Tao Te Ching



Balance, read for crypto

Lao Tzu, as tradition names him · 81 short chapters

An old Chinese book about balance, about knowing when you have enough, and about not forcing things. It was not written for markets. Read slowly, it reads like a guide to risk. Here its lines sit, one idea per page, next to what we see in crypto.

Companion guide, not a replacement: read the book. Educational only, not investment advice; figures carry their dates and may have changed since. October 2026.

START HERE

道

The book in sixty seconds

The Tao Te Ching is about 5,000 Chinese characters in 81 short chapters. Tradition names Lao Tzu as the author. Historians date the text to around the 4th century BC and think that more than one hand shaped it.

Its advice is simple and hard to follow: know when you have enough, leave room, act early, stay soft like water, and do not trust fine words. Most of that is also what keeps a portfolio alive.

> *The Tao that can be trodden is not the enduring and unchanging Tao.*
> *The name that can be named is not the enduring and unchanging name.*
>
> Lao Tzu, chapter 1 · translated by James Legge, 1891

The book opens by saying that a Tao you can walk or name is not the lasting one. A good start for markets too: nobody, ourselves included, can reliably tell you where the price goes next.

HOW TO READ THIS GUIDE

Each chapter page gives a line or two of the book, then what they say in plain words, then what they mean in the market. Most pages also carry a figure from our research, with its date.

THE COLOUR RULE

Ink is Lao Tzu. Red is the market.

WHOSE WORDS

We quote James Legge's translation of 1891, which anyone may quote freely. A well-known English version is Stephen Mitchell's, of 1988. It is freer and under copyright, so its words are not here. The chapter numbers are the same in both.

Thirteen words you will meet

FROM THE BOOK

道 Tao

The way. How things move when nobody pushes them.

德 Te

The strength of someone who moves with the way, not against it.

經 Ching

A classic, a book to return to. The title together: the classic of the way and its strength.

無為 Wu wei

Not forcing. Acting without strain, at the right time. It does not simply mean doing nothing.

FROM THE MARKET

Coin or token

A unit of a crypto network or app, with a price that moves.

Exchange

A company or website where coins are bought and sold.

Stablecoin

A token built to hold a steady price, usually one dollar. Many keep waiting money there, but it can slip below one dollar.

Leverage

Borrowing to bet more than you have. Gains and losses grow by the same factor.

Liquidation

When a borrowed bet loses enough, the exchange closes it, and you lose most or all of what you put in.

Wallet

An address that holds coins. A blockchain is a network's public record: on most of them, anyone can look up what an address bought and when.

Market maker

A firm that keeps buying and selling a token so that others can trade it. Some sell fake trading volume.

Meme coin

A coin built on a joke or an internet meme. It rises and falls on attention.

Rebalancing

Selling some of what grew and buying some of what shrank, back to the shares you planned.

CHAPTER 40

道

> *The movement of the Tao*
> *By contraries proceeds…*
>
> Lao Tzu, chapter 40 · translated by James Legge, 1891

Rises and falls take turns

WHAT IT SAYS

In Legge's words the Tao moves by contraries: things turn into their opposite, and back again. Other translators read the line as a return.

IN THE MARKET

So far, each of Bitcoin's big rises has been followed by a big fall, and each fall by a new rise. Many smaller coins never came back. Balance means a portfolio that lives through both turns: a calm base you hold through the drops, and a small part that takes the risk.

FROM OUR RESEARCH

Our $10,000 model portfolio keeps 78% in two calmer layers, one of large, established coins and one of apps and networks that earn, and 22% in a risky one. Bitcoin, the largest coin, gets $1,389; meme coins get $93.

How to Slice $10K, 8 July 2026 · a model, not advice

CHAPTER 9

道

> *It is better to leave a vessel unfilled, than to attempt to carry it when it is full.*
>
> Lao Tzu, chapter 9 · translated by James Legge, 1891

Leave room in the cup

WHAT IT SAYS

A full vessel is hard to carry; one with room to spare is not. The chapter goes on: a point you keep testing does not stay sharp, and a hall full of gold and jade cannot be kept safe.

IN THE MARKET

Leverage is the full cup. With ten times leverage, a move of about 10% against you can wipe out the whole deposit. Without borrowing, a falling price alone cannot force you to sell.

