until we're satisfied with our stack, which of course is a longer-term endeavour. Then, or whenever you want to withdraw some money from your swing trading stack, you proceed to 6).

- 5) **Quick Recap on all Trading Scenarios.** For the sake of completeness I will also treat the remaining trade scenario here in detail before moving over to the summary table of all possible signal-to-signal scenarios.

◆ Scenario - Hedge to Short:

If you are currently in a **Hedge** state and have to go to the **Short** state, you would have to increase your short leverage from (initially) -1x to -2x by purchasing additional short contracts. For this you would just **'buy short contracts for roughly the amount of your actual current portfolio value (in USD) or of your current position size (in contracts) respectively'**, or more succinct: **'just double your position size'**. For the case of being in a -1x leveraged short position, the position size should typically consist roughly of the same number of contracts as the portfolio is currently valued in USD (e.g. „Size“ of 1000 should roughly equate to a \$1000 portfolio value, as the position's USD value is locked in during hedging), but could differ slightly due to some rounding and previous fees + funding rate payments. So in this example you would just buy „1000“ more PI_ETHUSD short contracts on top of your existing position, bringing it to 2000 short contracts total. Note: The **current position size** of the open -1x leveraged short position before this purchase can be found in the „Account Activity“ area in the bottom region of the „Trading“ interface (where your open positions, open orders etc. can be found). There under the tab „Open Positions“ in the column „Size“ is the current position size (in contracts) listed.

◆ Recap Table for all Trading Scenarios:

I want to remind you that this table is only valid for inverse futures. For linear futures you would need to do different actions for each scenario based on the different leverage settings shown in the table on page 7 of this document.

From	To	What to do?	Example
Long	Short	Purchase short contracts for <u>double</u> the amount of your current portfolio value	Purchase 2000 short contracts, if e.g. your portfolio value is \$1000
Long	Hedge	Purchase short contracts for the <u>same</u> amount as your current portfolio value	Purchase 1000 short contracts, if e.g. your portfolio value is \$1000
Short	Long	Close your <u>complete</u> short futures position	Close position <u>or</u> purchase 2000 long contracts if e.g. 2000 short contracts are currently open
Hedge	Long	Close your <u>complete</u> short futures position	Close position <u>or</u> purchase 1000 long contracts if e.g. 1000 short contracts are currently open
Short	Hedge	Close <u>partial</u> position according to equation: „close size (in contracts) = position size (in contracts) – current portfolio value (in USD)“	Close following amount of short contracts (or buy that amount of long contracts), if e.g. 2000 short contracts are currently open and the portfolio is valued at \$1500: $2000 - 1500 = 500$
Hedge	Short	Purchase short contracts for the same amount as your current portfolio value (or position size respectively)	Purchase 1000 short contracts, if e.g. your portfolio value is \$1000 (or position size is 1000 respectively)

Note that after we got a **Long** signal and performed the corresponding trade, we should always only hold spot ETH and have all futures position closed. Likewise, after a **Hedge** signal and corresponding trade, we should see an initial effective leverage of (-)1.00x in the Kraken Futures interface for our open futures position, and after a **Short** signal and corresponding trade, we should see an initial effective leverage of (-)2.00x. If something is still unclear or seemingly went wrong when performing a trade, feel free to ask Dean or in our group chats!

- 6) **Final (or intermediate) ETH Sell:** Under the assumption that some day you want to put all (or some) of your profits back into fiat money (USD, EUR, etc.), first you can just transfer your ETH back to your „Holding Wallet“ (make sure you are currently not in an active short futures position, or if you are, close an appropriate amount of that position so that you don't change the effective leverage of it when you remove some collateral). Then transfer it back to the „Spot Wallet“ on kraken.com, and finally sell your ETH via e.g. the ETH/EUR trading pair (analog to the buy case discussed in „1“). After that you can withdraw your EUR balance to your bank account.

Some people however might want to stay in cryptocurrencies (as it might be mainstream-established already in the near future) or at least in crypto-stablecoins. Here the advantage is that you can store large amounts of stable money on cryptocurrency wallets (again as mentioned in the Intro, those accounts cannot be frozen or censored).

Bonus: Which wallet to use?

- **In general: You don't need a cryptocurrency wallet if you only trade on an (centralized) exchange.** However if you want to withdraw your cryptocurrencies or use decentralized exchanges (where you basically login with your wallet), you need one. There are probably hundreds of wallets and several wallet types out there, so here you find a short overview over all wallet types. Not every wallet is suitable for all cryptocurrencies, in fact most are

specialized on only one! **A wallet consists of a public and private key pair** (with the public one other users can send you funds, with the private one you can access and send them). There are two general types of cryptocurrency storage: **Cold storage** = air gapped = private keys have no link to the internet, bluetooth, or any network. More info: [Cold Storage in Bitcoin Wiki](#). **Hot storage** = Typically linked to the internet (or other networks).

- 1) **Hardware wallets** (cold storage): Hardware tool (chip) to store cryptocurrencies. I personally currently still use the „Ledger Nano S“, but there might be better alternatives. **Pro:** Most secure wallet types as they are offline and use mechanical buttons (impossible to remotely hack/manipulate). Some hardware wallets, e.g. Ledger, save the private keys on secure elements inside the hardware, which make it impossible to physically hack them if a hacker should get direct access to the device. Convenient to use (plug into PC or smartphone and use interface). Can store many different cryptocurrencies. Backed up by pass phrases (private key in another text format), so if device breaks, wallet can be restored on another device (does not have to be a hardware wallet). Some hardware wallets, e.g. Trezor, use software that is open source. **Con:** Costs money, although not too much, but only makes sense for portfolios above 2000 €. Some hardware wallets, e.g. Ledger, use software that is closed source, and firmware updates can theoretically add export key features as recent findings in 2023 showed. Some hardware wallets, e.g. Trezor, can be physically hacked when the hacker has direct access to the device and can perform some sophisticated attacks with tools (but not from remote/internet).
- 2) **Paper wallets** (cold storage): Just write your pass phrase (equivalent to private key) on a paper. **Pro:** An offline generated paper wallet is probably the most secure wallet type for holding crypto. Costs no money. **Con:** Easier destroyed (e.g. small fire) than a hardware wallet. People finding the paper could just read the key, while hardware wallets (which also are backed up with pass phrases) offer additional security layers (PINs etc.). Typing private keys into online interfaces (when one wants to send funds) can be a security threat (e.g. malware/key-logger catches your non-encrypted private key on a compromised computer). *Very* inconvenient if one often moves funds/trades on decentralized exchanges etc.
- 3) **Brain wallets** (cold storage): Just memorize your pass phrase in your brain, leave no physical trace of it. **Pro:** All pros of paper wallet, but here no one can read it, no one even knows it exists. **Con:** You could forget it/your brain could get damaged (then you probably have other problems). Same security threat as paper wallet for typing pass phrase later.
- 4) **Software wallets** (warm/hot storage): Apps like „Electrum“ can store your crypto on a PC, the keys are encrypted. **Pro:** Convenient. Moderately secure. Costs no money. **Con:** Computer is typically linked to the internet, hackers could start sniffing around, trying to catch some keys if careless users expose them somehow. Software wallet itself could include malware.
- 5) **Web wallets** (hot storage): Like software wallets, but completely hosted in the web, most prominent is „Metamask“. Note that you often can link hardware wallets to web wallets and use them as a nice frontend to have the safety of the former combined with the convenience of the latter. **Pro:** Roughly same pros as software wallets. No need to install anything, just visit website. **Con:** Often less secure than even software wallets, as now you have to hope that the servers are secure and nothing gets exposed from the web wallet provider's side (except when you use hardware wallets for linking). Web wallet could be a scam (stealing your funds from your web wallet by having also access to the generated keys). Note that e.g. MetaMask does not save any private keys on their servers, but locally on your device, and the software is open source. It's still hot storage, though.
- 6) **Custodial solutions** (typ. cold storage): A company stores crypto for you. **Pro:** Typically very

