By Dan Edwards

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INTRODUCTION

Online forex trading or foreign currency trading as it is also called has increasingly gained popularity since the 1970s when the advent of innovative technology and the Internet revolutionized the way trading was done, and made it possible for individuals and not just government, multinational corporations, banks and large finance companies, to also participate in it from the comfort of their homes online.

The huge interest in online currency trading is based on several factors, including high returns on investment, which makes it possible for many individuals to make a fortune. Indeed, many people across the world have found forex trading exceedingly rewarding financially.

It is a business that can be done from home and at any time. This makes it very convenient for people who are holding day jobs to also participate in forex trading and open another stream of income to what they are earning from the paid job.

They can keep their jobs while trading forex part-time and gradually build the business to the point that they can comfortably resign from the employment and concentrate fully on forex trading.

Forex trading is a great way to make money when you consider the huge rate of return on investment that is possible, as well as the minimal effort put into it. However, the risk involved in the business is equally enormous.

Just as you can make lots of money trading foreign currencies, you can also lose lots of your hard-earned money in it.

In fact, most people getting into the trade newly lose their money. This is primarily because they do not take the time and patience to get the necessary information about the trade before jumping into real trading.

It is a business you don't just jump into without knowing exactly what you are doing.

As a beginner, you need to first settle down and learn whatever you can about the business. In addition to studying as much materials as you can lay your hands on, you should also find a good coach who has proven record of successful trade that you can understudy and learn from.

Even when you have taken in enough information and are ready to start trading, you shouldn't start trading live with real money. You should first test the water by trading on a demo account for some time.

The aim of this material is to properly guide you into the world of forex trading by providing the information and knowledge that you need to have a good start, and be able to achieve the desired success in your forex trading career.

This guide is made specifically for people starting out newly in forex trading. It is meant to provide detailed information to beginners about the trade so that they will know exactly what they are getting involved in and be able to make intelligent decision about investing in the currency market.

This information will not only prevent them from losing money, it would position them for a profitable and successful forex trading career.

This guide brings together some of the best tutorials on currency trading across the globe from leading investment companies and trainers in one place, making it easy and convenient for you to get the information you need to start out in the lucrative currency trading business on the profit lane.

Happy Reading!

WHAT IS FOREX TRADING?

Before we begin to explain what forex trading is, we'd like to give you some brief historical context.

The Foreign Exchange market essentially came into life in 1875, with the birth of the Gold Standard Monetary System. This was a system through which each country fixed an amount of their currency to an ounce of gold to signal its value. The price of gold fluctuated between currencies and this soon created a currency exchange system.

World War II marked the end of the Gold Standard Monetary System and brought to life its replacement; the Bretton Woods System. This new system was implemented in 1944 and placed the US dollar as the world's reserve currency.

It was short lived however and came to an end in 1971. In 1976, the modern Foreign Exchange market sprung into life with the introduction of floating exchange rates. By the mid 1990's, forex trading starting taking place on the huge electronic market that we use today.

The Modern Forex Trading Market

The forex trading market is an international decentralized financial market whereby one currency is exchanged for another. Individuals and business entities can buy an amount of one currency and pay for it with an amount of another.

So a company in London can import products from a company in Rome and pay for these products in euro, not sterling. This easy conversion of one currency to another facilitates international trade and investment.

What makes this market so amazing is the fact that it knows no geographical boundaries, it's easy to access, it's available 24 hours a day, 5 days a week and it is the most liquid market in the world.

When trading in the forex market there is one simple philosophy; when you trade one currency for another, you buy the currency that is predicted to rise in value (long position) and sell the currency that is predicted to decline in value (short position).

You can make such predictions using popular trading tools, but there is always an element of risk in trading. If the currency you bought does rise in value as you predicted, you can sell it and make a profit, but if it falls in value, you will suffer losses. You don't need to be a financial expert to be a good trader; forex trading is simple to learn if you want to give it a go.

Where do we come in? Brokers bring buyers and sellers together; we scan the market for the best bid and ask prices and offer traders the best prices available. In the forex market, we are the intermediary; we carry out the transaction for you.

The Three Sessions

The forex market never sleeps and this is because activity continues at all times and in all corners of the globe. This is established through the three session system, a system which makes it possible for traders to trade whenever they want, regardless of the time or place.

22:00 GMT - 09:00 GMT

The Asian Session

Following the weekend, activity is first recorded in the Asian markets. The Australia market goes live at 22:00 GMT and ends at 09:00 GMT. Some of the other countries which are active during this period are China, Russia, New Zealand and Japan.

08:00 GMT - 17:00 GMT

The European Session

As the Asian session draws to an end, activity begins in the European session and the two sessions overlap. The primary market here is the London market but other significant markets present are European markets such as Germany and France. Activity begins at 08:00 GMT and ends at 17:00 GMT.

13:00 GMT - 22:00 GMT

The US Session

Halfway through the European session, at 13:00 GMT, the US session commences until 22:00 GMT. New York City is the greatest participant of this session. Once it ends there is a brief period of stillness until the Asian session begins again.

Article source: forextime.com

UNDERSTANDING FOREX TRADING BETTER

Entering the world of forex for the first time can be confusing. New concepts, new theories, new words; it can leave one slightly bewildered. We're here to tell you a story; a story that will show you that the fundamentals of the industry are actually not so complicated to grasp.

This is the story of one trader's experience…

Disclaimer: Please note that the story and characters are fictional and none of the events of the story should be taken or misunderstood as investment advice.

Meet Michael.

Michael is a chemistry professor from New York City who has spent the past month teaching in Europe through a professor exchange programme. He has 750 euros in savings and he wants to open a bank account in US dollars. His 750 euros are equivalent to 1000 dollars at the time that he opens his bank account.

A couple of weeks later, Michael is reading up on financial news on his laptop and he sees that the euro has risen in value against the dollar. This means that his savings have increased and Michael sees this as a good opportunity to withdraw them.

It's midnight however and the banks are shut, so Michael decides to stop by the bank the following day after work to withdraw his money. Come daytime, the euro plummets in value and it is now pointless for Michael to withdraw his money. He has missed a chance to take advantage of this trading opportunity.

That evening, Michael goes out for a meal with some of his colleagues and the topic of conversation is forex. One of the other professors, Isabelle, is telling everyone about her experience in forex trading. Michael finds what she has to say very interesting and the notion of trading online sounds very appealing to him, so he decides to look into it some more.

Michael looks online and finds a forex broker. After examining what this broker has to offer, he decides to open an account with them. Through this account he discovers incredible possibilities.

Through the use of LEVERAGE, Michael can deposit his 1000 dollars and be given the potential to trade with up to 500,000 dollars. Leverage is used to increase the buying power and the potential risk of losses of a trader, even if they can only provide a small deposit.

The next time the value of the dollar rises, all Michael has to do is log in to his trading account and sell his dollars. He is extremely pleased with the profit he has made and is grateful that the market moved in the direction he wanted it to, otherwise he could have suffered losses that could have resulted to the loss of his invested capital.

Michael learns the ropes of forex trading; he understands the risks involved in forex trading and begins to use TECHNICAL ANALYSIS and FUNDAMENTAL ANALYSIS to follow the market and predict which direction it is moving in.

Technical analysis includes studying charts to follow market trends, whereas fundamental analysis involves keeping up to date with economic and political indicators which may affect price movement. All of this information is available on his broker's website.

Depending on the state of the market, sometimes Michael has a BEARISH OUTLOOK and other times he has a BULLISH OUTLOOK. When he is feeling bearish, he predicts that the value of an asset will fall and he takes a SHORT POSITION, which means he sells this asset. When he is feeling bullish, he takes a LONG POSITION, which means that he predicts that the value of an asset will rise and so he buys it.

Michael is lucky that his broker offers low SPREADS. A spread is the difference between the BID PRICE (the maximum price that a buyer is prepared to pay for an asset) and the ASK PRICE (the price that a seller is prepared to accept for an asset). The lower the spreads, the less money a broker is charging for their services.

Michael continues to trade forex online for many years to come. He experiences both profits and losses over the years; sometimes he makes mistakes and miscalculations, other times he hits the nail on the head and gains high profits to show for it.

Definitions:

Leverage

In the forex market, a broker is able to provide a client with leverage; this allows investors to take greater advantage of fluctuations in exchange rates than they could have on their own. If a broker offers leverage up to 1:1000 for example, a trader's buying power is magnified 1000 times. Leveraged products do carry risk since there is a possibility for losses greater than the amount invested.

Technical Analysis

Technical analysis is used by traders in an attempt to predict the direction that the market is bound to take. Common components of technical analysis are charts which record market activity.

Fundamental Analysis

Fundamental analysis refers to the way political and economic events affect the health of the market and influence the direction it takes.

Bearish Outlook

The definition of a bearish outlook is when a trader adopts a negative outlook about the economy, predicting that the market will decrease and that the prices of certain assets will fall.

Bullish Outlook

The definition of a bullish outlook is when a trader adopts a positive outlook about the economy, predicting that the market will rise and that the prices of certain assets will increase.

Short Position

This defines the position traders take when they predict that the value of an asset will decrease. They sell this asset in the hope that they will buy it later on at a lower price.

Long Position

This defines the position traders take when they predict that the value of an asset will increase. They buy this asset in the hope that they will sell it at a higher price later on.

Spread

Spread is the difference between the bid price and the ask price of an asset.

