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Stock Market Investing Tips, Techniques, and Resources



Crypto Tokens to Stay Away From

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The cryptocurrency world was shocked recently when FTX, a major crypto exchange, became insolvent after a run on its tokens and declared bankruptcy. Along the way FTX asked Binance, the world's largest crypto exchange, to take it over. After doing their due diligence, Binance said it would be beyond their capacity to bail out FTX. In the aftermath of the fall of FTX and allegations of fraud, the crypto world is wondering who might be next. Now the head of Binance says to stay away from the CZ exchange and its token due to signs that those folks could be the next to fall.

What Is the Concern With the CZ Crypto Exchange?

When discussing the collapse of the FTX exchange, Binance CEO, Changpeng "CZ" Zhao, said that there are [clear signs of other problems](#) in other exchanges and, therefore, crypto tokens to stay away from. What the Binance CEO said was that CZ has had to move huge amounts of crypto tokens both before and after they show their wallet addresses. This, according to the CEO, is a clear sign of problems with the exchange. Crypto.com "accidentally transferred away in excess of 300,000 Ethereum tokens with a value of about \$360 million when this happened. In response the head of Crypto.com, who transferred to Gate.io, said it was a mistake that had already been dealt with. The folks making the transfer describe this as a technical glitch but in light of the recent collapse of FTX it can be seen as a sign of weakness of the exchange involved similar to when FTX almost did not make payroll a month before its recent collapse.

Does Your Crypto Exchange Have the Funds Needed to Match All Deposits?

This is the question being asked by folks throughout the crypto world. We have written about [stablecoins](#) that were "backed" by computer algorithms instead of cold hard cash and [previous collapses in the crypto world](#). It was gospel within the crypto world as prices rose higher and higher and more tokens came online that this was a totally new kind of money and finance, totally independent from the traditional financial system and money. Bitcoin and the rest were supposed to be safe havens as traditional currencies collapsed, war raged, and inflation swept the world. Now in the [crypto winter](#) many of these "truths" have been called into question. As Bitcoin and the rest surged in value (up until a year ago) traditional investors came into the picture. These are not folks who will hold on for dear life as Bitcoin fluctuates but rather investors who are answerable to their clients who suddenly want dollars instead of crypto tokens. As Bitcoin falls another step down it is because standard investors are taking their losses and moving on and some [long term holders of Bitcoin are selling](#).

Crypto Companies Doing Business on Margin

The [margin](#) is the difference between the cost of doing business and the revenue that a business brings in. As the profit margin shrinks a company can get into trouble unless it has cash reserves, a dependable line of credit, or other assets it can sell to stay afloat. The problem with stablecoins that have gone under was that

they had no cash reserves but rather a computer program that played with the short term value of their token in an attempt to drive trading in such a way as to rectify prices. When folks just want to cash out there is a “run on the bank” so to speak and no algorithm is going to save the day. In the case of FTX the company was loaning money to itself across several business entities but those loans turned out to be “funny money” and did not stop the collapse of a business previously valued in the billions of dollars. More and more the lack of transparency in a world that was supposed to be open, fair, and transparent is disconcerting. We may be reaching a point where enough folks want out that more and more vulnerable companies will go under and take the rest with them. This does not necessarily mean that you need to sell all of your Bitcoin or Ethereum but doing due diligence on the exchange that you use would be one good idea and the other would be to consider how much you can afford to lose as the crypto world keeps shrinking step by step.

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