safe (best hardware wallet/multi-signature wallet solutions available). Funds often are insured (if they lose your money, you still get it back). **Con:** Costs money. They store it, so in the end you have no 100% guarantee that you will see your money ever again („not your keys, not your coins“). Typically for larger players/institutions (may deny smaller fish).

- 7) **Multi-signature wallets** (all types): Normally every wallet is accessed by one private key. On the other hand a multi-sig wallet (regardless of the types mentioned above) has to be accessed with multiple keys simultaneously (using a private key is often called 'signing' or 'giving a signature'). Consider for example a 2-out-of-3 multi-signature wallet. Then you need at least 2 of the 3 keys to get access to the wallet. Keys could e.g. be distributed to different locations (under your control) and/or different persons you trust (with 1 key remaining with you). **Pro:** This adds security as even burglars who try to rob you have to visit further locations to get access to your funds. **Con:** Very inconvenient for often used wallets. Other persons with keys could in theory conspire against you and steal your funds.

Note that maybe even more important than choosing the right wallet type is to spot scams and phishing attacks when you see them. Those are often linked to supposed giveaways, airdrop/token claims, unofficial NFT-pages/exchanges etc. and their associated smart contracts which potentially can empty your wallet. Try using only official platforms or ask in the DeanTrader community if some interesting, but questionable opportunity comes up.

Glossary

- **Algorithm:** S. „Trading Algorithm“.
- **All Time High (ATH):** Highest price a particular asset ever reached.
- **All Time Low (ATL):** Lowest price a particular asset ever dropped to.
- **Arbitrage:** Risk-free (= no future speculation) trade method by performing two trades at the same time: Buy asset X on exchange A for price p_A , and sell asset X on exchange B for price p_B . If $p_B > p_A$ (minus fees) is true, you made money. The arbitrage market is heavily contested and profit margins are often slim. Here at DeanTrader we don't perform arbitrage trades.
- **Asset:** Everything that has value/can be traded is an asset, e.g. USD, EUR, Bitcoin, Ethereum, Gold, Oil, Coffee beans, Pokémon cards, etc. Often not only the asset can be traded, but some financial contract (derivative) mapping the asset (e.g. Oil Long Futures) or even providing new functions (e.g. Oil Short Futures that rise in value when the Oil value drops, used for hedging or betting on falling markets, s. „Hedge“ and „Short“).
- **Backtesting:** Testing trading strategies (e.g. algorithms) via past data.
- **Base Currency:** The asset or currency which is traded via the trading pair. For e.g. BTC/USD the base currency is BTC. USD would be the quote currency (s. „Quote Currency“).
- **Bear Market:** Long periods in which the price mostly drops. Typically after a strong bull run.
- **Bearish:** Sentiment/sign that price might drop soon (e.g. „bearish price action“).
- **Bot:** S. „Trading Bot“.
- **Bubble:** Endphase of a bull market with extreme price rises in very short times. Typically accompanied by much media hype and an influx of many new investors. Bubbles often end with a blow-off top and always burst (= subsequent extreme price drops/crashes for some prolonged time), so buyers beware! We at DeanTrader have additional algorithms to track when Bitcoin & Co reach bubble territory. A bubble is basically the opposite of a capitulation event (s. „Capitulation“).
- **Bull Run / Bull Market:** Long periods in which the price mostly rises. Typically followed by a

crash leading to a bear market.

- **Bullish:** Sentiment/sign that price might rise soon (e.g. „I'm bullish on Bitcoin!“).
- **Buy & Hold:** Buying an asset without the intention to trade it (on short or medium timeframes), but to hold it for long times in the hope that it someday can be sold at much higher prices. Could also be called investing. Buy & Hold strategies have severe disadvantages, e.g. your financial performance is completely at the will of the market, so that you often have to endure strong downtrends. We at DeanTrader designed our swing trading algorithms particularly to circumvent this issue.
- **Candle:** Bar on price chart indicating one unit of current timeframe (e.g. on the daily (D) chart one candle represents one day). Typically shows the open, close and highest as well as lowest price of the specific time unit. More infos: [Candlestick chart on Wikipedia](#).
- **Candlestick Pattern:** Specific combinations of candles used in price action trading to identify the next market moves (s. „Price Action Trading“ below).
- **Capitulation:** Endphase of a bear market with extreme price drops in very short times. Typically accompanied by much media fear and an exit of many previous investors. Capitulations reverse at some point (= subsequent price increases), so sellers beware! We at DeanTrader have additional algorithms to track when Bitcoin & Co reach capitulation territory. A capitulation is basically the opposite of a bubble (s. „Bubble“).
- **Centralized Exchange (CEX):** Exchange where everything (especially the funds) is managed by a central entity (e.g. a company). The company could in theory arbitrarily freeze your funds. Some CEXs are very reputable, so that this issue is minimized (e.g. Kraken Exchange).
- **CFD:** Contract for Difference. Financial derivative where the differences between opening and closing price are cash settled. No physical goods or securities have to be delivered, in contrast to e.g. futures contracts. Note that CFDs on futures exist. We at DeanTrader typically trade spot or futures directly, but in theory CFDs could also be traded (*but* CFDs typically have no order book so that you cannot put limit orders but have to pay the full spread (s. „Spread“) leading to high 'virtual' fees, and often are only available on more or less shady exchanges, additionally for example in the United States CFDs are banned completely). CFDs are a modern version of [Bucket shops \(see Wikipedia\)](#).
- **Chart:** Plot of price action (and other indicators/markers), typically shown against time.
- **Close:** Closing price of a price candle on a chart. Most important for us are the so-called 'daily closes' (as closes are the most important price information in general, as well as the fact that our algorithms are partially calculated based on those), meaning the candle closes on the daily chart (a chart with the daily timeframe set).
- **Close Position:** Ending a derivative trading position (e.g. futures) by selling all contracts and moving back to the underlying collateral asset. For spot positions one typically uses the word 'sell'. The opposite would be opening a position (s. „Open Position“).
- **Collateral:** Funds you own to secure a (potentially larger = borrowed) trading position size, used e.g. for margin or futures trading, s. „Margin“ for much more details.
- **Crab/Sideways/Choppy Market:** Periods in which the price neither trends up or down for long, but has very short-lived up and down moves (also just called 'chop'), which is very hard to (swing) trade.
- **Crash:** Extreme price drop in a very short time, e.g. right after the end of a bull market.
- **Day Trading:** Includes different trading styles that all have a commonality: all open trades are closed before the day ends. We at DeanTrader do not day trade.
- **Decentralized Exchange (DEX):** Exchange where everything (especially the funds) is managed by a decentralized smart contracts (where funds are typically not accessible or freezable by the company that programmed the DEX). DEXes however can offer their own