FROM OUR RESEARCH

On 10 October 2025, $19.13 billion of borrowed bets were closed in 24 hours. 85% of them were bets on prices going up.

Crypto Black Friday: Full Autopsy, 11 April 2026

FROM OUR RESEARCH

10 October 2025: the full cup, in numbers

On 10 October 2025 the US president announced 100% tariffs on Chinese imports. The news met a market full of borrowed money.

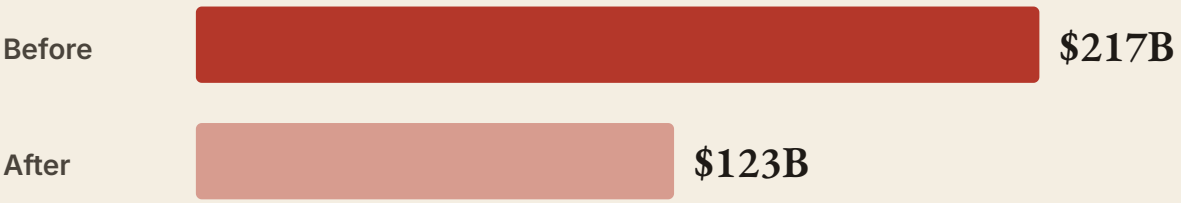
$19.13B
of borrowed bets closed in 24 hours

$3.21B
in the worst single minute

1.62M
traders liquidated

85%
were bets on prices going up

Open bets on future prices (open interest), before and after



- The cup was full: open bets on future prices, mostly made with borrowed money, stood at $217 billion. One minute of panic emptied $3.21 billion.
- Even Bitcoin fell more than 12% within the day, enough to close a bet made with ten times leverage. Some small coins briefly fell by up to 99.9%.
- The worst of it lasted 40 minutes, from 20:50 to 21:30 UTC (world time): each forced close pushed the price lower and set off the next.

Source: Crypto Black Friday: Full Autopsy, 11 April 2026. Figures as the article gives them.

CHAPTER 11

道

> *Clay is fashioned into vessels; but it is on their empty hollowness, that their use depends.*
>
> Lao Tzu, chapter 11 · translated by James Legge, 1891

The empty space is the useful part

WHAT IT SAYS

A wheel turns on the empty space at its centre, where the axle goes. A clay vessel is useful for its hollow, a room for the space inside its walls. What is empty is what makes each one useful.

IN THE MARKET

Money you have not invested is the empty space of a portfolio. It lets you act when prices fall, instead of only watching. It works best where it does not fall with the market: cash, or a stablecoin, which has risks of its own.

FROM OUR RESEARCH

In March 2023 the stablecoin USDC fell to $0.87 when a bank holding $3.3 billion of the dollars behind it failed. It recovered in 3 days.

Stablecoin Risk Report, 12 April 2026

CHAPTER 44

> *Who knows to stop*
> *Incurs no blame.*
>
> Lao Tzu, chapter 44 · translated by James Legge, 1891

> *...no calamity greater than to be discontented with one's lot; no fault greater than the wish to be getting.*
>
> Lao Tzu, chapter 46 · translated by James Legge, 1891

Know what is enough

WHAT IT SAYS

Lao Tzu puts the danger in wanting more without end, more than in having little. Chapter 46 says it plainly: no calamity is greater than being discontented with your lot.

IN THE MARKET

Decide before you buy how much is enough, and when you will take some profit. New tokens on big exchanges make this hard: many start high and the noise around them is loud.

FROM OUR RESEARCH

Of 38 new tokens the exchange Binance added in the 12 months to May 2026, 32 traded below their launch price. The median token, the typical one, was 84% below its peak.

Binance Listings: The 90% Wipeout, 7 May 2026

CHAPTER 64

> *...the journey of a thousand li commenced with a single step.*
>
> Lao Tzu, chapter 64 · translated by James Legge, 1891

> *...order should be secured before disorder has begun.*
>
> Lao Tzu, chapter 64 · translated by James Legge, 1891

Act while it is small

WHAT IT SAYS

Great things start small, and trouble is easiest to handle while it is small. The same chapter adds: act before trouble appears. A li is an old Chinese measure of distance, about half a kilometre.

IN THE MARKET

Buying a little every month is one step repeated. It buys calm, not extra profit. The other half is to write your rules before the storm: the time to decide how much to risk is when nothing is happening.

