

2026 EDITION

Crypto Decoded

From your first wallet to trading Bitcoin and memecoins:
charts, risk, liquidity pools, new pairs, and a full method
for the coins that keep running.



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Risk Management and Psychology



Risk management decides whether you survive long enough to get good. Psychology decides whether you actually follow your own rules. Strategies can be copied. Discipline can't.

If you remember one chapter from this book, make it this one.

Lesson 10. The maths of losing

Losses and gains aren't symmetrical. The deeper you fall, the steeper the climb back.

That's why professionals obsess over keeping losses small. Your first job isn't to make money. It's to avoid the big loss you can't come back from.



Lesson 10. A 50% loss needs a 100% gain just to get back to where you started.

The 1% rule

A common professional guideline: never risk more than 1% to 2% of your trading account on a single trade. "Risk" here means what you lose if your stop is hit, not the size of the position.

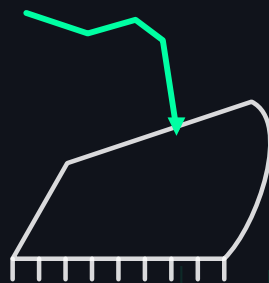
Sizing a position

$$\text{Position size} = (\text{account} \times \text{risk } \%) \div \text{distance to stop } (\%)$$

Say you have \$1,000, you're willing to risk 1% (\$10), and your stop is 5% below your entry. Your position is $\$10 \div 5\% = \200 .

With memecoins, though, a stop often isn't reliable. Price can gap straight through it, or the liquidity can simply disappear. In that case, treat the whole position as at risk and size it so losing all of it is fine. That's why so many on-chain traders cap every memecoin position at a small fixed amount.

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Rug Pulls and Red Flags



A rug pull is when the people behind a token take everyone's money and leave the token worthless. Locked liquidity on launchpads has made the crudest version harder. The scammers simply adapted.

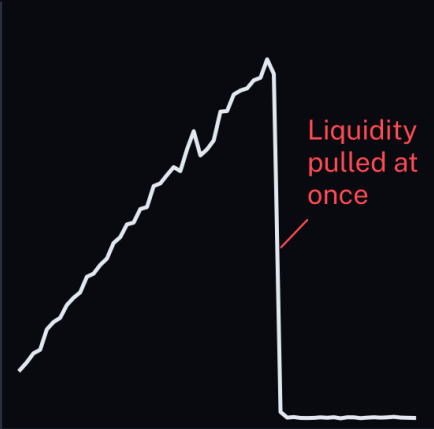
This chapter gives you a checklist to run before every on-chain trade. Chapter 19 then shows it at work on real tokens.

The main kinds of rug

Type	How it works	How to spot it
Liquidity pull	The creator removes the pool's liquidity, so nobody can sell	Liquidity not locked or burned; LP tokens held by the creator
Dev dump	The creator or insiders hold a big share and sell it into buyers	Large dev or insider holdings; the dev wallet selling
Bundled supply	Wallets run by one group buy at launch, then sell together	Same funding source; same-block buys; clusters on a holder map

Lesson 17. What a rug looks like

Hard rug: one candle to zero



Slow rug: lower highs, steady selling



Lesson 17. A hard rug ends in a single candle. A slow rug looks like an ordinary downtrend, until you check who's doing the selling.

Type	How it works	How to spot it
Mint exploit	The creator can still create new tokens	Mint authority on (Solana) or a mint function (EVM)
Freeze or blacklist	The creator can freeze wallets so buyers can't sell	Freeze authority on; blacklist functions
Honeypot	You can buy, but selling is blocked or heavily taxed	Honeypot checkers; no successful sells in the history
Hidden taxes	Huge buy or sell fees, sometimes changeable by the owner	Tax settings in safety checkers; owner can edit fees
Slow rug	The team builds hype for days or weeks, then sells gradually	Steady selling from team wallets; promises that never arrive

pump.fun's design blocks some of these. Tokens use a standard contract, everyone buys from the same curve, and liquidity locks automatically at graduation. It does not stop dev dumps, bundled wallets, coordinated promotion, or a token simply losing everyone's interest. And tokens launched elsewhere, or with custom contracts, can carry every risk in that table.

Lesson 33. Position sizing and expectancy

The rule that keeps you alive: decide how much you accept to lose if the stop is hit (for example 1% of your capital), and let that decide the position size. The further the stop, the smaller the position.

[CALCULATION]

Worked example: sizing

Capital \$500, risk 1% per trade, entry at 400k market cap, stop at 300k.

- Accepted loss: $1\% \times \$500 = \5
- Distance to stop: $(400k - 300k) \div 400k = 25\%$
- Position size: $\$5 \div 25\% = \20 , or 4% of capital (under the 5% cap for a phase 2 or 3 coin below)
- Gain at 2x / 3x / 5x: $+\$20 / +\$40 / +\$80$

Add 1 to 3% of fees and slippage per round trip, and remember a stop can slip in a sudden crash.

Type of coin	Share of capital per position
New coins (new pairs, final stretch)	1% or less
Migrated coins, phase 1	2 to 3%
Phase 2 or 3 with a clear plan	Up to 5%

You can lose more often than you win and still come out ahead, if your wins are much bigger than your losses.

$$\text{Expectancy} = \text{win rate} \times \text{average win} - \text{loss rate} \times \text{average loss} - \text{fees}$$

[CALCULATION]

Worked example: expectancy

35% winning trades, average win +120%, average loss -30%, 2% fees per round trip:

$0.35 \times 120 - 0.65 \times 30 - 2 = +20.5\%$ per trade. The break-even win rate with these numbers is about **21%**.

It is an average. With 35% winners, a run of eight losses in a row is more likely than not over 100 trades, so your position size must survive it. Use your own journal's numbers, not these.

[TERMINAL]

What hidden costs do to that edge

Net expectancy = win rate $\times$ average win – loss rate $\times$ average loss – (platform fees + priority fees $\div$ position + slippage + MEV).

Same method as above, before costs: $0.35 \times 120 - 0.65 \times 30 = +22.5\%$ per trade.

On a **\$500** position, fees and priority fees cost about 2.3% per round trip: about **+20% per trade**.

On a **\$20** position, the same costs are about 12%: about **+10.6% per trade**, half the edge gone before slippage and MEV.

Same skill, half the result. That's why fewer, larger, better trades beat many tiny ones.

Lesson 34. The reality of the numbers

What pump.fun traders actually make. In April 2026, CoinGecko counted **73.3% of active pump.fun traders in profit**, a record. But look at the size of the gains.

Why so many winners in 2026? Mostly because the losers left: active wallets fell from about 5.2 million in May 2025 to 1.8 million in December 2025. From April 2024 to the end of 2025, most pump.fun traders were losing money.

So the "normal" win is small. Big gains are rare and come from a few trades held well. What separates the traders who last isn't a secret indicator. It's position size, stops, and knowing when not to trade.