problems, mainly smart contract risks as there could be malicious features programmed in.

- **Demand Zones:** Here not meant in the general sense, but as a technical analysis (TA, s. „Technical Analysis“) pattern. Specific candle formation on the chart that forms a zone and that roughly acts like support lines (s. „Support“), but typically reacts stronger and is better hidden from non-experienced traders. It is one of the more powerful price action methods and can be used by Dean for evaluating market structures apart from the swing algorithm operation. Demand zones are areas of high liquidity (s. „Liquidity“). Often demand zones are just called 'demand'. The complement to demand zones are supply zones (s. „Supply Zones“).
- **Deposit:** Funds you move onto an exchange (e.g. to their associated bank account or cryptocurrency wallet). Also the act of moving funds to an exchange.
- **Derivative:** Financial contract derived from an underlying asset. Examples are futures, options, swaps etc. We at DeanTrader are mostly interested at underlying assets and their futures. Options and swaps are here not traded at all (and will not be explained). For more infos on them, see [Derivative \(finance\) on Wikipedia](#).
- **Downtrend:** Medium term periods in which the price mostly drops. If a downtrend is prolonged it will form a bear market (s. „Bear Market“).
- **Entry/Exit (Price):** Either the act of buying/selling, or the price at which one buys/sells an asset, i.e. at which price the order is executed.
- **Execution:** Successful trade (not in terms of profit, but that the exchange of assets happened via the exchange trading engine).
- **Exposure:** Describes how heavily you are invested into an asset. For example if you possess a large ETH stack (in relation to your remaining funds), you are 'heavily exposed to ETH'.
- **Fee Schedule:** List of all fees that apply on an exchange for various actions (trading etc.).
- **Fill:** Successful (executed) trade after an open position via limit order was generated and matched (filled) by another market participant (s. also „Execution“).
- **Flat:** Staying in a stable currency (EUR, USD, stablecoin etc.) or being -1x leveraged short (= hedged) on Inverse Futures, typically means to 'stay out of the market' or 'not participate in the current price development' respectively. If you sell an asset for e.g. EUR, you 'go flat'. S. also „Hedge“.
- **Forwardtesting:** Testing trading strategies (e.g. algorithms) via new data, i.e. just letting the strategy run and observing what happens.
- **Fundamental Analysis (FA):** Financial analysis used to find good mid- to long-term investments. Doesn't care about price history/current chart, but only about the fundamentals of the asset (e.g. how seminal a (new) company or technology could be). The opposite is „Technical Analysis“ (TA). We at DeanTrader used FA to find the right assets to trade (Bitcoin, Ethereum etc.), but only use TA for swing trading decisions via algorithms.
- **Funds:** Entirety of your assets that can be traded, e.g. a mixture of USD, EUR, BTC, XAU (Gold), etc. This typically also includes contracts/open positions on exchanges (although those cannot be transferred to another exchange/wallet but have to be closed first).
- **Futures:** Derivative of an underlying asset. Normally futures are terminated contracts (with 'fixed maturity') which try to guess the price at termination date (e.g. some months into the future). Near termination date the prices of asset and futures contract converge. There are also „Perpetual Futures“ (see below) which postpone the termination date (which in that case is always 'now') indefinitely, leading to futures prices roughly the same as the asset at all times. Most terminated as well as perpetual futures are „Linear (or Direct) Futures“, which means that price movement and profit are linearly (directly) proportional. There are also „Inverse Futures“ (in the cryptocurrency space, to avoid using USD, as you can buy

them with the asset itself, e.g. buy BTC/USD Inverse Futures with BTC instead of USD) – here profits in the base currency (e.g. BTC for BTC/USD trading pairs) are calculated inversely from price movements. See more infos in the official [Bitcoin Inverse Futures Paper](#), or in the [Kraken Profit/Loss Calculation Guide](#). We typically trade perpetual inverse futures (s. also „Perpetual Inverse Futures“ below). The most important feature (of futures in general) is the ability to bet on falling prices, s. „Short“. Betting with futures on rising prices would be called „Long“. Futures can be leveraged (in both directions – short and long), i.e. be bought on margin, s. „Leverage“ and „Margin“. In fact, shorting only works if leveraging is possible at all, as shorting/betting on falling prices actually uses (in a mathematical sense) negative leverage. **Futures trading** is similar to margin trading, but has some **advantages** (at least on Kraken): Lower fees. Higher leverage in theory possible. Futures exchange is cut-off from the remaining exchange, so that liquidations would only eat your Futures funds. Futures liquidation engine prevents margin calls (s. „Liquidation“ and „Margin Call“), meaning you can't go negative on funds. Also margin trading offers lower liquidity (s. „Liquidity“) as the exchange has to actually borrow you the funds, which could dry up in times of high demand, while in futures trading the liquidity is always provided by the counterparty (the other trader you buy/sell the contracts from/to).