FROM OUR RESEARCH

In the 12 months to September 2026, while prices fell, buying Bitcoin all at once lost 32.82%; buying a bit each month lost 6.55%.

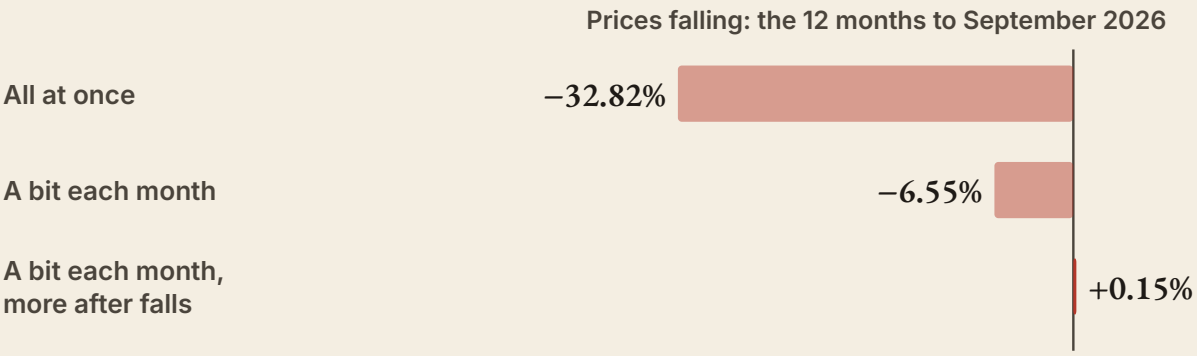
Six Crypto Investing Methods, 11 September 2026

FROM OUR RESEARCH

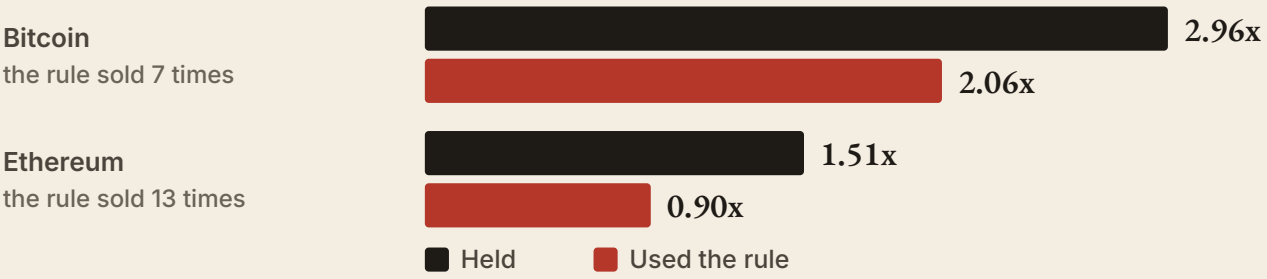
What the careful habits actually did

We measured popular methods on real prices of Bitcoin and Ethereum, the two largest coins. The verdict: most of them limit the loss; few make money.

Buy it all at once, or a bit each month? Bitcoin



A rule that sells after a 20% fall from the latest high and buys back later, against holding: what each dollar became



- Buying a bit each month did better than buying all at once while prices fell, and worse while they rose: over the last three years, buying all at once came out ahead.
- Rebalancing every quarter added 2.38% in total over two years.
- Doubling the bet after each loss: after ten losses in a row, the bet is 1,024 times the first.
- What the study rates as working: small bets, risking 1% to 2% of the money on any one trade, and the rest earning 2% to 5% a year, each rate with its own risk.

Source: Six Crypto Investing Methods, 11 September 2026.

CHAPTER 78

> *There is nothing in the world more soft and weak than water…*
>
> Lao Tzu, chapter 78 · translated by James Legge, 1891

> *…firmness and strength are the concomitants of death; softness and weakness, the concomitants of life.*
>
> Lao Tzu, chapter 76 · translated by James Legge, 1891

Stay soft, like water

WHAT IT SAYS

Water gives way to everything, and still nothing wears down hard things better. Chapter 76 adds that firmness goes with death and softness with life, like a dry plant next to a green one.

IN THE MARKET

A soft portfolio can bend: no borrowed money, coins you can sell when you need to, and amounts in each coin small enough to sit through a 50% fall. A stiff one, all in one coin and on borrowed money, can break in the first storm.

