

# Profitable INVESTING Tips

## Stock Market Investing Tips, Techniques, and Resources



## Best and Worst Bitcoin Technical Indicators

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Many who have profited from Bitcoin are not folks who bought and have held on for dear life. They are traders who have successfully sold at the peaks and bought in the valleys of Bitcoin's dramatic price swings. Successful Bitcoin traders use technical analysis to predict short term swings in the Bitcoin market. However, not all technical indicators are as useful, accurate, or even truthful as others. Knowing which are the best and worst Bitcoin technical indicators will help keep you out of trouble when trading the crypto token and pave the way to success.

### What Are Technical Indicators?

Any market with a sufficient number of traders, sufficient number of trades, and sufficient liquidity will commonly tell you what it is going to do next if you only bother to look. That is the basis for using technical analysis indicators in trading. This approach goes back hundreds of years to Japan during the era of the Samurai. A trader in the rice market realized that specific price patterns could be used to accurately predict future price action. Today there are many technical indicators and many have advanced statistical underpinning but the rationale is the same. If you understand how to read your favorite [indicators for crypto trading](#) you will generally succeed.

### Fundamental Versus Technical Analysis

Two things drive markets. These are fundamentals over the long term and market sentiment over the short term. Technical cues tap into market sentiment giving the traders clues as to short term price movements. Over the long term, markets are driven by profits. Profits are driven by fundamentals like interest rates (currently going up), the state of the economy (recession around the corner?), and economic policy (what the US Federal Reserve will do next). It is important for technical traders to remain aware of what fundamentals are doing because a dramatic change like the Covid pandemic that sends the world into a recession or the Federal reserve pouring money into the economy with both hands will change the underlying rules and often catch technical traders off guard.

### Best Bitcoin Technical Indicators

A technical indicator that should be in every Bitcoin trader's arsenal is the [moving average](#). Bitcoin prices are always jumping up and down and that can be confusing. A moving average takes an average of prices over a specific number of days and recalculates that average for each calendar day going forward. This smooths out the daily price fluctuations and makes price trends easier to see. Others include the MACD or moving average convergence/divergence indicators which helps trades see if the short term average is moving away from the long term trend and establishing a new trend. And the RSI or relative strength index helps identify times when the Bitcoin price has gotten too far above or too far below its "real" value creating trading opportunities. All these indicators serve to help the trader make sense of the market and decide when to buy and sell.

## Worse Bitcoin Technical Indicators

Successful traders use technical indicators because they provide accurate clues for when to buy, sell, or sit on one's hands. Unfortunately, there are factors in the Bitcoin market that make some indicators inaccurate and frankly dangerous. The problem is [Bitcoin wash trading](#). Wash trading is when someone simultaneously sells and repurchases a stock or a cryptocurrency. This is illegal in the stock market. It is not in crypto markets. Estimates are that as much of 70% of Bitcoin transactions are wash trades!

On balance volume, volume RSI, volume price trend indicator, money flow index, accumulation/distribution, negative volume index, and the volume-weight average price are all technical indicators that rely on accurate measures of trading volume. The assumption a trader makes is that when trading volume is up, this means more people are jumping in and that commonly means prices will be going up. When someone simply churns the Bitcoin market with wash trades any information you get from a volume indicator will be misleading and typically lead to trading losses!

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