- **Hedge:** Saving yourself from market moves (volatility) by either going into stable assets, or (mostly associated with this term) by adding shorts to your long exposure. Often done by people who literally need to buy/sell an asset some time in the future (e.g. sell Oil in the case of oil production companies), but want to lock in the current price (e.g. by also going short on Oil so that in case of dropping prices and therefore lower company revenue, they make money back with the Shorts). For us however it mostly means going -1x leverage short on perpetual inverse futures when the conditions for hedging are met, locking in the current value of the swing trading stack in USD terms.
- **High-Frequency-Trading (HFT):** Very fast trading (in the order of milliseconds) trying to profit from very small price movements, only performed by trading algorithms/bots. Extremely contested market. Trading firms often buy property next to exchanges and install glass fibers directly into the exchange to get a time advantage. Forget this trading style if you do not have the funding/knowledge for appropriate soft- & hardware. We at DeanTrader trade only on higher timeframes (s. „Time Frame (TF)“).
- **High Time Frame (HTF):** Long periods of time or literal higher time frames (e.g. W or M) on the chart (s. „Time Frame (TF)“).
- **HODL:** Epic (alcohol-induced) misspelling on a very old bitcointalk.org (biggest Bitcoin forum) [post](#). Just means 'hold', often used as a rallying call/pep talk to encourage people to not sell Bitcoin/crypto in times of downtrends.
- **Hold:** Possessing an asset, e.g. „I hold ETH.“.
- **Indicator:** Anything on the chart which is calculated by either price, volume or some other data. Can be mean/averaging functions (e.g. moving averages of different kinds, s. „Moving Average (MA)“), oscillators (s. „Oscillators“), or literally anything mathematically expressible. Manually drawn lines on a chart however are typically not categorized as indicators (exceptions might e.g. be Fibonacci levels). Algorithms often have some indicator functions built into them.
- **Inverse Futures:** Futures contracts where the profit (in base currency, e.g. ETH for ETH/USD trading pairs) is calculated inversely from the price change (some function terms use the inverse of the price, $1/P$). The exact function (including graphs) can be found in the [Inverse Futures for Bitcoin Paper](#), or in the [Kraken Profit/Loss Calculation Guide](#). The opposite would be „Linear (or Direct) Futures“. See more infos for both cases under „Futures“, „Perpetual Inverse Futures“ and „Perpetual Linear Futures“. Inverse futures do not have to

be perpetual necessarily, but can also have fixed maturity, which is why this category was added independently.

- **Leverage:** Trading with more funds than you actually possess – the leverage multiplier (e.g. 1x, 2x, 100x) tells you by which factor you multiplied your funds to get a bigger position size for a specific open position. This is typically done in the scope of margin or futures trading respectively. You „borrow“ the additional funds either from a margin pool or intrinsically via the futures trading platform. To bet on falling prices, called shorting, you actually need to be able to use leverage, as a short position (in a mathematical sense) uses 'negative leverage' (s. „Short“). The chosen leverage multiplies your profit, but also your losses, by a certain factor (s. „Leverage and Multipliers“ for more explanation), which is also dependent on the futures position type (short or long). Generally if losses in a leveraged futures position get so high that they are bigger than the part of the trade position that you actually own (called margin or collateral, s. „Margin“ for some calculations), the trade gets liquidated and your funds are gone (s. „Liquidation“). This typically only happens when a high/risky leverage is chosen for a position. Note that the definition of 'high' or better 'risky' is context-sensitive as e.g. some scalp traders use around 20-100x leverage for very small positions (meaning they risk only a very small part of their portfolio) that they close quickly if an exit condition for their trade is met, so that the overall trade isn't that risky compared to their portfolio, while even a 5x leverage would be very risky (and therefore high) for swing traders that hold large portions of their portfolio for some longer amount of time, where also initial movements in the wrong price direction are allowed for strategy-wise. As we at DeanTrader do not use high leverage in the context of swing trading (meaning our limits here are being spot long in one direction (which cannot get liquidated at all) and -2x leveraged short in the other direction at maximum), we are not in danger of liquidations.
- **Leverage and Multipliers:** Inverse futures shorts with an -1x leverage setting are used to hedge against price changes and will not yield any further gains on your portfolio (in the quote currency, e.g. USD for ETH/USD trading pairs). You can imagine it like this: If you're spot long, you have an intrinsic gain/loss multiplier of 1 (in a sense that your spot stack's USD value just increases proportionally with the asset's USD price, which here is the base currency ETH). If you want to hedge, you short with -1x short leverage, leading to „1 (collateral intrinsic gain/loss multiplier) - 1x (leverage) = 0 overall multiplier“ (= position is secured against price changes of the underlying asset/collateral). If you want to make gains from price drops, you do not only have to negate the spot long intrinsic multiplier of 1, but go in the negative direction, with e.g. a -2x short, leading to „1 - 2x = -1 overall multiplier“! Also note that the above calculations are generally not true for linear futures, as there the quote currency USD is held as collateral, which intrinsically has a multiplier of 0, assuming an ETH/USD trading pair in this example. For linear futures other leverage settings have to be applied: 1x long leverage for a gain/loss multiplier of 1 (Long), just staying spot USD for a gain/loss multiplier of 0 (Hedge), and -1x short leverage for a gain/loss multiplier of -1 (Short) respectively. In a sense, finding the correct leverage is more straightforward in the linear case, as it maps leverage to gain/loss multiplier 1:1.
- **Limit Order:** Trading order where you specify at which price you want to buy/sell. If this price is not currently in the order book, your limit order will emerge there. It will get executed when another trader agrees to your price and fills your order, then the trade is completed. It is possible that this never happens (e.g. unrealistic price), then you can always cancel the limit order manually (or automatically after a specified time). Pros: Less fees as you provide liquidity (= an order) to the market (applies only if your order appears in the order book and did not match an existing one – if it appears in the order book you

are called a „Maker“ and maker fees apply). Exact price is defined (no „Slippage“).

Additional options like „Stop Loss“ or „Take Profit“ can be set (see below). Cons: You might have to wait long times until trade is successful (can be problematic in heated/fast moving markets, leaving your limit order behind at then old prices, never to be filled). Note that limit orders can be partially filled (if another trader matches only a part of your order size).