Bid Price

This is the price an investor is prepared to sell an asset for.

Ask Price

This is the price an investor is prepared to buy an asset for.

Article source: forextime

FOREX TRADING TERMINOLOGY

The Forex market comes with its very own set of terms and jargon. So, before you go any deeper into learning how to trade the Fx market, it's important you understand some of the basic Forex terminology that you will encounter on your trading journey…

• **Basic Forex terms:**

Cross rate - The currency exchange rate between two currencies, both of which are not the official currencies of the country in which the exchange rate quote is given in. This phrase is also sometimes used to refer to currency quotes which do not involve the U.S. dollar, regardless of which country the quote is provided in.

For example, if an exchange rate between the British pound and the Japanese yen was quoted in an American newspaper, this would be considered a cross rate in this context, because neither the pound or the yen is the standard currency of the U.S. However, if the exchange rate between the pound and the U.S. dollar were quoted in that same newspaper, it would not be considered a cross rate because the quote involves the U.S. official currency.

Exchange Rate - The value of one currency expressed in terms of another. For example, if EUR/USD is 1.3200, 1 Euro is worth US$1.3200.

Pip – The smallest increment of price movement a currency can make. Also called point or points. For example, 1 pip for the EUR/USD = 0.0001 and 1 pip for the USD/JPY = 0.01.

Leverage - Leverage is the ability to gear your account into a position greater than your total account margin. For instance, if a trader has $1,000 of margin in his account and he opens a $100,000 position, he leverages his account by 100 times, or 100:1. If he opens a $200,000 position with $1,000 of margin in his account, his leverage is 200 times, or 200:1. Increasing your leverage magnifies both gains and losses.

To calculate the leverage used, divide the total value of your open positions by the total margin balance in your account. For example, if you have $10,000 of margin in your account and you open one standard lot of USD/JPY (100,000 units of the base currency) for $100,000, your leverage ratio is 10:1 ($100,000 / $10,000). If you open one standard lot of EUR/USD for $150,000 (100,000 x EURUSD 1.5000) your leverage ratio is 15:1 ($150,000 / $10,000).

Margin - The deposit required to open or maintain a position. Margin can be either "free" or "used". Used margin is that amount which is being used to maintain an open position, whereas free margin is the amount available to open new positions.

With a $1,000 margin balance in your account and a 1% margin requirement to open a position, you can buy or sell a position worth up to a notional $100,000. This allows a trader to leverage his account by up to 100 times or a leverage ratio of 100:1.

If a trader's account falls below the minimum amount required to maintain an open position, he will receive a "margin call" requiring him to either add more money into his or her account or to close the open position.

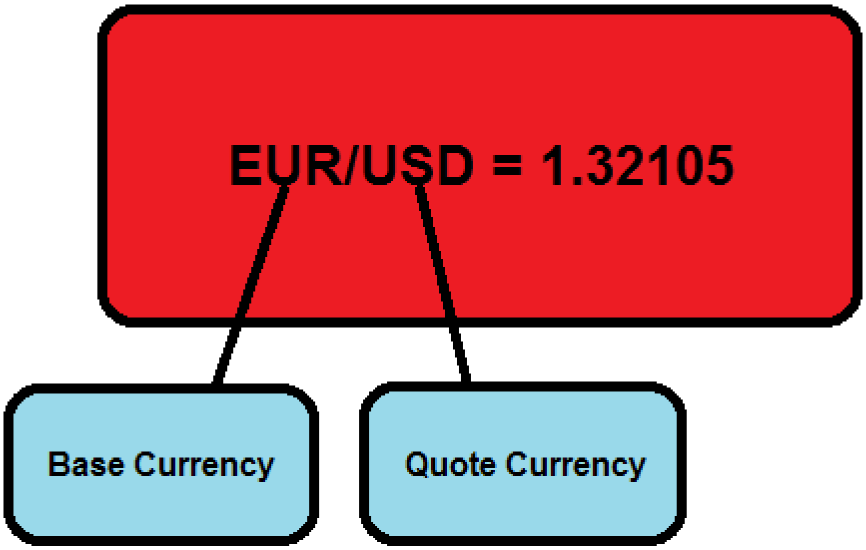
Most brokers will automatically close a trade when the margin balance falls below the amount required to keep it open. The amount required to maintain an open position is dependent on the broker and could be 50% of the original margin required to open the trade.

Spread - The difference between the sell quote and the buy quote or the bid and offer price. For example, if EUR/USD quotes read 1.3200/03, the spread is the difference between 1.3200 and 1.3203, or 3 pips. In order to break even on a trade, a position must move in the direction of the trade by an amount equal to the spread.

- **The major Forex pairs and their nicknames:**

USD = US Dollar EUR = Euro JPY = Japanese Yen GBP = British Pound CHF = Swiss Franc CAD = Canadian Dollar AUD = Australian Dollar NZD = New Zealand Dollar	EUR/USD = "Euro" USD/JPY = "Dollar Yen" GBP/USD = "Cable" or "Sterling" USD/CHF = "Swissy" USD/CAD = "Dollar Canada" (CAD referred to as the "Loonie") AUD/USD = "Aussie Dollar" NZD/USD = "Kiwi"

• **Understanding Forex currency pair quotes:**



You will need to understand how to properly read a currency pair quote before you start trading them. So, let's get started with this:

The exchange rate of two currencies is quoted in a pair, such as the EURUSD or the USDJPY. The reason for this is because in any foreign exchange transaction you are simultaneously buying one currency and selling another.

If you were to buy the EURUSD and the euro strengthened against the dollar, you would then be in a profitable trade. Here's an example of a Forex quote for the euro vs. the U.S. dollar:

The first currency in the pair that is located to the left of the slash mark is called the base currency, and the second currency of the pair that's located to the right of the slash market is called the counter or quote currency.

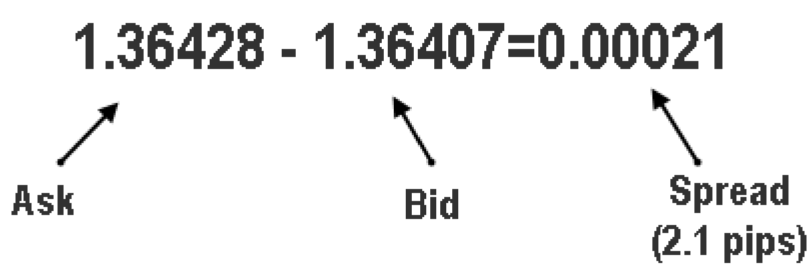
If you buy the EUR/USD (or any other currency pair), the exchange rate tells you how much you need to pay in terms of the quote currency to buy one unit of the base currency. In other words, in the example above, you have to pay 1.32105 U.S. dollars to buy 1 euro.

If you sell the EUR/USD (or any other currency pair), the exchange rate tells you how much of the quote currency you receive for selling one unit of the base currency. In other words, in the example above, you will receive 1.32105 U.S. dollars if you sell 1 euro.

An easy way to think about it is like this: the BASE currency is the BASIS for the trade. So, if you buy the EURUSD you are buying euro's (base currency) and selling dollars (quote currency), if you sell the EURUSD you are selling euro's (base currency) and buying dollars (quote currency). So, whether you buy or sell a currency pair, it is always based upon the first currency in the pair; the base currency.

The basic point of Forex trading is to buy a currency pair if you think its base currency will appreciate (increase in value) relative to the quote currency. If you think the base currency will depreciate (lose value) relative to the quote currency you would sell the pair.

• **Bid and Ask price**



Bid Price – The bid is the price at which the market (or your broker) will buy a specific currency pair from you. Thus, at the bid price, a trader can sell the base currency to their broker.

Ask Price – The ask price is the price at which the market (or your broker) will sell a specific currency pair to you. Thus, at the ask price you can buy the base currency from your broker.

Bid/Ask Spread – The spread of a currency pair varies between brokers and it is the difference between the bid and ask the price.

Article by Nial Fuller and sourced from learntotradethemarket.com

FOREX BASICS: SETTING UP AN ACCOUNT

There are three main types of trading accounts - standard, mini and managed - and each has its own pros and cons. Which type of account is right for you depends on your tolerance for risk, the size of your initial investment and the amount of time you have to trade the market on a daily basis.

Standard Trading Accounts

The standard trading account is the most common account. Its name derives from the fact that you have access to standard lots of currency, each of which is worth $100,000.

This doesn't mean that you have to put down $100,000 of capital in order to trade. The rules of margin and leverage (typically 100:1 in forex) mean that only $1,000 needs to be in the margin account for one standard lot to be traded.

Pros

Service

Because the standard account requires adequate up-front capital to trade full lots, most brokers provide more services and better perks for individual investors who have this type of account.

Gain Potential

With each pip being worth $10, if a position moves with you by 100 pips in one day, the gain will be $1,000. This type of gain is not possible with any other account type unless more than one standard lot is traded.

Cons

Capital Requirement

Most brokers require standard accounts to have a starting minimum balance of at least $2,000 and sometimes $5,000 to $10,000.

Loss Potential

Just as you have the opportunity to gain $1,000 if a position moves with you, you could lose $1,000 in a 100-pip move against you. This loss could be devastating to an inexperienced trader with just the minimum in his account.

This type of account is recommended for experienced, well-funded traders.

