Bid vs. Ask Price: What Does This Mean in Crypto?

When trading crypto, bid and ask prices describe the values at which buyers and sellers are willing to trade a coin at a given moment.

The **bid price** is the highest amount a buyer is ready to pay for a coin. The **ask price** is the lowest amount a seller will accept to sell that coin. The difference between the bid and ask prices is called the **spread**.

When a buyer agrees to pay the ask price or the seller agrees to sell for the bid value, then a trade can happen. By watching the bid and ask prices, along with the spread, you can understand how buyers and sellers interact in the market for a specific coin. A narrowing spread shows that buyers and sellers are getting closer to agreeing on an amount, while a widening spread suggests the opposite. In general, a smaller spread indicates higher liquidity because the prices that buyers and sellers are willing to accept are closer.

For example, you want to trade a specific amount of Bitcoins. You establish the bid at $59,000 per coin, and your friend who owns the coins establishes the ask at $61,000. In this case, the spread will be $3,000. For this agreement, you and your friend must agree to follow the bid or ask price when trading.

What Does the Bid and Ask Price Say About the Token?

The crypto market differs from the traditional one because assets are not sold at a fixed price. In crypto, values change constantly based on what buyers and sellers are willing to pay at any moment.

When you place a bid, you are also showing what you believe the future price of that currency will be. It will reflect how much you think the coin is worth and how much potential you see in it. Ask prices, on the contrary, symbolize what sellers want to get from the coins. If you, as a seller, set high ask values, it suggests you believe the coin's value will increase more in the future, but if these ask amounts start going down, it could mean you think the coin’s value is about to decrease.

If you see the market filling up with ask prices more than bids, be aware. This movement can mean sellers have more control and may push for higher numbers, making it more expensive to get the coins you want.

Trading Example

Now that you know what bid, ask price, and spread are, let's imagine a situation where these concepts are applied so we can better imagine how a real-life transaction could take place.

You just started trading and are looking to buy a new coin to invest in. Doing some research, you found that the general ask price is $1; however, you found that it was too much and decided to bid at $0.9.

The sellers held their position until a new wave of coins entered the market, increasing the supply. That pushed the ask value to decrease to $0.9, and you could buy the coins you wanted at your bid.

But as a smart trader, you continued to be updated with market values and noticed that the ask price rose to $1.20 over a few days. Then, you decided to sell the coins you bought at $0.9 at an ask of $1.20, reaching a 30-cent profit on each coin sold.

However, we can't forget that in the same way the value increased after the first trade, it could also have decreased, generating some losses for you. So, it's important to study the market and make conscious moves when buying and selling crypto.

Bid vs. Ask vs. Market Price

As we mentioned before, prices in the crypto market are dynamic and mean more than just numbers. The **market price** of a coin is just the value it's currently trading at, not its true value. If you choose to sell or buy coins at market price, your order will be completed instantly, and you won't have to wait for any negotiations. However, you may not profit from that trade.

For example, imagine you're trying to buy the newest meme coin. The current bid for one token is $500, but you think it's only worth $400. You can wait and place a bid at $400, hoping the sellers lower their expectations and accept your offer. Conversely, if you think the item is worth more than $500, you might set a higher bid, waiting for buyers to realize its actual value. In both cases, you're waiting for the market to come to your terms rather than settling for what's immediately available.

Bid vs Ask Price: Which Should I Use To Buy Crypto?

There is usually no strict right or wrong approach when trading crypto. However, typically, you would buy coins at the bid and sell at the ask price. However, it’s important to ensure that the bid is below the value you want to buy at and that the ask price is above the amount you want to sell at. You might not get the best deal if the bid and ask prices are too close to your target one.

Remember to also pay attention to the spread. It exists because some people are interested in buying and selling those coins for different prices. Some believe the value will rise and are willing to pay more, while others think it might drop and prefer to spend less. A wider spread means higher fees when buying or selling. If the bid and ask prices are far apart, it might be worth waiting for a better opportunity.

Conclusion

Understanding the relationship between ask and bid prices is essential when trading cryptocurrencies. By analyzing them with awareness and attention, you'll notice how much buyers are willing to pay and how much sellers want to receive for a specific currency. Patience and strategy are important here, as setting a limit bid or ask allows you to wait for an amount that aligns with your goals rather than settling for the current market value.

The market moves are also an essential part of this puzzle. If you notice that the spread grows for a coin, it might indicate a less favorable trading environment. In contrast, a narrowing spread suggests that buyers and sellers are reaching an agreement, potentially leading to more favorable trading conditions.

Trading in crypto is the perfect mix of timing, market analysis, and reading between the lines of the relationship between bid and ask. By keeping informed and with a strategy in mind, you will have a better chance of optimizing your balances.

FAQs

What's the Difference Between Bid and Ask Price in Crypto?

The bid represents what buyers are willing to pay, and the ask price indicates what sellers want to receive for a specific cryptocurrency amount.

Do I Buy at the Ask or Bid Price?

When buying cryptocurrency, you typically buy at the ask or market prices. But if you want to buy at a different value from the ask or market ones, you could set a bid. Your order would only be filled if a seller is willing to match that condition.

Do You Sell Crypto at Ask or Bid Price?

When selling cryptocurrency, you usually sell at a bid or market price. But, if you have a different value in mind, you can set an ask price. But, in that case, you will need to wait for a buyer to agree to that to complete the transaction.

What Happens if the Bid Is Higher Than the Ask Price?

When the bid is higher than the ask price, it indicates a strong demand for the asset. This generally results in quick trading, and the values will be adjusted to reflect the new market conditions.

What Does It Mean When the Bid and Ask Are Almost the Same?

When the bid and ask prices are almost identical, it can mean that there is a highly liquid market, meaning that there are many buyers and sellers trading the same currency. Thus, generally, this is a stable and optimal condition for trading at lower costs.

What Happens When the Bid Is Lower Than the Ask Price?

When the bid is lower than the ask price, it reflects the natural negotiation process between buyers and sellers. The market finds balance as transactions happen, adjusting the bid and ask values based on the participation of buyers and sellers.