FROM OUR RESEARCH

Our Deep Value DeFi demo of 6 June 2026 spreads $1,000 across 20 coins in 6 tiers, most of them finance apps (DeFi). Spreading helps, but in a crash crypto coins tend to fall together.

Deep Value DeFi Portfolio, 6 June 2026

CHAPTER 81

道

> *Sincere words are not fine; fine words are not sincere.*
>
> Lao Tzu, chapter 81 · translated by James Legge, 1891

> *He who stands on his tiptoes does not stand firm…*
>
> Lao Tzu, chapter 24 · translated by James Legge, 1891

Beautiful words are rarely true ones

WHAT IT SAYS

The last chapter warns against fine words. Chapter 24 compares showing off to standing on your tiptoes: you do not stand firm, and you do not shine.

IN THE MARKET

Many loud tips are paid for. Ask the person posting for their wallet: the blockchain can show whether that wallet bought before the post. They may have other wallets, and trades made inside a company-run exchange, such as Binance, do not show on the blockchain. If they will not show a wallet, treat every tip as an advert.

FROM OUR RESEARCH

Fewer than 3% of paid crypto influencers say they are paid. One leaked price list: $20,000 for a single post on X, the social network.

Fake KOLs Exposed (KOLs: crypto influencers), 6 May 2026

CHAPTER 36

道

> *...when he is going to overthrow another, he will first have raised him up...*
>
> Lao Tzu, chapter 36 · translated by James Legge, 1891

Before the fall, the lift

WHAT IT SAYS

Read as Legge reads it, the chapter describes a tactic: to bring someone down, first raise them up. His text calls this "Hiding the light". Others read it as nature's own turn, as in chapter 40.

IN THE MARKET

That is the shape of a pump and dump, and of many new coins on exchanges: a fast rise pulls buyers in, then early investors sell to them. Market makers can make the rise look busier with fake trading. You cannot stop them. You can refuse to chase: no buying a coin only because it rose today, and no borrowing at the top.

FROM OUR RESEARCH

Our study of new tokens on Binance names the pattern: in a new token's first week, hype, market makers and buyers push the price 20% to 100% or more above the launch price; then early investors start to sell.

Binance Listings: The 90% Wipeout, 7 May 2026

CHAPTER 23

道

> *A violent wind does not last for a whole morning; a sudden rain does not last for the whole day.*
>
> Lao Tzu, chapter 23 · translated by James Legge, 1891

The storm does not last all morning

WHAT IT SAYS

Even the strongest storm ends. If heaven and earth cannot keep it up for long, the book says, people can keep up their own outbursts even less.

IN THE MARKET

Tariffs, interest-rate decisions, wars, an exchange that fails: you control none of them. You still control a few things: how much you put in, whether you borrow, where you keep your coins, how long you can wait, and what you do in the first hour. Calm in the moment comes from rules you wrote while you were calm.