Mini Trading Accounts

A mini trading account is simply a trading account that allows traders to make transactions using mini lots. In most brokerage accounts, a mini lot is equal to $10,000, or one-tenth of a standard account. Most brokers that offer standard accounts will also offer mini accounts as a way to bring in new clients who are hesitant to trade full lots because of the investment required.

Pros

Low Risk

By trading in $10,000 increments, inexperienced traders can trade without blowing through an account, and experienced traders can test new strategies without a lot of money on the line.

Low Capital Requirement

Most mini accounts can be opened with $250 to $500, and they come with leverage of up to 400:1.

Flexibility

The key to successful trading is having a risk-management plan and sticking to it. With mini lots, it is a lot easier to do this, because if one standard lot is too risky, you can buy five or six mini lots and minimize your risk.

Con

Low Reward

With low risk comes low reward. Mini accounts that trade $10,000 lots can only produce $1 per pip of movement, as opposed to $10 in a standard account. This type of account is recommended for beginning forex traders or those looking to dabble with new strategies.

Note: Micro accounts, the sister account to the mini, are also available through some online brokers. These accounts trade in $1,000 lots and have pip movements worth 10 cents per point. These accounts are typically used for investors with limited foreign-exchange knowledge and can be opened for as little as $25.

Managed Trading Account

Managed trading accounts are forex accounts in which the capital is yours but the decisions to buy and sell are not. Account managers handle the account just as stockbrokers handle a managed stock account, where you set the objectives (profit goals, risk management and so on) and they work to meet them.

There are two types of managed accounts:

- Pooled Funds: Your money is put into a mutual fund with that of other investors and the profits are shared. These accounts are categorized according to risk tolerance. A trader looking for higher returns will put his or her money into a pooled account that has a higher risk/reward ratio, while a trader looking for steady income would do the opposite. Read the fund's prospectus before investing.
- Individual Accounts: A broker will handle each account individually, making decisions for each investor instead of the combined pool.

Pro

Professional Guidance

Having a professional forex broker handle an account is an advantage that cannot be overstated. Also, if you want to diversify your portfolio without spending all day watching the market, this is a great choice.

Cons

Price

Be aware that most managed accounts will require a minimum $2,000 investment for pooled accounts and $10,000 for individual accounts. On top of this, account managers will keep a commission, called an "account maintenance fee", which is calculated per month or per year.

Flexibility

If you see the market moving, you won't have the flexibility to place a position. Instead, you'll have to rely on the account manager to make the right choice. This type of account is recommended for investors with high capital and no time or interest to follow the market.

The Bottom Line

No matter what account type is chosen, it is wise to take a test drive first. Most brokers offer demo accounts, which give investors an opportunity to not only use an account risk-free, but also to try out different platforms and services.

As a basic rule of thumb, never put money into an account unless you are completely satisfied with the investment being made. With the different options available for forex trading accounts, the difference between being profitable and ending up in the red may be as simple as choosing the right account type.

Article by David Hunt and sourced from investopedia.com

CURRENCIES AND THE MARKET OPENING HOURS

The foreign exchange market is open 24 hours a day and hence allows the traders to involve in Forex trading at their chosen hours. You can choose to trade at any time of the day, you might even prefer to get involved in the trading at early hours like many professional traders.

However, it is good to know and understand that trading in the early hours does not always guarantee a profit. Given below are the time zones of some major Forex markets:

Stock Exchange	New York	GMT
Tokyo Open	7:00 pm	0:00
Tokyo Close	4:00 pm	9:00
London Open	3:00 pm	8:00
London Close	12:00 pm	17:00
New York Open	8:00 am	13:00
New York Close	5:00 pm	22:00

The Forex market over the Counter

The Forex OTC market is undoubtedly the most astounding financial market in the world. In fact, it is the largest in terms of popularity and includes traders from almost all corners of the world.

One reason for the growing popularity of the OTC market could be that this market allows the traders to pick and decide on the fellow traders, i.e., in terms of rates, trading conditions and the standing of the individual or organization involved in the trading.

The US Dollar enjoys the maximum popularity in terms of trading, and contributes to 86% of the entire trade. Euro enjoys the second place by contributing to 37% of the transaction, and Yen forms 16% of the trade and ranks third in the list of popular currencies.

Article source: fxempire.com

CHOOSING THE BEST FOREX BROKER

The first and most important step a trader needs to take is to find a forex broker they can trust. In this industry, brokers are an integral part of the trading equation and they are a trader's prime business partner, so a trader's aim should be to find the best forex broker available.

Choosing a suitable and reliable broker is vital, as is choosing one that will meet your individual needs as a trader. In order to make an informed decision, there are some key factors every trader should take into consideration.

Regulated Forex Broker

This one may sound a little obvious, but you'd be surprised at how many unregulated forex brokers there are. The best forex brokers are regulated and supervised by a local or international authority. Without regulations, forex brokers can do as they please and this may result in some very unpleasant issues for you as a trader. Be safe and go with a broker that you can trust. Adhering to rules and standards is the only definite sign that a broker takes trading very seriously.

Low Spreads

So what exactly is spread? If you take the bid price and the ask price of a currency pair or other asset and you calculate the difference between the two, that is the spread. If the spreads offered by a forex broker are high, this signals a red flag. Many brokers make a profit at your expense from high spreads, so opt for a forex broker with low spreads.

High Leverage

The simplest way to explain leverage; it gives the trader the ability to trade larger amounts of currency with a smaller deposit amount, therefore increasing the trader's buying power. Leverage is presented in ratio form; 1:1000 for example means that your buying power is increased by 1000 times.

Deposit €1000 and the broker will match it to make it €1,000,000. High leverage essentially gives opportunities to traders that they would not have had otherwise. Small traders with little capital can take advantage of high leverage to maximize their profits.

Just as profits can be maximized however, so can losses, so leverage must be handled with care and must not be used continuously, especially by those who do not need it.

Fast Execution

When trading in a fast paced market like the forex market, it is crucial that you choose a broker that can execute your trades in a fast and efficient manner. Delays in execution can only cause problems.

Choice of Different Account Types

A variety of account types to choose from is always a plus. Each trader differs from the next and if a broker offers a wide range of account types it means they can cater to different traders' financial abilities, needs and aspirations. The best forex brokers will recognize that the power of choice goes a long way; traders respond well to freedom, not limitations.

Demo Accounts

Trading with a demo account before trading with a live account is crucial. If a forex broker doesn't offer demo accounts, run in the other direction. By trading with a demo account you can trade with real conditions but virtual money, so it is absolutely risk free.

This is the best way to get to know the ins and outs of trading and to put your trading strategy to the test. You can discover your strengths and weaknesses as a trader and embark on live trading only when you are confident and ready.

Variety of Trading Instruments

As mentioned before, traders don't respond well to limitations. The more trading instruments a forex broker offers, the more opportunities are unveiled. Choose a broker that doesn't just offer the Major currency pairs but also the Minors, the Exotics, precious metals and other commodities. Gold for example is a very popular trading instrument during times of economic and political instability.

Reliable Trading Platforms

The best forex broker will offer the best trading platforms. A reliable platform will offer you quick access to technical and fundamental analysis, an excellent security system, automated trading, visual features like graphs and charts and should always be user friendly. The market standard is the sophisticated MetaTrader 4.

Automated Trading

Automated trading, or algorithmic trading, puts the trader at a great advantage. A trader can implement his strategy or adopt another trader's strategy and from then on, some trading platforms contain software that automatically executes trades for you based on the strategy you have developed or adopted.

A good example is Expert Advisors on the MetaTrader 4 trading platform. The advantage of automated trading is that you do not have to be glued to your monitor all day, waiting for an opportunity to arise.

Opportunities will be caught for you by the automated trading system. Keep in mind however that such systems function according to the strategy you have developed or adopted, so the risk that they can create losses as well as profits is always present.

Deposits and Withdrawals

For your benefit and convenience, it is important to choose a forex broker that offers quick and easy deposits and withdrawals. Quick deposits help you support your trading position and take advantage of opportunities that may arise suddenly in the market.

In the case that you need to withdraw your funds for whatever reason, the withdrawal process should also be fast and simple so your funds can be returned to you in no more than a few working days.

Article source: forextime.com

WHAT TO EXPECT FROM YOUR FOREX BROKER

What should traders expect from their forex brokers?

Forex brokers are the custodians of the trading funds of their customers. However, as the demand for forex trading services has increased, so also the competition for these customers among forex brokers has increased. In order to attract new customers, many broking firms have gone beyond the traditional role of just being custodians of trading capital.

What Traders Should Expect from their Forex Broker

1) These days it is customary for traders to expect an allowance for the use of expert advisors on their trading platforms. This is largely the case with brokers who offer the MetaTrader 4 client terminal, but less so on other platforms. Such expert advisor use should be unconditional.

2) Traders should also be able to receive technical analyzes on their trading platforms. Some brokers have implemented this, which is a good sign. It makes simple business sense for a broker to provide a trader with tools to enable him make money trading forex and in the process, remain in the system longer to be able to generate trading spreads.

3) Traders should also expect to receive news feeds in their trading platforms. These news feeds cannot compare with the premium versions provided by Bloomberg and Reuters, but news feeds can surely make a world of difference to a trader's forex venture.

4) Traders should be able to receive online customer support in the form of Live Chat services. It is only natural that when people have issues with anything concerning their money, they want to get it taken care of as quickly as possible.

The era of sending emails and waiting days for replies is truly over, and any broker that does not have a Live Chat customer support for at least 18 hours in a trading day is truly going to lose out in the competitive marketplace.