- **Linear (or Direct) Futures:** Futures contracts where the profit (in quote currency, e.g. USD for ETH/USD trading pairs) is calculated linearly (or directly) from the price change. The opposite would be „Inverse Futures“. See more infos for both cases under „Futures“, „Perpetual Linear Futures“ and „Perpetual Inverse Futures“. Linear futures do not have to be perpetual necessarily, but can also have fixed maturity, which is why this category was added independently.
- **Liquidation:** Complete dissolution of your active trade on the exchange. This means that the active trade is compulsorily closed by the exchange engine and your money that was put into that trade is completely gone! Typically triggered by a (highly) leveraged trade that went in the wrong direction. For more details, s. „Leverage“.
- **Liquidity:** Defines either a) how liquid the market in general is and accordingly how much money in the system is that can be deployed to buy assets. Or b) how liquid a specific asset (or trading pair) in general or at certain price zones is (in the latter case we talk about particular liquidity zones/pockets). Regarding the first definition, DeanTrader runs certain indicators that can act as proxies to gauge liquidity in the general market. Note that asset prices typically rise when liquidity enters the markets (and vice versa fall when liquidity exits the markets). Regarding the second definition, a order book of a trading pair can be liquid, meaning that the order book is very tight with only small spreads (s. „Order Book“ and „Spreads“) and no large price gaps inbetween the individual offers exists. Illiquid (non-liquid) markets however lead to slippage (s. „Slippage“). We always want liquid markets if possible. In order books certain liquidity zones with higher than normal liquidity (in relation to the average liquidity of the trading pair) can also exist, that can absorb large amounts of buy or sell orders before price starts to change. Often price can not break through such liquidity zones, leading to reversals („Supply Zones“/„Demand Zones“).
- **Long:** Betting on rising prices. Can mean either the action of trading itself, e.g. buying an asset or a Long contract, or the sentiment/position one currently holds, e.g. „I'm long on Ethereum!“. The opposite is „Short“.
- **Low Time Frame (LTF):** Short periods of time or literal lower time frames (e.g. 1m or 1H) on the chart (s. „Time Frame (TF)“).
- **Maker:** People who create limit orders are makers (they 'make' new listings in the order book). The opposite is a taker. For more infos see „Order Book“, „Limit Order“, „Market Order“ and „Taker“.
- **Margin:** The portion of your trading funds that you actually own, also called „Collateral“. Note that the following examples use inverse futures and the corresponding leverages. If you do not use leverage (or are shorting via inverse futures with a leverage of -1x = gain/loss multiplier of 0, used for hedging) your margin is equal to your trading position size (or even bigger than that if you currently do not trade with the full amount allocated to your trading account). If you use higher short leverage than -1x (or long leverage at all) you will open a trading position where you do not own the full position size. The bigger the leverage the smaller your margin in respect to the full trading position size. The smaller your margin the easier it gets to get liquidated, e.g. if you enter a 9x leveraged inverse long contract with 100 € margin = *your* trading stack, your position size will be roughly 1000 € (the 100 € margin + 9 * 100 € borrowed; minus fees). If the price rises now 1%, your position will also rise 1% (e.g. to 1010 € = 10 € profits), but because you only 'invested' 100

€, your profits are in reality 10% (from 100 to 110 €). Beware: the same is true for losses! If the price drops 10% your position size goes from 1000 to 900 €. But now your losses in € are as big as your margin (= 100 €), the exchange cannot hold your position any longer, and you get liquidated (= 100 % loss). The concept of „Margin/Collateral“ is used for margin trading as well as for futures trading.

- **Margin Trading:** Leveraged trading where you 'buy on margin', meaning that you not only trade with your money (the initial margin) but also with borrowed funds (typically from the margin pool of an exchange), s. „Margin“. In theory futures trading is a form of margin trading, but there exist some differences (no margin pool but all trading counterparties have to be sufficiently collateralized, different fee schedule, etc., s. „Futures“).
- **Margin Call:** Worst case scenario in margin trading. If the exchange liquidation engine doesn't achieve a timely liquidation you do not only lose all your funds, you even have to deposit some more to bring your now negative account balance back to 0! In earlier days brokers literally called margin traders who went negative via telephone to inform them about the needed repayment, giving them the dreaded 'margin call'.
- **Market Cycle:** Full price cycle consisting of a bull market and a bear market (together with possible phases of sideways markets inbetween). Markets typically move in cycles.
- **Market Maker (MM):** Person or institution holding large amounts of a (newly) listed asset, who orchestrates the order book to get trading going, by providing buy orders as well as sell orders close to mid price. Market makers are especially important for high liquidity in new markets, but are also used for matured markets. Dependent on the market, they are paid by exchanges to provide their services.
- **Market Order:** Trading order where you just buy/sell at the current best price. The order gets executed immediately and does not sit on the order book. Pros: Gets executed immediately (no waiting times), which can be beneficial in times of fast moving markets. Also more convenient as you only have to enter the order quantity and nothing else. Cons: Somewhat higher fees as you take liquidity off of the market (then you are called a „Taker“ and taker fees apply). You do not define the exact price at which you want to buy, so everything gets bought up at best prices until your complete order size has filled all corresponding offers, which can lead to slippage (s. „Slippage“ below).
- **Moving Average (MA):** Basic concept for averaging prices along the way on a price chart. There are many, many different types of MAs, and also for each particular MA at least one parameter, the averaging period, can be chosen. If not mentioned otherwise the term „MA“ is typically used for the „Simple Moving Average“ (SMA). For example a MA(200D) will at each point in time (here = each daily candle) show the (simple) average of the last 200 days. More on [Moving averages on Wikipedia](#).
- **Multi-Collateral Futures Wallet/Contracts:** One of two general futures wallet/contract types (the other being „Single-Collateral Futures Wallet/Contracts“) on Kraken. The difference is that multi-collateral contracts and their respective wallets allow cross-margin from other assets in multi-collateral wallets, e.g. your BTC held in the BTC multi-collateral wallet contributes to your multi-collateral ETH/USD futures position margin. In the case of single-collateral contracts/wallets, only margin (collateral) from the traded asset (e.g. ETH when trading single collateral ETH/USD futures) is allowed. We at DeanTrader currently only trade with the single-collateral wallet type.
- **Open:** Opening price of a price candle on a chart. Note that close price of the last price candle is also exactly the open price of the current candle. We are mostly interested in the so-called 'daily closes' (s. „Close“).
- **Open Interest:** Totality of all open positions of a derivative (futures or options), either market-wide or of a specific trading pair.