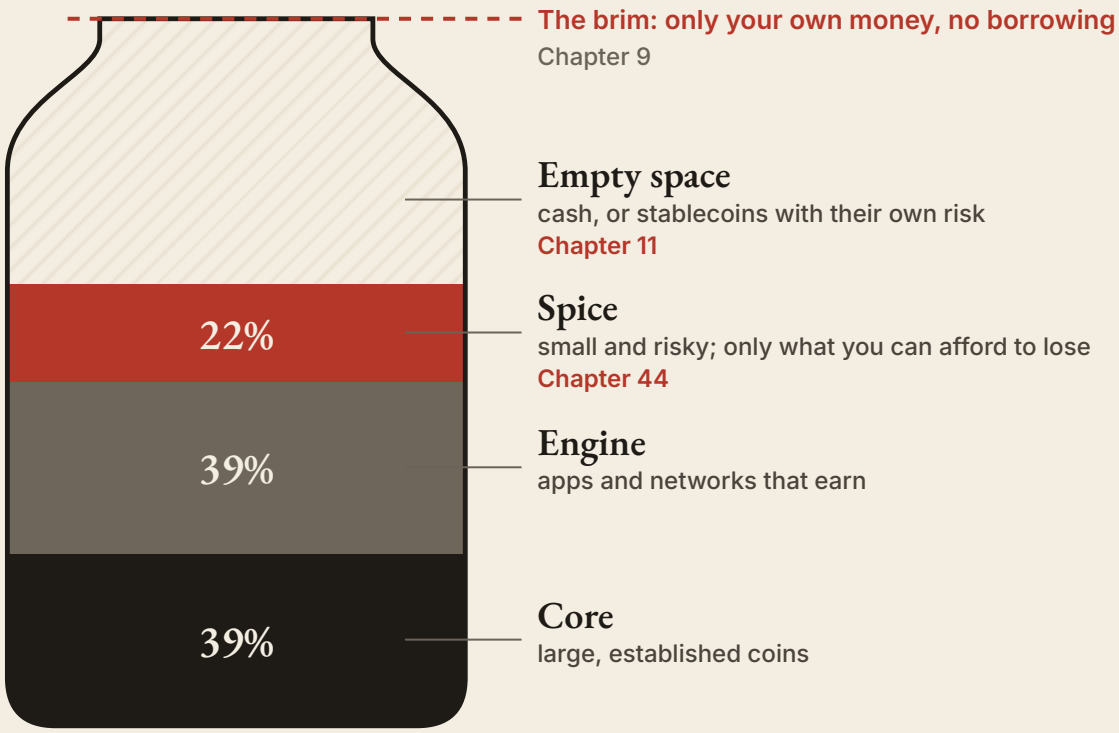
FROM OUR RESEARCH

On 10 October 2025 the worst of the forced selling lasted 40 minutes. A slow fall is another matter: at its low on 5 June 2026, Bitcoin was 53% below its October 2025 peak.

Crypto Black Friday: Full Autopsy, 11 April 2026 · BTC Cycle Low + Top 20 Recoveries, 16 June 2026

A portfolio as a vessel

One way to put the book's lessons together. Not the only way, and not advice.



Our $10,000 model of 8 July 2026: core 39%, engine 39%, spice 22%, with meme coins at 0.9%. Core and engine are its calm 78%.

The model has no cash layer. The empty space on top is the book's idea: what you leave out is what lets you act.

BEFORE YOU BUY, ANSWER IN WRITING

- How much is enough for me?
- What will I do if this falls 50%?
- Am I borrowing, in any form?

THE SECOND LOOK

德

The book, weighed

WHAT HOLDS

Its core advice matches what our research keeps finding. On 10 October 2025, 1.62 million traders were liquidated in one day. The careful methods mostly limit losses. Most paid posts do not say they are paid.

WHERE TO BE CAREFUL

1. Wu wei does not simply mean doing nothing. Read as “never act”, it becomes an excuse to ignore risk.

2. Legge’s “Who knows to stop” is about desire, not about stop-loss orders, which sell automatically after a fall. In our test of 11 September 2026, a rule that sold Bitcoin after each 20% fall from its high, and bought back later, sold 7 times and ended at 2.06x, against 2.96x for holding.

3. The book was written for rulers and for living, not for markets. Every market reading here is ours, made by analogy; the figures beside it are what we can check.

4. Translations differ a lot. Legge keeps close to the Chinese and, in his prose chapters, puts his own additions in brackets; Mitchell’s version is free and modern. Read more than one before you lean on a single line.

OUR VIEW

A book about balance, not about markets. That is why it works for markets.

TAKE THESE WITH YOU

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Five lines worth keeping

It is better to leave a vessel unfilled, than to attempt to carry it when it is full.

Lao Tzu, chapter 9 · translated by James Legge, 1891

Clay is fashioned into vessels; but it is on their empty hollowness, that their use depends.

Lao Tzu, chapter 11 · translated by James Legge, 1891

Who knows to stop
Incurs no blame.

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Lao Tzu, chapter 23 · translated by James Legge, 1891

Sincere words are not fine; fine words are not sincere.

Lao Tzu, chapter 81 · translated by James Legge, 1891

IN ONE BREATH

An old book that says: leave room, know when you have enough, act early, bend like water, and do not trust fine words. In crypto that means no borrowing, money kept aside, rules written before the storm, and checking what an influencer bought before you follow the tip.

Companion guide, not a replacement: read the book. Quotations: James Legge, 1891. Figures: Panoptic Protocol research, with their dates. Educational only, not investment advice. October 2026.

PANOPTIC PROTOCOL