5) Traders expect to be given competitive spreads for the popularly traded currencies.

6) Traders expect funding and withdrawal requests to be attended to in a timely manner. Visit online forums to see the views of traders concerning withdrawals. Many traders simply hate to have to wait days to cash out profits. This is why many brokers have introduced a variety of funding and withdrawal options to allow for the fastest possible processing times.

7) Traders also expect to use forex trading platforms that are user-friendly. A trader should be able to channel his energy and thinking faculties to the business of trading forex instead of using some of that just trying to navigate and use a trading platform.

8) A new innovation that traders should expect from their brokers is the account opening and funding bonuses. This is not free money, but is just a way to help the trader achieve more with less. Usually, a trader is required to generate the equivalent of the trading bonus in spreads. The actual amount and calculations involved will differ from broker to broker.

These are some of the value-added services that traders can expect from their brokers. This list is not exhaustive, but is something that traders can use as a form of broker evaluation before deciding on which broker to go for.

Article source: etoro.com

BROKERAGE PRICING: HOW TO TELL IF YOU ARE BEING CHARGED A FAIR RATE

Perhaps one of the most unique features of currency trading is that forex brokers do not charge commissions to their clients. Also, there are no exchange or regulator fees. But make no mistake – these brokers are not charity institutions – they have ways to take money from you. Instead of regulatory fees, they debit rollover rates to your accounts. Instead of a commission, they charge the bid-ask spread.

While trading without transaction is really an advantage, it is not actually a bargain. Some brokers have disguised offers which entice new clients to sign up. Hence, unless you have direct access to the counters, you will need to know if your broker is charging the right rates. One of the best way to do this is to determine the different commission structures which are currently in use.

1. **Fixed spread**

Just to review, the spread is the difference between the price that the buyer of currency is willing to pay (bid price) and the price that the seller is willing to accept (ask price). When you trade with a broker, you will see 2 prices for a currency pair.

For example, in the currency pair EUR/USD, the bid price is at 1.2857 while the ask price is at 1.2860. The spread in this case is 0.0003 (or 3 pips). Depending on the movement of the market, the bid or ask price may change. In a fixed spread scheme, the broker will maintain the 3 pip spread, regardless of market volatility.

2. **Variable spread**

In a variable spread scheme, the spread can be as low as 1.5 pips to 5 pips, depending on the volatility of the market. In this case, the more volatile the market is, the higher the spread will be.

3. **Commission based on the percentage of the spread**

In some instances, brokers will charge a very low commission (usually 2/10 of a pip). In this case, clients are able to purchase contracts at face value. The broker receives the orders and executes it over the counter. This scheme is typically used by financial institutions which are able to trade at bigger volumes.

How to determine if your broker is charging a fair rate

Despite what forex brokers claim, when it comes to currency trading, there is no such thing as free lunch. To determine if your broker is charging a fair rate, it is best to get a track record.

The bigger players, those who have direct access to the counters are able to get the best rates and are able to pass on these savings to their clients. Those who trade at higher volume are offered tighter spreads, which then leads to higher profit.

Article source: etoro.com

FROM DEMO TO LIVE TRADING

This is a brief look at the graduation process from demo trading to live trading.

Demo trading is an important step in the forex trading learning curve. Sadly, demo trading is not given the kind of attention it deserves by so many traders. Demo trading is a bit like the flight simulator in aviation. It is a test of the real thing. Therefore, traders should take every aspect of demo trading seriously, like life itself depended on it.

How do you start?

The first thing is to create a demo account. You download the forex trading platform and create the demo account using the broker's instructions. In creating the demo account, do not get tempted to start trading with the $100,000 virtual money that traditional brokers offer by default, because 95% of retail traders do not have $100,000 to trade with.

It is a fact. As a demo trader, your job is to simulate the real thing, so create an account with the same starting balance that you would start with when you begin live trading.

You should also set the same leverage as you would use in a live account, with the same trading tools, indicators, etc. Simulating trading with $100,000 when you know you will probably start with $1000 or less in a live account is pure delusion.

Trade as you would trade in a live account. Do not open trades for the heck of it. Trade the news the same way you would trade a live news event on a live account. You need to experience issues like slippage, re-quotes and other issues retail traders contend with.

You need to get stopped out once in a while. Indeed, the more times your trades are stopped out on demo, the better, because like Thomas Edison said of his failed 10,000 experiments trying to create the incandescent bulb, every failure or every stop loss event you suffer teaches you one more way not to get stopped out. Learn to navigate the platform.

Explore the trading tools such as the indicators for technical analysis. Practice all what you will read up and what you may be taught in seminars on your demo platform.

There is no set time to decide on when to go live, because the learning experience in forex trading never truly ends. Going live changes the game completely. Losses in demo do not evoke the same emotions as when you lose real money, because this time, the losses are for real.

They will touch the very fabric of your emotions, and gaining emotional control is a very key aspect of trading. Emotional control is never achieved via demo trading. In order to gain some experience on how to control your emotions during trading, you need to trade live, but you should start small.

Ideally, your first live account should not contain more than $500. Practice emotional control with your first $500. Feel what it is to win and lose trades. By the time you have gained some measure of experience in this regard, as well as a few other things that you can only learn by live trading, you can then confidently step up your trading capital knowing that you can handle it.

In forex trading, retail traders have a lot to learn from the institutional traders such as the big banks. How many investment banks take a rookie from their training schools and plunge them into controlling billions of dollars' worth of positions?

The few cases where rogue traders in investment banks did unauthorized trades beyond their assigned portfolios, it was disaster personified. Simply ask Société Générale and more recently, UBS and they will explain better.

Demo trading can make you a better trader, if you transition from demo to live trading the right way.

Article source: etoro.com

TYPES OF TRADING

What Is Fundamental Analysis?

Fundamental analysis is the study of how global economic news and other news events affect financial markets. Fundamental analysis encompasses any news event, social force, economic announcement, Federal policy change, company earnings and news, and perhaps the most important piece of Fundamental data applicable to the Forex market, which is a country's interest rates and interest rate policy.

The idea behind fundamental analysis is that if a country's current or future economic picture is strong, their currency should strengthen. A strong economy attracts foreign investment and businesses, and this means foreigners must purchase a country's currency to invest or start a business there.

So, essentially, it all boils down to supply and demand; a country with a strong and growing economy will experience stronger demand for their currency, which will work to lessen supply and drive up the value of the currency.

For example, if the Australian economy is gaining strength, the Australian dollar will increase in value relative to other currencies. One main reason a country's currency becomes more valuable as its economy grows and strengthens is because a country will typically raise interest rates to control growth and inflation.

Higher interest rates are attractive to foreign investors and as a result they will need to buy Aussie dollars in order to invest in Australia, this of course will drive up the demand and price of the currency and lessen the supply of it.

- **Major economic events in Forex**

Now, let's quickly go over some of the most important economic events that drive Forex price movement. This is just to familiarize you with some more of the jargon that you will likely come across on your Forex journey, you don't need to worry too much about these economic events besides being aware of the times they are released each month, which can be found each day in my Forex trade setups commentary.

Gross Domestic Product (GDP)

The GDP report is one of the most important of all economic indicators. It is the biggest measure of the overall state of the economy. The GDP number is released at 8:30 am EST on the last day of each quarter and it reflects the previous quarter's activity.

The GDP is the aggregate (total) monetary value of all the goods and services produced by the entire economy during the quarter being measured; this does not include international activity however. The growth rate of GDP is the important number to look for.

Trade Balance

Trade balance is a measure of the difference between imports and exports of tangible goods and services. The level of a country's trade balance and changes in exports vs. imports is widely followed and an important indicator of a country's overall economic strength. It's better to have more exports than imports, as exports help grow a country's economy and reflect the overall health of its manufacturing sector.

Consumer Price Index (CPI)

The CPI report is the most widely used measure of inflation. This report is released at 8:30 am EST around the 15th of each month and it reflects the previous month's data. CPI measures the change in the cost of a bundle of consumer goods and services from month to month.

The Producer Price Index (PPI)

Along with the CPI, the PPI is one of the two most important measures of inflation. This report is released at 8:30 am EST during the second full week of each month and it reflects the previous month's data. The producer price index measures the price of goods at the wholesale level. So to contrast with CPI, the PPI measures how much producers are receiving for the goods while CPI measures the cost paid by consumers for goods.

Employment Indicators

The most important employment announcement occurs on the first Friday of every month at 8:30 am EST. This announcement includes the unemployment rate; which is the percentage of the work force that is unemployed, the number of new jobs created, the average hours worked per week, and average hourly earnings. This report often results in significant market movement.

You will often hear traders and analysts talking about "NFP", this means Non-Farm Employment report, and it is perhaps the one report each month that has the greatest power to move the markets.

Durable Goods Orders

The durable goods orders report gives a measurement of how much people are spending on longer-term purchases, these are defined as products that are expected to last more than three years.

The report is released at 8:30 am EST around the 26th of each month and is believed to provide some insight into the future of the manufacturing industry.

Retail Sales Index

The Retail Sales Index measures goods sold within the retail industry, from large chains to smaller local stores, it takes a sampling of a set of retail stores across the country. The Retail Sales Index is released at 8:30 am EST around the 12th of the month; it reflects data from the previous month. This report is often revised fairly significantly after the final numbers come out.

