CRYPTO CURRENCY SECRETS

Contents

1-0 – What Is Cryptocurrency?

What is cryptocurrency? I'm sure many of you are curious of this so called "21st-century money of the future and due to its increasing recognition and security, the cryptocurrency market looks bright ahead.

By the end of this e-book, you'll certainly know more about cryptocurrency than most people out there.For this first chapter, we will be covering 5 topics:

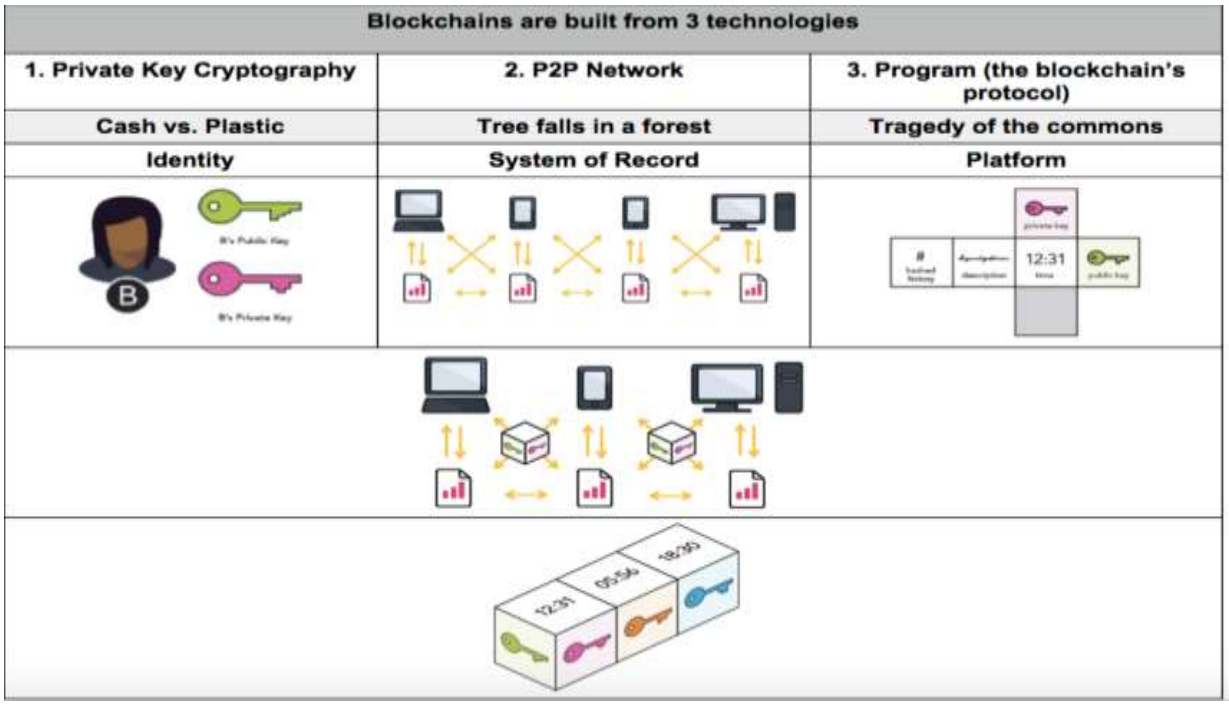
1. **What Is Cryptocurrency?**
2. **How DoCryptocurrencies Work?**
3. **How Are The Cryptocurrencies Value Determined?**
4. **What Is Cryptocurrency Used For?**
5. **Why Cryptocurrency?**

What Is Cryptocurrency?

This is one of the most frequently asked questions out there. What is cryptocurrency? To make it simple, cryptocurrency is a digital version of money where the transactions are done online. A cryptocurrency is a medium of exchange just like your normal everyday currency such as the USD, but designed for the purpose of exchanging digital information through a process known as cryptography.

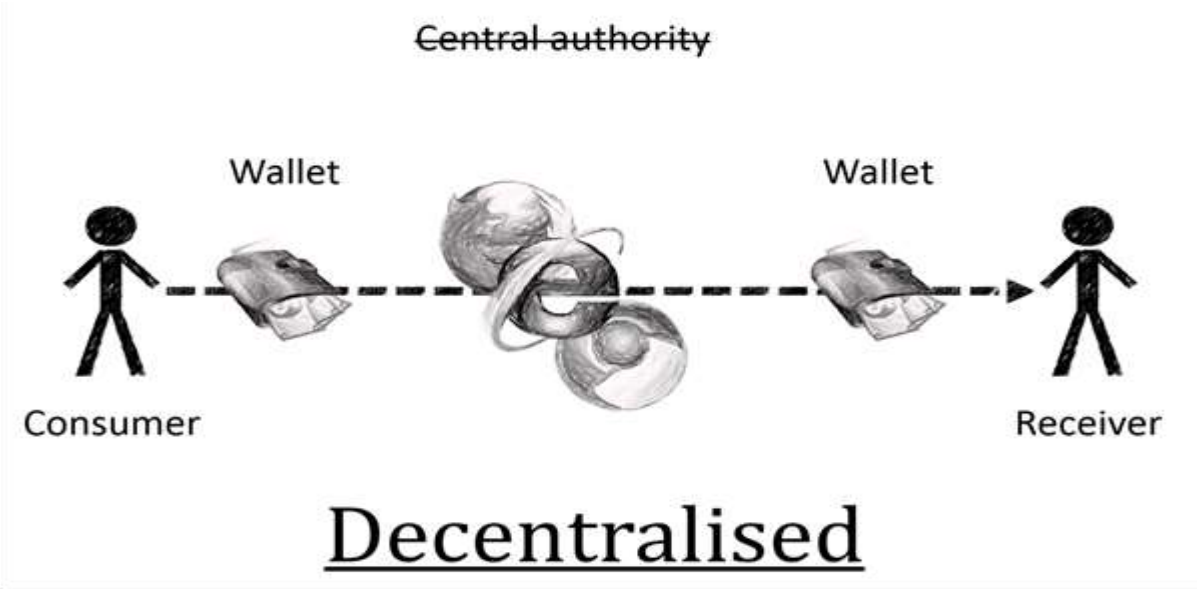
The first ever-successful cryptocurrency emerged from the invention of Bitcoin, by Satoshi Nakamoto. This was then followed by the birth of other types of crytocurrencies competing against Bitcoin.

