

Binance to offer crypto margin trading, is this a good idea?



Crypto

Binance crypto currency exchange has confirmed it will be launching a margin trading service, after they accidentally tweeted images suggesting the service was in development.

Given the extreme volatility of crypto, is this a good idea though?

Binance has confirmed it will be launching a margin trading service, after the cryptocurrency exchange accidentally tweeted images suggesting the service was in development.

First noticed by Twitter users, Binance posted screenshots of its platform in dark and light modes, asking users which one they preferred.

The screenshots contained a dedicated tab titled "Margin," with a message saying that margin trading carries a "higher potential profit," but also "greater risks." Margin trading

refers to using borrowed funds from a broker or exchange to trade an asset.

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Well they got that right! Margin trading is highly risky, and given the volatility of crypto, this looks likely to be far too risky for all but the best trader. PI's and mug punters will surely risk being wiped out by having a margin account?

Margin trading differs from actually owning the underlying asset as the potential for increased profits magnifies the risk, and can lead to wrong decisions being made that would otherwise not be made if one owned the asset itself.

Margin trading on stocks and commodities with reasonably low volatility can be very risky, as most people lose, most of the time, so the thought of inexperienced punters trading cryptocurrencies on margin fills me with dread.

This looks potentially disastrous for the inexperienced and naive, in my opinion.