Housing Data

Housing data includes the number of new homes that a country began building that month as well as existing home sales. Residential construction activity is a major cause of economic stimulus for a country and so it's widely followed by Forex participants. Existing home sales are a good measure of economic strength of a country as well; low existing home sales and low new home starts are typically a sign of a sluggish or weak economy.

Interest Rates

Interest rates are the main driver in Forex markets; all of the above mentioned economic indicators are closely watched by the Federal Open Market Committee in order to gauge the overall health of the economy. The Fed can use the tools at its disposable to lower, raise, or leave interest rates unchanged, depending on the evidence it has gathered on the health of the economy. So while interest rates are the main driver of Forex price action, all of the above economic indicators are also very important.

- **Technical Analysis VS. Fundamental Analysis**

Technical analysis and Fundamental analysis are the two main schools of thought in trading and investing in financial markets. Technical analysts look at the price movement of a market and use this information to make predictions about its future price direction.

Fundamental analysts look at economic news, also known as fundamentals. Now, since nearly any global news event can have an impact on world financial markets, technically any news event can be economic news. This is an important point that I want to make which many fundamental analysts seem to ignore…

One of the main reasons why I and all of my members prefer to trade primarily with technical analysis is because there are literally millions of different variables in the world that can affect financial markets at any one time.

Now, Forex is more affected by macro events like a country's interest rate policy or GDP numbers, but other major news events like wars or natural disasters can also cause the Forex market to move. Thus, since I and many others believe that all of these world events are factored into price and readily visible by analyzing it, there is simply no reason to try and follow all the economic news events that occur each day, in order to trade the markets.

One of the main arguments that I have read that fundamental analysts have against technical analysts is that past price data cannot predict or help predict future price movement, and instead you must use future or impending news (fundamentals) to predict the price movement of a market. So, I thought it would be a good idea to give my response to these two arguments against technical analysis:

1) If fundamental analysts want to try and tell me that past price data is not important, then I would like them to explain to me why horizontal levels of support and resistance are clearly significant. I would also like to ask them how myself and many other price action traders can successfully trade the markets by learning to trade off of a handful of simple yet powerfully predictive price action signals:

Looking at the daily spot Gold chart above, we can clearly see that support and resistance levels are important to watch. Any Fundamental analyst, who wants to say that charts don't matter, is simply wrong, and you will come to this conclusion on your own when you spend more time studying some price charts.

2) The next argument that Fundamental analysts use is that you can more accurately predict a market's price movement by analyze impending forex news events. Well, anyone who has traded for any length of time knows that markets often and usually react opposite to what an impending news event implies. Are there times when the market moves in the direction implied by a news event? Yes, absolutely, but is it something you can build a trading strategy and trading plan around? No.

The reason is that markets operate on expectations of the future. This is actually an accepted fact of trading and investing, so it's a little strange to me that some people still ignore technical analysis or don't primarily focus on it when analyzing and trading the markets.

Let me explain: if Non-farm payrolls is coming out (the most important economic report each month, released in the U.S.) and the market is expecting 100,000 more jobs added last month, the market will likely already have moved in anticipation of this number.

So, if the actual number is 100,000 even, the market will probably move lower, instead of higher…since there were not MORE added jobs than expected. So, while 100,000 new jobs might be a good number, the fact that the actual report did not exceed expectations is bad for traders and investors (can you see how this junk gets confusing now? I almost confused myself writing this…).

AND NOW FOR MY FINAL POINT: Since all of the preceding expectations of a news release have already been carried out and are visible on the price chart, why not just analyze and learn to trade off the price action on the price chart?? What a novel idea!

You see, even after the news is released we can still use technical analysis to trade the price movement, so really technical analysis is the clearest, most practical, and most useful way to analyze and trade the markets.

Am I saying there is no room for Fundamental analysis in a Forex trader's tool box? Absolutely not. But, what I am saying is that it should be viewed and used as a compliment to technical analysis and it should be used sparingly, when in doubt consult the charts and read the price action, only use Fundamentals to support your Technical view or out of pure curiosity, never rely solely on Fundamentals to predict or trade the markets.

Article by Nial Fuller and sourced from learntotradethemarket.com

Technical Analysis

This analysis is highly recommended for day trading. It observes the stock prices over the past, whether that be a month, a day or even an hour in order to determine the next likely change in the stock price. So by looking at a pattern you can perhaps follow a trend.

Technical analysis often comes in the form of charts or graphs. Not every trader is a mathematical engineer meaning that technical analysis needs to be simple to follow and understand. There are of course much more complicated forms of technical analysis and, well, if you feel comfortable using them, then you should.

The most common terms you'll come across are "Support", this is the price level from which a stock can rebound up. Usually, demand or the buying pressure surpasses supply or the selling pressure in the stock's support level thus making the stock rise in value.

"Resistance" is the exact opposite. When a stock rises in value, finally it will reach a price level where it gets pushed back. In short, supply surpasses demand here and the stock begins to drop in value.

The best traders will always have various charts open on their computer, one perhaps for a year, one for a month and one for the last hour. This gives you best idea of the long-term and short-term patterns forming. You cannot get a strong idea of a pattern forming just from a 5 minute chart as this really shows you nothing.

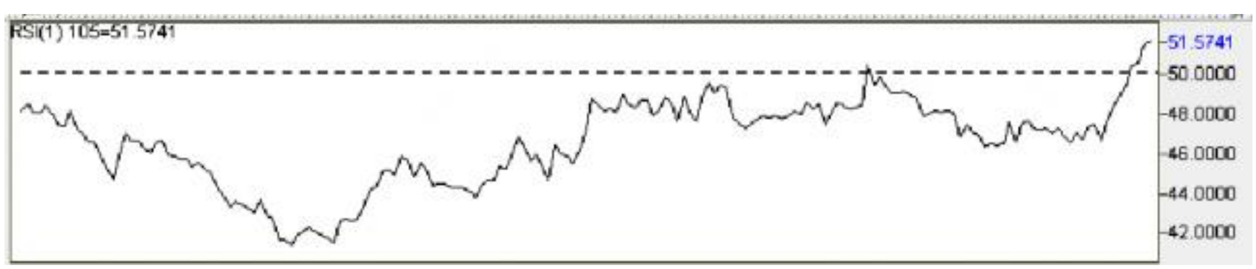


Figure a

Figure b

Figure a. shows you the RSI or Resistance Support levels for the chart shown in Figure b.

Figure b. shows you a typical chart a trader might use to detect patterns. It is taken for the EUR/USD currencies over a one hour period. Indicators have been added to this chart: Bollinger bands and the Simple Moving average which take away the "noise" from the chart to show you a clear picture of the pattern. This chart is called a candlestick chart because of the little candle shapes which make up the chart.

There are many other types of indicators available for these charts; you should know how to use most of them before you can consider yourself a professional trader.

Article by FX Empire Analyst - Irit R and sourced from fxempire.com

INTRODUCTION TO FOREX CHARTING

This part of the course is going to give you a brief overview of the three primary types of charts that you will run across in your Forex trading journey. The chart type that I use, and that my members use, is candlestick charts, I feel forex candlestick charts do the best job at showing the price dynamics in a market, since their design helps you to visualize the "force", or lack thereof, that a particular price movement exhibited. So, let's go over the three main types of charts that you will likely see as you trade the markets:

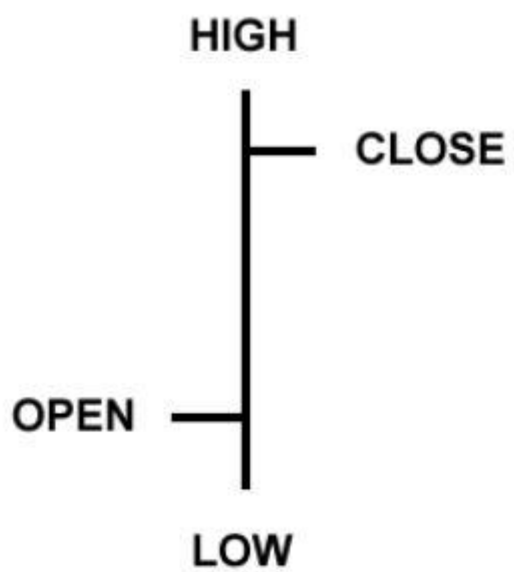
- **Line charts**

Line charts are good at giving you a quick view of overall market trend as well as support and resistance levels. They are not really practical to trade off of because you can't see the individual price bars, but if you want to see the trend of the market in a clear manner, you should check out the line charts of your favorite markets from time to time.