- **Open Order:** Currently open order that has yet to be filled.
- **Open Position:** Starting/opening a derivative trading position (e.g. futures) by buying the appropriate (i.e. long or short) contracts, more precise: by generating an order, which then has to be filled/executed. For spot positions one typically uses the word 'buy'. The opposite would be closing a position (s. „Close Position“). „Open Position“ can also just mean a currently open derivative position.
- **Order Book:** List of all current buy and sell orders (that were created with limit orders), typically sorted into a histogram of different price intervals. All sell orders are listed as 'Asks' (often in red), while all buy orders are listed as 'Bids' (often in green). The distance between the lowest sell order (lowest ask) and the highest buy order (highest bid) is called the spread of the order book (s. „Spread“).
- **Order Size:** Size of a particular trading order (e.g. the amount you want to buy/sell). After the order is executed it is transformed into a position of same size minus trading fees (s. also „Position Size“).
- **Oscillators:** Indicators/functions that oscillate between two extremes, often used to gauge bullish/bearish momentum or zones. Most prominent examples are the RSI ([Relative Strength Index on Wikipedia](#)) and the MACD ([Moving Average Convergence/Divergence on Wikipedia](#)). DeanTrader also developed his own oscillator, the LOO ([Lash-Out Oscillator on TradingView](#)).
- **OTC Trading:** Over The Counter Trading. Trades that do not happen on a market with order book etc., but are done from person to person, sometimes literally over a counter. Some exchanges also offer OTC trading desks for some clients (e.g. Kraken Business), where they can rather easily trade OTC online.
- **Quantitative Easing (QE):** Times of low interest rates from central banks, leading to high liquidity in the markets and thus often increasing asset prices. Do not equate bull markets with QE, as temporary downturns/bear markets can also happen during QE.
- **Quantitative Tightening (QT):** Times of higher interest rates from central banks, leading to lower and lower liquidity in the markets and thus often decreasing asset prices. Do not equate bear markets with QT, as temporary upturns/relief periods much longer than seen in bear markets can happen during QT.
- **Quote Currency:** The currency in which the trading pair is traded. For e.g. BTC/USD the quote currency is USD. BTC would be the base currency (s. „Base Currency“).
- **Perpetual Inverse Futures:** Infinitely ongoing futures contract ('perpetual'), where the profit (in base currency, e.g. ETH for an ETH/USD trading pair) is calculated inversely from the price change (some function terms use the inverse of the price, $1/P$). The exact function (including graphs) can be found in the [Inverse Futures for Bitcoin Paper](#), or in the [Kraken Profit/Loss Calculation Guide](#). S. also „Futures“ above. For Ethereum on Kraken Legacy Futures the contract is called 'PI_ETHUSD'. We can either purchase PI_ETHUSD long contracts or PI_ETHUSD short contracts (so technically there are two different contracts defined, one for each market direction we want to bet on).
- **Perpetual Linear Futures:** Same as „Perpetual Inverse Futures“, but with a linear profit calculation (in quote currency, e.g. USD for an ETH/USD trading pair) based on price movements. Such futures can be found on Kraken Pro Futures, with the contract/trading pair being called 'ETH Perp'.
- **PNL:** Profit-and-Loss. Shows you how much profit or losses you made, e.g. if you bought a \$1000-stack of BTC, and this stack is worth \$1200 one week later, you have a PNL of +\$200. For inverse futures the PNL is typically denoted in the underlying asset (= base currency) (e.g. in BTC for BTC/USD perpetual inverse futures on Kraken), but can still be calculated via

the quote currency (e.g. in USD for the BTC/USD perpetual inverse futures case) for practical means.

- **Position:** Currently running/open trade (spot or derivative). Open positions can either be closed manually/automatically by hand/bot via market or limit close respectively, or compulsorily by liquidation. Instead of closing positions sometimes you can also settle them (instead via trade on the market you can basically do OTC trades with the exchange itself), however we will typically use market or limit close for closing. S. also „Open Position“ and „Close Position“).
- **Position Size:** Size of a particular trading position. Typically calculated from the amount of items N used as margin (e.g. amount of ETH) and current price P per item, as $S = N * P$. If you for example buy with \$500 a stack of 1000 PI_ETHUSD short futures contracts (each initially valued at \$1) by using a leverage of $-2x$, and the price of ETH is currently $P = \$200$, then your position size S is 1000 (measured in \$) with $N = 5$ (measured in ETH). The position size in this case is therefore roughly double the amount you actually put in this trade from your portfolio. Note that short position sizes are sometimes shown with a minus sign (e.g. in the „Logs“), so technically they would be denoted as -1000 in this example. Also note that price action and scalp traders, who only trade a small portion of their trading stack while using higher leverage *and* stop losses, may calculate position sizes differently. We at DeanTrader only swing trade without higher leverage nor stop losses.
- **Portfolio:** List and allocation of all assets one currently owns. In the specific case of swing trading perpetual inverse ETH/USD futures, we often call the ETH stack in the single-collateral futures wallet (which acts as collateral during open short positions) our 'portfolio', and its value our 'portfolio value', even if we very likely also own other assets on other exchanges/wallets or even on Kraken.
- **Price Action (PA):** Movement of the price (typically shown as candle bars). Sometimes „PA“ also stands for 'Price Analysis' (especially when mentioned together with TA and FA, s. „Technical Analysis“ and „Fundamental Analysis“), which basically means the same as price action. PA is technically a form of TA, so sometimes one finds terms like 'PA/TA'.
- **Price Action Trading:** Trading style where only price action (PA) is used to determine what trading actions have to be performed. Mostly uses candlestick patterns and support/resistance lines (or rather observes how price behaves at those levels), but does *not* use (many) indicators, algorithms etc. We at DeanTrader do not use pure price action for swing trading decisions, however Dean still monitors the price action of Bitcoin and Ethereum in parallel (s. also „Price Action“). Note that every trader uses the price data in some form (calculations etc.), but PA traders rely only/heavily on the pure chart patterns.
- **Rally:** Medium term uptrend without bigger drops. Can also happen during a bear market, then typically called 'relief rally'.
- **Range:** Price range. Used to describe in which price zone an asset moves, mostly employed in sideways/crab markets after a range has been established initially by forming some highs (peaks) and lows (dips) of roughly same height (s. „Crab/Sideways/Choppy Markets“). If a range with clear higher and lower boundary is established, traders often try to 'trade the range', meaning to sell at the upper boundary and buying at the lower boundary. This works until the range is broken. In trending markets („Bull Market“ or „Bear Market“) ranges are either broken quickly or do not form at all.
- **Resistance:** Horizontal price level on which the price seems to bounce off of from below. If a resistance line is broken to the upside, it often acts as a new support (s. „Support“).
- **Reward/Risk-Ratio (RR-Ratio):** Ratio of how much returns are possible and how much funds are risked. RR is often calculated by price action and scalp traders to justify specific actions. For swing traders this concept is not as important as for those. We at DeanTrader

keep our risk minimal as the swing algorithm changes the trend fast if things go in the wrong direction, while the reward (upside) is potentially 'endless' as long as the trend continues (of course every trend ends somewhere).

