

Bitcoin trading to move from speculation to algos - Coinfloor

31 May 2018

The cryptocurrency market is still largely affected by speculations but as sophisticated traders become more involved there will be an increase in the use of algos, according to the co-founder of Coinfloor.

Obi Nwosu, chief executive officer and co-founder of London-based crypto exchange Coinfloor, observed that there are manual traders with some elements of algos in the more speculative markets.

However after launching the [first physically delivered bitcoin futures contracts](#) to meet certain demands of institutional investors, he expects there could be changes to trading techniques and pricing.

“The first cohort that have shown interest in the physically-settled futures have the ability to trade algos and use more advanced techniques like basis trading,” he said.

“When working with a trusted platform it is a good way for the sophisticated traders to take advantage of those.”

At present, prices of cryptocurrencies are determined by certain views of investors, who may or may not be sophisticated.

“As such, they are affected by speculations which can be impacted by a news story, Twitter etc. Given all those variables bitcoin is going to be volatile until the market has strategies that they employ in a consistent manner,” Nwosu said.

However he explained that factors that could contribute to stabilising the price are an increase in volumes, and commercial needs.

“Volatility may change with greater involvement of those that have a commercial need such as Bitcoin miners - they have a need to sell Bitcoin in order to cover the costs of operating their business,” he said.

He added: “This increase in commercial usage will lead to Bitcoin flow which will help price discovery.”

In the US, the Commodity Futures Trading Commission said it will [review margin requirements for new cryptocurrency products](#) before approval in an attempt to allay concerns about the risks they may pose.