Line charts are made by connecting a line from the high price of one period to the high price of the next, low to low, open to open, or close to close. By far, line charts that show a connection from one closing price to the next are the most useful and the most widely used; this is because the closing price of a market is deemed the most important, since it determines who won the battle between the bulls and the bears for that time period. Let's look at an example of a daily line chart of the EURUSD:

- **Bar charts**

A bar chart shows us a price bar for each period of time. So if you are looking at a daily chart you will see a price bar for each day, a 4 hour chart will show you one price bar for each 4 hour period of time…etc. An individual price bar gives us four pieces of information that we can use to help us make our trading decisions: The open, high, low, and close, you will sometimes see bar charts called OHLC charts (open, high, low, close charts), here's an example of one price bar:



Here's an example of the same EURUSD chart we used for the line chart example but as a bar chart:

- **Candlestick charts**

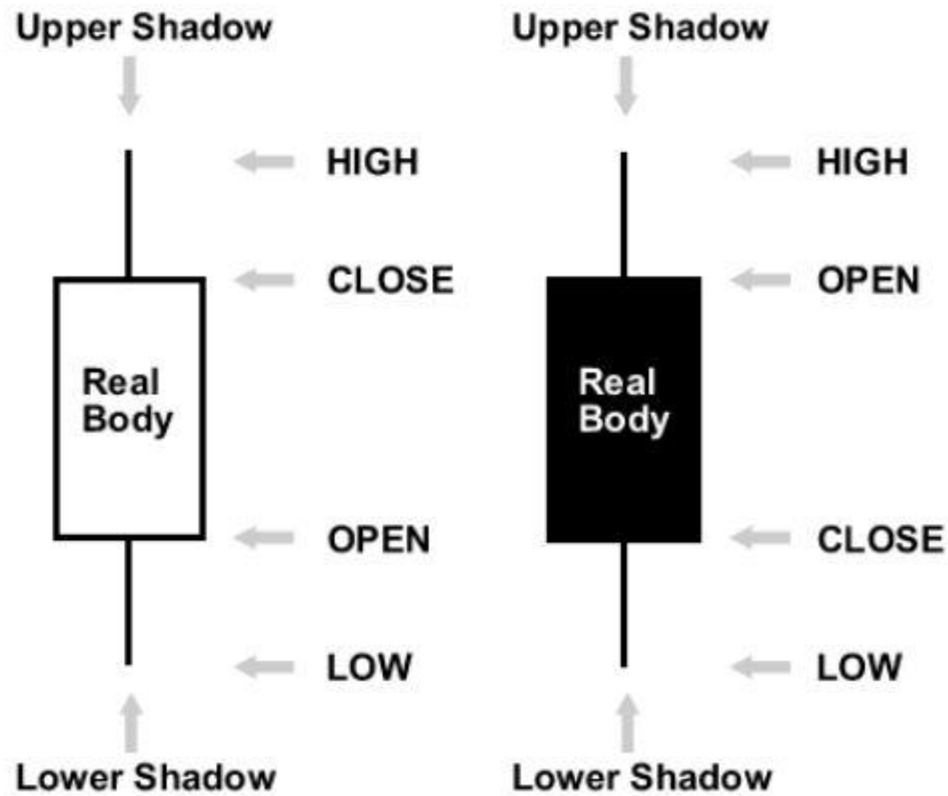
Candlestick charts show the same information as a bar chart but in a graphical format that is more fun to look at. Candlestick charts indicate the high and low of the given time period just as bar charts do, with a vertical line.

The top vertical line is called the upper shadow while the bottom vertical line is called the lower shadow; you might also see the upper and lower shadows referred to as "wicks". The main difference lies in how candlestick charts display the opening and closing price.

The large block in the middle of the candlestick indicates the range between the opening and closing price. Traditionally this block is called the "real body".

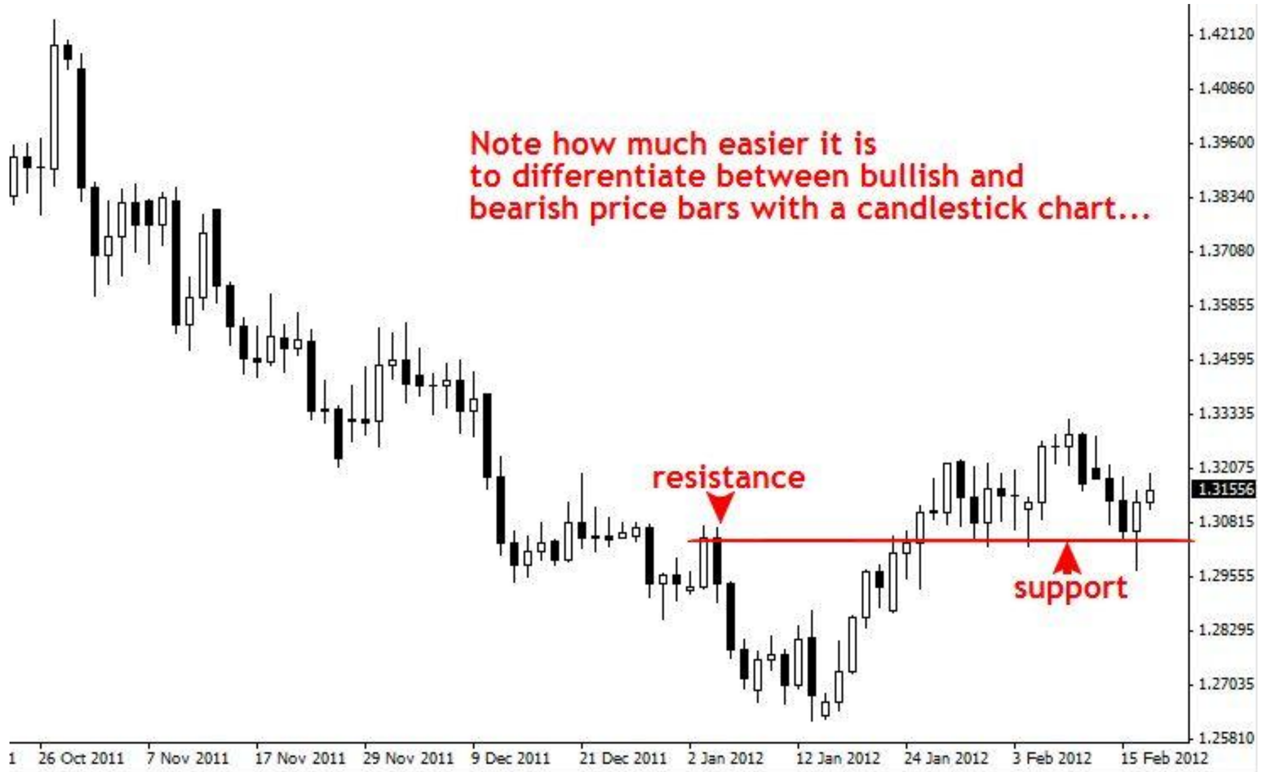
Generally if the real body is filled in, or darker in color the currency closed lower than it opened, and if the real body is left unfilled, or usually a lighter color, the currency closed higher than it opened. For example, if the real body is white or another light color, the top of the real body likely indicates the close price and the bottom of the real body indicates the open price.

If the real body is black or another dark color, the top of the real body likely indicates the open price and the bottom indicates the close price (I used the word "likely" since you can make the real body whatever color you want). This will all become clear with an illustration:



Now, here’s the same EURUSD daily chart that I showed you in line and bar form, as a candlestick chart. Note that I have made the candles black and white, you can pick whatever colors you want, just make sure they are friendly to your eye but also that they convey bullish and bearishness to you.

Bullish candles are the white ones (close higher than open) and bearish candles are the black ones (close lower than open):



Candlestick charts are the most popular of all three major chart forms, and as such, they are the type you will see most often as you trade, and they are also the type I recommend you use when you learn and trade with price action strategies.

Article by Nial Fuller and sourced from learntotradethemarket.com

TECHNICAL ANALYSIS TOOLS

Oscillators And Indicators

Oscillators and indicators are technical analysis tools which help traders objectively interpret and predict the future direction of the market.

Introduction:

There are a huge number of technical indicators and oscillators for the trader to use depending on what he wants to achieve. The purpose of oscillators and indicators is to take the subjectivity out of interpreting a price chart and enable the trader to objectively analyze the price action and predict the future movement of the markets.

Oscillators and Indicators:

Below are the most commonly used oscillators and indicators.

Moving Average

The most popular indicator of them all is of course the moving average. The standard use of a moving average is to use it as an indicator of whether the trend in the market is bearish or bullish. Most traders use the 200 period moving average to indicate the trend. If the price action is above the 200 moving average the forex currency is appreciating and if the price action is below the 200 moving average it is depreciating.

Relative Strength Index

This is a popular oscillator which is used for identifying when a market is about to turn and change trend direction. The oscillator defines overbought or oversold conditions when the oscillator line is above 70 (overbought) or below 30 (oversold).

Stochastic

This oscillator is usually used for short periods of under a day and is used to identify when the currency is at the top of its price range, the oscillator line is above 75, or at the bottom of its price range, when the oscillator line is below 25.

MACD

The MACD is a very popular indicator used to indicate bullish or bearish trends. This indicator is not very useful and often lags very badly on the short time frames. However if used on longer time frames of a day or more its lagging feature is less prominent and it can be successful in helping a trader predict a change in trend.

Commodity Channel Index

The CCI is also a popular oscillator which identifies overbought and oversold situations in the market. The levels on the oscillator are from 0 to + 300 above the centre line or 0 to -300 below the centre line. A level above 200 is seen as the overbought area and the level below -200 is seen as the oversold area.

Trend Lines

Trend lines are indicators which are drawn on a price chart and connect the tops and bottoms of prices. A trend line which is drawn when the prices are moving up should be drawn so that at least two or more of the highest price bottoms are touching the line.

This line acts as a support line and if the price breaks through the line it is an indication that the trend is changing direction. The converse is true for a trend which is downward in direction. The trend line should be drawn so that at least two of the highest price tops are touching the line.

This line acts as an resistance line and if the price breaks through the line it is an indication that the trend is reversing itself.

