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CINCINNATI, OH, UNITED STATES, June 4, 2021 /EINPresswire.com/ -- Schaeffer's Investment Research Review Explains How Cryptocurrency Options Work

Cryptocurrency options are growing in popularity, allowing investors another way to invest in Bitcoin and the like. The financial experts at Schaeffer's Investment Research Review explain how these instruments work.

If you've been following financial news in recent weeks, you've almost certainly heard about Bitcoin, Doge, and other cryptocurrencies. These digital assets have soared with investors rushing to buy up coins. Now, crypto-based options are emerging as cryptocurrency markets evolve and mature. The options experts at Schaeffer's Investment Research are going to explain how crypto options work.

"Options are financial derivatives," a spokesperson for Schaeffer's Investment Research Review notes. "This means they derive their value from something else, say a stock, or in this case, a cryptocurrency."

Derivatives have emerged as popular financial tools in recent years. While these instruments have a reputation for being immensely complex, they're often quite simple. The experts at Schaeffer's Investment Research explain that a derivative derives its value from another specific asset, say Apple stock, an ounce of gold, or a Bitcoin.

Options are a specific type of financial derivative. They give you the "option" to buy or sell a certain asset, like gold or Bitcoin, at a specific, already agreed-upon price. Options have an expiration date and if you don't exercise the option by that date, you lose the money you spent on the options.

"Let's say you purchase an option that allows you to buy 1 Bitcoin (BTC) at \$65,000 within the next thirty days," a spokesperson for Schaeffer's Investment Research Review says. "Then, let's assume that over the next week Bitcoin surges in value and hits \$75,000 apiece. Now you can exercise your option and net a profit."

Confused? Remember, in the above scenario you have the “option” to buy a Bitcoin at \$65,000. Since Bitcoins in our scenario are selling for \$75,000, that means you can buy a Bitcoin for \$10,000 less than the current market price. Once you do so, you can turn around and sell that Bitcoin for \$65,000, thus securing a profit of \$10,000.

The above scenario involves a “call” option, which means you have the right to buy an asset. You can also buy “put” options, which give you the right to sell.

If you think cryptocurrencies are overvalued, you could buy put options. For example, you could purchase a put option to sell for Bitcoin for \$60,000 within the next 30 days. If Bitcoin fell to \$25,000 within that time, you could exercise your put options, selling a Bitcoin for \$60,000, and thus netting a profit of \$35,000.

The Schaeffer's Investment Research Urges Caution When Investing in Cryptocurrencies
Cryptocurrencies are a fast emerging, high-risk market. Ten years ago, cryptocurrencies were all but unheard of. Now, venture capitalists, banks, and others are pouring huge resources into cryptocurrencies and the technologies that underlie them. While the potential for rewards is high, the risks are also considerable.

“It’s wise to use risk capital, or money that you can afford to lose, when investing in cryptocurrencies,” a spokesperson for Schaeffer's Investment Research Review suggests. “In some ways, however, options offer a relatively affordable, predictable way to invest in crypto.”

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