- **ROE:** Return on Equity. Calculated as a ratio of net profit P ('return') and average equity E as $ROE = P/E$. Normally used for stocks, but here also for profit calculations of perpetual inverse futures contracts on Kraken Legacy Futures. The difference to ROI is that $E = \text{initial margin}$ (in the futures case), where $I = \text{position size}$ (s. also „ROI“, „Margin“, „Position Size“ and „Futures“). Note that the ROE parameter displayed on Kraken Futures isn't of much interest for us as the calculation via the initial margin leads to very high percentage values not reflecting the real profit/loss percentage in USD terms, so that you might ignore this value for now.
- **ROI:** Return on Investment. Calculated as a ratio of net profit P ('return') and investment amount (or position size) I as $ROI = P/I$. Sometimes also calculated as $ROI = (P-I)/I$.
- **Scalping:** Trading strategy in which very short-lived trade setups (buy and sell within seconds or minutes) with (very) high leverages are taken. Can either be done via algorithm/bot (which resembles high frequency trading more, s. „High Frequency Trading“) or manually. Especially in the latter case only a few promising setups are taken per day, always with a tight stop loss, as those trades offer extremely high unpredictability due to market noise. We at DeanTrader never scalp withing our swing trading plan (although Dean sometimes tries to scalp some trades extraordinarily if a high probability setup presents itself via other DeanTrader indicators/models or other methods, and will announce those in the private groups).
- **Short:** Betting on falling prices. Can mean either the action of trading itself, e.g. selling an asset or purchasing a short contract, or the sentiment/position one currently holds, e.g. „I'm short on Ethereum!“. The opposite is „Long“. The idea why to use shorts is presented with this example: starting from e.g. a -2x leveraged inverse futures short contract, when the asset price drops 10 %, you gain 10 % profits (if calculated nominally in the quote currency, i.e. USD for an ETH/USD trading pair; the actual payout will be in the base currency ETH), so that it is actually possible to make money while the asset price falls. Note that the same is also true for losses if the price goes in the wrong direction, so we still have to use this feature carefully. S. also „Futures“.
- **Single-Collateral Futures Wallet/Contracts:** One of two general futures wallet/contract types (the other being „Multi-Collateral Futures Wallet/Contracts“) on Kraken. The difference is that single-collateral contracts and their respective wallets only allow margin (collateral) from the traded asset (e.g. ETH when trading single collateral ETH/USD futures), while multi-collateral contracts/wallets also allow cross-margin, where e.g. your BTC held in the BTC multi-collateral wallet contributes to your multi-collateral ETH/USD futures position margin. We at DeanTrader currently only trade with the single-collateral wallet type.
- **Slippage:** Buying or selling price slip due to finite supply at distinct prices. Only happens if you use market orders, which just buys everything up until your allocated funds for this trade order are consumed. Let's say you want to buy an ETH stack of 1000 € at a current lowest price of 200 €. You would expect to get 5 ETH (minus fees). However if the order book is rather thin (low liquidity = a potentially high spread, and especially larger gaps between the individual offers in the book), then it could happen that for example just 3 ETH are available at 200 €, another 1.5 ETH at 200.50 €, and the last 0.5 ETH at 201.00 €, so that you only get roughly 4.994 ETH (minus same fees). For limit orders this does not happen as you define exact prices for the trade (and if that price is not available, the order sits and waits in the order book until assets at that price become available again).
- **Spot:** The underlying asset. On spot markets the real assets are traded, e.g. on the

ETH/USD spot market you can buy ETH with USD, and sell ETH for USD (no contract, you can withdraw the real ETH to a wallet after a buy if you want). This also normally means no leverage (except when margin trading is offered in addition on the same spot market – note that for margin trading you can't just withdraw the position as you trade with partially borrowed funds). To 'buy spot' just means buying the asset, e.g. buy ETH with USD, to 'sell spot' means just selling the asset back to (fiat) currency, e.g. sell ETH for USD. 'Spot hold' means that you are currently holding the asset (no associated contracts etc.), then you are also 'spot long' as you're betting on rising prices of your spot holdings.

- **Spread:** Distance between the lowest sell order and the highest buy order in a given order book. We always want tight spreads as they typically lead to lower slippage. Tight spreads are a sign of high liquidity (s. „Liquidity“). Note that tight spreads are much more relevant for traders who perform many trades per month with small reward margins than it is for swing traders who only perform a couple of trades per year, though.
- **Stack:** Either all funds, or some amount/type of your portfolio specifically dedicated for one purpose, e.g. „swing trading stack“ for the full amount of funds one swing trades.
- **Stablecoin:** Cryptocurrency which is pegged to either the US Dollar, or some other 'stable' value. Typically a stablecoin as e.g. Tether (USDT) is claimed to be backed 1:1 by USD, so that roughly 1 USDT = 1 USD should hold at all times (note that there will be small fluctuations of the price around 1 USD).
- **Stop Loss:** Limit order option to set a price at which one wants to automatically close a position in the future if the price goes in the wrong direction ('safety net'). For example set the buy limit order at an current ETH price of 200 € to get filled quickly (because you think the price will go up soon), but also set the option to sell the position automatically if price drops to e.g. 195 € per ETH (because e.g. then your trading idea got 'invalidated' and further downside is likely). Often used by price action and scalp traders, almost never used by swing traders as those 'go with the flow' and wait until the swing trading indicators or algorithms signal a trend change. In a sense this trend change signal is a form of a stop loss/safety net, as in this way for a sophisticated setup the trader will leave dying trends early and on the other hand catch all prolonged/major price trends correctly. S. also „Take Profit“ for the complementary order type, or in general: „Trigger Order“.
- **Supply Zones:** Here not meant in the general sense, but as a technical analysis (TA, s. „Technical Analysis“) pattern. Specific candle formation on the chart that forms a zone and that roughly acts like resistance lines (s. „Resistance“), but typically reacts stronger and is better hidden from non-experienced traders. It is one of the more powerful price action methods and can be used by Dean for evaluating market structures apart from the swing algorithm operation. Supply zones are areas of high liquidity (s. „Liquidity“). Often supply zones are just called 'supply'. The complement to supply zones are demand zones (s. „Demand Zones“).
- **Support:** Horizontal price level on which the price seems to bounce off of from above. If a support line is broken to the downside, it often acts as a new resistance (s. „Resistance“).
- **Swing Algo:** The swing trading algorithm employed by DeanTrader (s. „Swing Trading“ and „Trading Algorithm“). Several versions already exist and are currently used by a dozen clients, with more updates possibly coming in the future.
- **Swing Trading:** Trading style where one wants to participate in larger price trends (e.g. buying at some low price and wait medium term to sell or even short at higher prices until price is low again). Because higher time frames are utilized, noise is reduced, which makes it easier to use „Technical Analysis“ or even algorithms. Swing trading is not as contested as arbitrage or high frequency trading so that sophisticated individuals without expensive hardware still have the chance to make money, either by programming a swing algorithm

themselves or by purchasing access to one. We at DeanTrader use our „Swing Algos“ mostly to swing trade cryptocurrencies, especially Ethereum (ETH).