Article source: etoro.com

TECHNICAL ANALYSIS TERMINOLOGIES

Levels of Support and Resistance

Support and resistance levels are the price levels where the price action either stops or reverses itself.

Introduction:

Levels of support and resistance are one of the easiest concepts to understand in the context of both the forex markets and the stock markets.

Support and resistance levels define the points where the laws of supply and demand lead the price action as buyers and sellers come into the forex market. The support and resistance levels are actually areas where supply and demand is not in balance.

When there are a large number of buyers who are in the market, there is high demand and a level of support is created in the market. Likewise, when a high number of sellers enter the market, there is high supply and a level of resistance is created which prevents the price moving higher.

The other half of the equation is volume. The higher the volume at these support and resistance levels the more important the signal is being given.

Levels of Support and Resistance:

There are many techniques for determining where the support and resistance levels are. The most popular ones are pivot points, Fibonacci levels, CCI, RSI and Stochastics.

Perhaps the most popular of all is the use of Fibonacci levels and pivot points. The reason being is that because these techniques are used so widely they have almost become a self fulfilling prophecy.

With millions of traders watching the same charts and using the same technical analysis tools the support and resistance levels are almost set in stone and prices nearly always stop their current direction and reverse away from these levels.

Other traders especially day traders use whole numbers to identify support and resistance levels. Price that end in 0 or 00 are seen by day traders to be significant support or resistance levels.

The following charts respectively show support and resistance levels being identified using in the 1st chart Fibonacci levels, and in the second chart pivot points.

On the chart above clearly shows how the Fibonacci levels acted as support of resistance levels. The key levels are 38.2% and 50%. Notice how many times the price bounces off the support and resistance levels.

The next chart shows pivot points. The heavy blue line is the pivot point and as you can see it is acting as a strong resistance level for the upward surge of buying on the 16th April. The three blue lines below the pivot point are support levels and the three blue lines above the pivot point are the resistance levels.

Notice how the final support level is the 1.3000 price which makes it an even stronger support level as the price ends in a double zero. Once this support level is breached it is highly likely that the price will lose another 100 pips very quickly.

Also notice how the resistance level immediately above the pivot point acted as a support level for several days. This phenomenon is quite commonplace where a resistant level becomes a support level and a support level becomes a resistant level.

Article source: etoro.com

How Important Is Volume

Volume is an important measure as to the strength of a trend and to the correct value of the currency pair.

Introduction:

The value or worth of a market move is what volume measures. If the price action is strong either upward or downward the strength of the move is measured by the volume traded for that period. Usually key market moves where volume is high are usually when a spike occurs or a time period which is small where there is more volume than normal.

A price level that is set after a particularly high volume of trades is considered to be much closer to its correct value than a price level which is reached when volume is low and only a small number of investors and individuals have traded in the market.

How important is Volume:

The way volumes are calculated is different between the forex markets and the equity markets. In the stock markets 1 share is considered one unit of volume, so 1000 shares sold or bought constitutes 1000 units of volume.

The volume in the forex markets cannot be calculated in the same way as each forex trade is not a standard amount. So in the forex market volumes are calculated on the number of ticks (changes in price) there are in a session for a currency pair.

Volumes are not the prime indicators of where the price action is going but should be used as corroboration of the direction of a trend. For example when a trend begins and the volumes are not high that usually means that the trend is weak.

An increase in volume can mean that a change in the price action may be on the horizon and the direction of the price action during this increase in volume can indicate where the price action is going.

As we know a bullish market is a market where the buyers outnumber the sellers. Conversely a bear market is a market where sellers outnumber the buyers. If most buyers transfer to a short position or simply liquidate their long holdings, the price will drop.

As more buyers switch to short positions the price drops even more and this could originate a volume spike and even a trend reversal.

The 60 minute chart below shows the amount of volume for each hour. The green lines show rising volume compared to the previous hour and the red lines show falling volume compared to the previous hour.

Notice how on the 13th April volume spiked when the price of the EUR/USD currency pair fell over 100 pips breaking out of its ranging attitude of the previous 2 days and continuing to fall for several more hours. This volume spike confirmed a reversal or retracement from a strong resistance level of 1.3200 down to the strong support level of 1.3000.

A market where the buyers have the upper hand is called an 'accumulation' market as the buyers accumulate the currency pair. Indicative signs of accumulation are that volume increases and prices move higher or at the end of a downtrend there is little movement in price and hardly any increase in volume.

Conversely, a market where the sellers have the upper hand is called a 'distribution' market. Where volume increases during an upward trend and the price stalls the conclusion is that there are many more sellers than buyers. The characteristics of a distribution market is where volume increases and prices move down or after an uptrend prices stall when there is an increase in volume.

Article source: etoro.com

MOVING AVERAGES

Moving average lines are used by traders to identify support and resistance areas and to generate buy or sell signals.

Introduction:

Moving averages are essentially a set of data points which in the case of an assets price is a chosen number of closing prices during a specific period of time, which are joined together by a line. The data is then drawn on a price chart, most commonly a candlestick price chart.

The time periods most commonly used are 1 minute, 5 minutes, 15 minutes, 30 minutes, 60 minutes, 4 hours, daily and weekly. The most common number of moving average series of closing prices used is 5, 10, 20, 50, 100 and 200. Moving averages are used to identify price trends and also support and resistance levels.

Moving Averages:

Moving averages are calculated by adding the number of closing prices for the number of periods chosen and then dividing the total by the number of periods. For example if we had a 10 period moving average on a 60 minute time frame, the closing prices for the last ten hours are added together and then divided by 10. The result would be the latest data point and the last data point or closing price would be dropped. An example of this has been drawn on the EUR/USD price chart below.

As you can see the moving average smoothes out the price action, it also indicates whether the price action is bearish or bullish. If the price action is below the moving average it is bearish and if it is above the moving average it is bullish.

The moving average can also act as a support and resistance level.

On the chart above notice how on the up trending price action the moving average acts as a support line whereas the moving average acts as a resistance level for down trending price action. The lower the number of periods the closer the moving average is to the price action and the higher the number of periods the smoother the moving average becomes.

Because of this many traders use moving averages to indicate forex trading entry and exit points by using two or more moving averages of different periods. This technique is called the moving average cross over because the faster (low number of periods) moving average will cross down through the slower moving average (higher number of periods) to give a sell signal.

Conversely the faster moving average crossing above the slower moving average will give a buy signal.

The Forex chart type below shows how two moving averages are used to give buy and sell signals. The green 5 period moving average is the fast moving average and the blue 10 period moving average is the slower moving average. Where they cross is the buy or sell signal (indicated by the arrows). Two further moving averages (20 and 50) have been drawn on the price chart to show how longer period moving averages smooth out the price action.

The moving averages we have just described and shown on the chart are called simple moving averages (SMA).

There are also moving averages which are called exponential moving averages (EMA). These types of moving average put more weight on the most recent closing prices and therefore the moving average line follows the price action much more closely than the simple moving average. Traders tend to use the ETA as the fast line when using moving averages to generate buy and sell signals. Historically however, there is no evidence that an EMA is any more profitable than an SMA, so most traders use the SMA.

Article source: etoro.com

MASTERING INDICATOR SETTINGS

Indicator setting set ups are important for traders to know in relation to their trading style and their trading strategy.

To be a successful trader whether it is in forex, stocks or commodities it is not only essential that you understand and use technical indicators properly but also that you know how to set these indicators up correctly. Nowadays all trading stations have embedded in them most of the common indicators with default settings which in the main are the most efficient. Some however you will need to change to your particular trading style.

Mastering Simple Moving Average (SMA)

The Simple Moving Average indicator is one of the most common indicators used by traders today. It is a lagging indicator and needs to be set up efficiently if the trader is going to trade successfully using it.

If you intend using just one Simple Moving Average line then this should ideally set to 10 time periods. This setting avoids most of the whip saw effect and false signals that a fast indicator would give. A longer setting would lag too much behind any change in trend direction and would not be such a profitable indicator. When using one SMA wait for the candles to be completely free of the line before you open a trade.

If you trade using the SMA crossover you can use either two or three SMA lines set at different time periods. The ideal settings for two SMA's is a fast SMA set at 5 periods and the slower SMA set at 10 periods. In this type of set up the trade is entered when the faster SMA crosses the slower SMA and it is exited when it crosses back the other way.

Using three SMA lines the set up for the fast and medium SMA are set at 5 and 10 periods while the third and slowest SMA which acts as a support and resistance line is set at 20 periods. When using this set up you should wait until both the 5 and the 10 SMA lines cross the 20 SMA line giving a buy or sell signal before making a trade. These types of set up are used for short term trading strategies rather than long term trading strategies.

For long term forex trading strategies the SMA's should be set at longer periods. The fastest SMA is best set at 50 periods and the slowest SMA at 200 periods. Once again a buy or sell signal is given when the fast SMA crosses the slow SMA downwards or upwards respectively.

The Exponential Moving Average set up are the same as the SMA set ups, however there is no evidence to suggest that the EMA is any more profitable than the SMA. The EUR/USD hourly chart below shows a short term SMA trading set up.

The other popular indicators such as the Relative Index Indicator and the Stochastics are set at 14 periods for the best results whilst the Moving Average Convergence Divergence is best set at the 9,12 and the 26 period EMA for the most accurate buy and sell signals.

Article source: etoro.com

Mastering Triangular Moving Averages

The triangular moving average is a simple moving average where the average has been averaged to create a smoother line.