How Do Cryptocurrencies Work?



The reason why cryptocurrenciesare such in demand right now is because Satoshi Nakamoto successfully found a way to build a decentralized digital cash system. What is a decentralized cash system?

A decentralized system means the network is powered by its users without having any third party, central authority or middleman controlling it. Not the central bank or the government has power over this system.



The problem with a centralized network in a payment system is the so called “double spending”. Double spending happens when one entity spends the same amount twice. For instance, when you purchase things online, you have to incur for unnecessary and expensive transaction fees. Usually, this is done by a central server that keeps track of your balances.

This is most commonly known as the Blockchain Technology. Cryptocurrency is derived from the word “Cryptography”, which refers to the consensus-keeping process secured by strong cryptography.

Blockchain technology functions in managing and maintaining a growing set of data blocks, and this is by using the decentralized or known as the P2P (Peer to Peer) network. In blockchain, once a piece of data is recorded it cannot be edited or changed.

To put it in simpler terms, it enables you to send a gold coin via email. The P2P network is a consensus network, which allows a new payment system and the transactions of new digital money.

Let’s illustrate an example. Cryptocurrency like Bitcoin consists of its own network of peers. Every peer has a record of the complete history of all transactions as well as the balance of every account.

By the end of every transaction and upon confirmation, the transaction is known almost immediately by the whole network. A transaction includes a process where A gives X amount of Bitcoins to B, and is signed by A’s private

key. After signed, a transaction is broadcasted in the network. The information is sent from one peer to every other peer on the network.

Confirmation is a critical stage in the cryptocurrency system. Confirmation is everything. When the transaction is not confirmed, it has the possibility of being hacked and forged.

When a transaction is confirmed, it is set in stone. It can't be reversed, it is impossible to be hacked, it is not forgeable as it is part of a permanent record of the historical transaction: The Blockchain.

The blockchain can be likened to an online ledger, where all transactions are recorded and made visible to the whole network.

This comes to show that cryptocurrencies are not secured by people or trust, but by complex mathematical equations. It is very secure and it's highly unlikely that the address of a currency is compromised.

Only miners are able to confirm a transaction. This is their role in the cryptocurrency network. They record transactions, verify them and disperse the transactional information in the network.

For every completed transaction monitored and facilitated by the miners, they are rewarded with a token of cryptocurrency, for instance with Bitcoins.

Since miners play a major role in the cryptocurrency system, let's look at their role in more detail.

What Are Miners Doing?

First and foremost, principally anyone can be miner. Miners are needed because of the nature of the decentralized network where they have no authority to delegate tasks and the cryptocurrency needs some kind of system

to prevent any form of network abuse. For instance, a person may create thousands of peers and spread forged transactions. It will disrupt the system immediately.

In order for you to be a miner, you would need to solve a cryptologic puzzle which is a set of very complex mathematical questions set by Satoshi Nakamato himself. If you successfully solved the puzzle, as a miner you can build a block and add it to the blockchain.

The miner is also given permission to add a crypocurrency transaction to the system which automatically grants him a specific number of bitcoins. This is the only way to create valid bitcoins. Bitcoins can only be generated if a miner can solve a cryptographic puzzle. The level of difficulty increases with the amount of computer power the miners invest.

How Are The Cryptocurrencies Value Determined?

The value of cryptocurrencies are dependent on the market, where the prices of various cryptocurrencies vary a lot and is one of the most fluctuating and volatile markets to date.

The price of cryptocurrencies like any other products is dependent on demand and supply. If more people demands a particular currency and it is short in supply, then the value increases. More units are mined by miners to balance the flow. However, most currencies limit the supply of their tokens.

For instance the total amount of Bitcoin issued is only 21 million. Therefore Bitcoin's supply will decrease in time and will reach its final number by 2140. It also explains why Bitcoin's value is higher as compared to other cryptocurrencies.

Now you must be wondering, **what is cryptocurrency used for?**

Cryptocurrencies can be spent for different purposes and the best part is, all transactions are completed online! There are 3 different transactions that can be performed when using cryptocurrency:

1. **Bitcoin Trading**
2. **Personal Spending**
3. **Crowd Funding**

Firstly is **Bitcoin trading**.

Bitcoin trading can be very profitable for both professionals and beginners. The market is new, where arbitrage and margin trading is widely available.The currency's high volatility has also played a major role in bringing new investors to the trading market.