- **Take Profit:** Limit order option to set a price at which one wants to automatically close all or part of the position (initialized via this limit order) with profits in the future, e.g. set the buy limit order at a current ETH price of 200 € and set the option to sell the position automatically if price reaches 220 € per ETH. Often used by price action and scalp traders, almost never used by swing traders as those 'go with the flow' and stay in a trend as long as possible (with no concrete price targets). S. also „Stop Loss“ for the complementary order type, or in general: „Trigger Order“.
- **Taker:** People who fill limit orders by market buying/selling are takers (they 'take' listings in the order book). The opposite is a maker. For more infos see „Order Book“, „Market Order“, „Limit Order“ and „Maker“.
- **Technical analysis (TA):** Financial analysis used to find good short-, mid- or long-term trades/investments. Doesn't care about the fundamentals of the asset, but only about price history/current chart (e.g. whether price action (PA), indicators or algorithms imply a short- or long-term price trend). The opposite is „Fundamental Analysis“ (FA). We at DeanTrader use TA intrinsically in the algorithms.
- **Time Frame (TF):** Time interval for one candle on the chart. On a daily (D) time frame every candle represents one day, for example. Time frames typically reach from 1 second (1s) to 1 year (Y). We at DeanTrader use mostly the daily (D) TF, but for swing trading also the 4H, 8H, 12H (H = hourly), 3D or W (weekly) TFs are in principle imaginable.
- **Trade:** Act of transferring two assets between two counterparties (a seller and a buyer). Those assets are denoted in a trading ticker as Asset1/Asset2 (also BaseCurrency/QuoteCurrency), e.g. ETH/USD (s. „Ticker“).
- **Trading Algorithm:** Sophisticated combination of indicators, mathematical functions etc. with a custom logic. Those indicators and functions can use a variety of data, e.g. price action, trading volume, on-chain data (for cryptocurrencies as e.g. transaction volume), further exchange data, in theory also sentiment data from social media. All algorithms try to calculate good trade entries by comparing the current market situation with patterns in the past. We at DeanTrader offer swing trading algorithms & indicators (s. „Swing Algo“).
- **Trading Bot:** Robot/program/app that automatically executed trades ('automated trading') on an exchange according to a trading algorithm. We at DeanTrader do not offer trading bots.
- **Trigger Entry:** Limit order option to set a price at which one wants to perform a specific trade (e.g. close a position, order more contracts, etc.). It is a more general form of a Limit order and can in principle also be used as a „Stop Loss“ or „Take Profit“ order.
- **Trigger Order:** Order that triggers when a specific condition is fulfilled, e.g. when price hits a certain level. Triggering means here that the order is sent to the order book, and can then get filled. This feature can be used to perform some additional trades based on the DeanTrader Confidence Bands (for [Bitcoin](#) and [Ethereum](#)), where specific position entries/exits at extremal price points are being sniped, meaning hit with high accuracy.
- **Ticker:** Trading pair name denoting the assets traded as Asset1/Asset2 or BaseCurrency/QuoteCurrency, e.g. BTC/USD (s. „Base Currency“ and „Quote Currency“).
- **Uptrend:** Medium term periods in which the price mostly rises. If an uptrend is prolonged it will form a bull market (s. „Bull Market“).
- **Volatility:** Quantity describing the amplitude and frequency of market moves. A market of high volatility often moves strongly in one direction with a consequent strong move in the other direction. A non-volatile market crabs in a tight price range, with moves that can

mostly be considered as noise (s. „Crab/Sideways/Choppy Market“). We always want high volatility with long trends at best to maximize our swing trading gains.

- **Volume:** Amount of traded assets per time interval, denoted in the quote currency. We typically want rather high trading volume as it can improve liquidity (s. „Liquidity“).
- **Wallet:** Device to store cryptocurrencies (more exact: the associated private keys). Can be anything from a piece of paper to a secure element/hardware chip (s. chapter „Bonus: Which wallet to use?“ above for more infos).
- **Withdrawal:** Funds you move from an exchange (e.g. to your associated bank account or cryptocurrency wallet). Also the act of moving funds from an exchange.

Need more help?

- **Need more help?** If you have further questions regarding any DeanTrader package, you can ask Dean via a variety of contact channels ([Website](#), [TradingView](#), [Twitter](#)), so that he can clear any queries. Moreover we will always post general market and swing trading algorithm updates in our private „DeanTrader HQ Telegram“ channel and „DeanTrader Discord“ server, so that we can give you level-headed perspectives if the uncertainty in the market is a cause for fear and distress. There we also discuss swing trading, algorithm specifics and the general market situation further. With the help of DeanTrader's trading suite every beginner (and every advanced investor for that matter) can make it in the markets.

Further Resources

- **Resources:** For more charts, ideas, general questions about swing-algorithmic trading with DeanTrader's algo, and regular performance updates, see:
 - **Website:** <https://deantrader.com> (overview & shop)
 - **Twitter:** https://twitter.com/Dean_Trader (public display of ideas)
 - **TradingView:** https://www.tradingview.com/u/Dean_Trader/ (find the swing algos here)
 - **Overview:** <https://deantrader.com/overview/> (links to all other documents I provide)
 - This includes:
 - „[Swing Algo Introduction](#)“ (short presentation on swing algo trading)
 - „[Absolute Beginners Guide](#)“ (this document)
 - „[Swing Algo Cheat Sheet](#)“ (recap how to perform trades, with images!)
 - „[Swing Algo FAQs](#)“ sheet (answers to often asked questions, **must read!**)
 - „[Swing Algo Library](#)“ (algo inputs for other assets, for advanced users)
 - **Private Telegram group** (swing algo support and market discussions, only for users)
 - **Private Discord server** (alerts & further coin and ecosystem discussions, only for users)

Terms and Conditions

- Please find our Terms and Conditions [here](#).