The triangular moving average (TMA) is essentially a simple moving average which has been averaged again. In other words the average has been averaged. What this does is to create a smoother moving average line than the simple moving average line for the same time period.

Does this improve the Forex signals that a trader can get from a moving average? The advantage if any is very slight and there is no evidence that a triangular moving average is more profitable than a simple or an exponential moving average.

Mastering Triangular Moving Averages:

Traders use a triangular moving average in exactly the same way as a simple moving average (SMA) or an exponential moving average (EMA).

The SMA is probably the most popular technical indicator with traders at this point in time and has been for some time now.

As we can see from the EUR/USD daily chart and window below we have a 10 day SMA (blue), a 10 day EMA (green) and a 10 day TMA (red).

Notice how the TMA is a far smoother line. It is particularly noticeable in the window rather than on the price chart. Notice too how the EMA is more responsive to price on the price chart.

In fact the EMA is in many cases is one day or one candle faster than the SMA. However, because the EMA is more responsive to price changes it is more likely to send out false signals because of the whipsaw effect. The TMA shows a far more smooth line and can be used as a trading indicator although you need to wait patiently for the right signal.

When the price is on an uptrend, the moving average will be on an uptrend, and the moving average line will be tested by the price and the price will bounce off the moving average a few times so that the moving average serves as a support line. A good strategy is to then buy on one of the retracements back to the Triangular Moving Average line.

When the price is in a downtrend with the moving average in a downtrend also, the price tests the TMA above and is rejected several times. The TMA is now serving as a resistance line and so the strategy here is to buy on the rallies up to the TMA line.

The two examples mentioned above are using one Triangular Moving Average; however, traders often use two or three Triangular Moving Averages. The advantages in using more than one moving average are explained below.

How to apply triangular moving averages to a possible trade:

The advantage of using three moving averages is clearly that the buy or sell signal is much stronger than simply using one or two moving averages. In the GBP/USD weekly chart below there are three TMA lines; an 11 period (green), a 20 period (blue) and a 50 period (red). There is one buy and one sell signal indicated by the blue arrows over a 16th month period.

This shows how the smoothing out of the triangular moving average reduces the number of buy and sell signals. Superimposed on the chart is a simple moving average 11 period line. Notice how the SMA signals a buy and sell (red arrows) much earlier than the TMA.

Article source: etoro.com

Mastering TRIX

TRIX is a combination of a leading momentum indicator and an oscillator, which eliminated market noise and therefore gives the trader a stronger buy or sell signal.

Jack Hutson, a writer for a technical analysis magazine, first introduced the triple exponential average (TRIX) to the forex trading world. The triple exponential average (TRIX) indicator is an oscillator which can be used to recognize oversold and overbought price conditions in markets, as well as being used as an indicator which measures momentum.

Mastering TRIX:

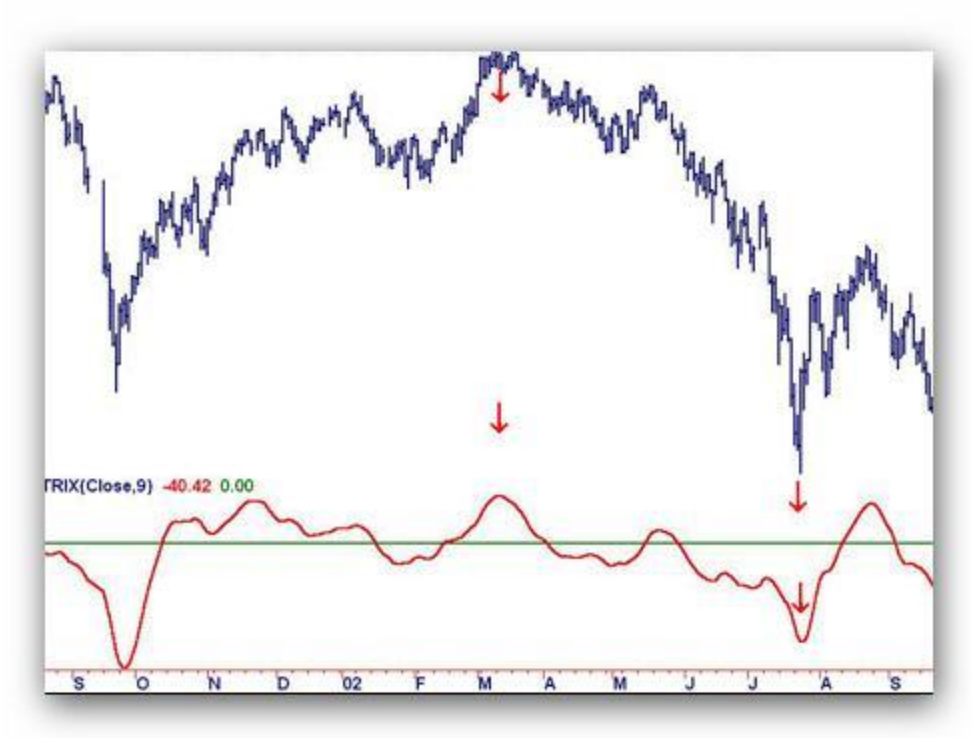
Like most oscillators, TRIX moves around a line centered on zero. When used as an oscillator, a value above the zero line is a positive value and shows an overbought market while a value below the zero line which is a negative value shows an oversold market.

When using TRIX as a momentum indicator, a positive value implies increasing momentum while decreasing momentum is indicated by a negative value. A lot of traders consider that once the TRIX has crossed above the zero line it indicates a buy signal, and when it crosses below the line, it’s a sell signal.

The main advantages of TRIX over other indicators which are considered trend following is its exceptional filtration of the market noise and its propensity to be a leading indicator rather than a lagging indicator.

It manages to filter out market noise through the calculation which removes the small short term cycles that often indicate a false change in the direction of the market. It also has the capability to lead a market since it measures the disparity between each price candles "smoothed" adaptation of the price. As with any technical tool, when used as a leading indicator, TRIX is better used in combination with other market indicators to minimize false signals.

On the example of a TRIX indicator on the chart below you can see clearly that there is very little lag between when the price starts to turn down and the TRIX moves from a positive number above the centre line to a negative number below the centre line. Most charting software uses a 9 time period as a default for TRIX.



How to apply TRIX to a possible trade:

As with all moving averages, Stochastic and momentum indicators using more than one indicator offers the trader a major advantage. By following the fast moving indicator cross either up over or down under the slower moving indicator the trader can identify a change in the momentum or direction of the price action. This enables the trader to identify with more certainty a buy or a sell signal.

When the faster moving index crosses below the slower moving average this indicates a sell and when the faster moving averages crosses above the slower moving average this is a buy signal.

Article source: etoro.com

Mastering the Volatility Ratio

The Volatility Ratio is an indicator which identifies the moment when a price breaks out of a ranging pattern in a bullish pattern or bearish pattern.

The Volatility Ratio is an indicator which identifies price ranges and also price range breakouts. It does this by calculating an adaptation of the price range which is called the current true range, and thereby identifying the moment the price has dropped outside this current price range.

The chart below shows how the Volatility Ratio is presented as a single line in a separate window from the price chart.

Mastering the Volatility Ratio:

The Volatility Ratio is therefore used to recognize breakouts in other words when the price has moved out of its most recent price range. The Ratio can be used in all markets that are traded however the level at which a breakout is signaled is not the same in each market.

However, the most popular level is the level at which the current range is twice that of the most recent range and that is indicated on the scale as 0.50. If the Volatility Ratio is combined with one of the popular volume indicators the volume indicator would support and confirm the breakout.

A breakout is defined as price movement which breaks through an obvious level of support or resistance. This break is more often than not accompanied by very heavy volume and greater than before volatility.

Forex traders will usually buy the asset if the price breaks through a level of resistance and sell when it breaks through a support level. In practice the term breakout applies to prices breaking upward in a bullish direction. When prices break downwards through a support level it is termed a breakdown and has a bearish flavor.

How to apply the Volatility Ratio to a possible trade:

In essence the Volatility Ratio is traded in the same way as a momentum technical indicator or an oscillator as the key number is 50% or 0.50. If the Volatility Ratio is greater than 0.50 then the trader will either buy or sell the underlying asset depending on whether the price range breaks upwards (bullish) or downwards (bearish).

If you want to use the Volatility Ratio as a technical tool it should be used at least in combination with a volume indicator such as the Volume Oscillator.

Article source: etoro.com

TRADING STRATEGIES

How to Trade a 1% Price Strategy

Trading a 1% pricing strategy can be accomplished with any currency pair however the time frame should be daily.

One of the strategies which give traders a chance to trade along with the trend is the 1% strategy for forex price action. This strategy has a rule which says that the stop loss should be 1% lower or higher than the entry price and the take profit or exit is defined if the trend reverses by 1%.

How to Trade a 1% Price Strategy:

This strategy can be used with just about any currency pair and the time frame used is the daily time period. The strategy is played out on a candlestick chart with only 100 EMA indicators being used as the technical tool.

A buy signal happens when the previous daily close is 1% lower than the current daily close and the price is moving above the 100 exponential moving average. The stop loss should be placed exactly 1% below the price that the trade was entered. The trade is then followed and only closed out when the current daily close is 1% below the previous daily close or your stop has been hit.

In the example on the NZD/USD daily chart above an entry signal was given at the 0.7500 price on the candle where the close was 1% higher than the previous close. The stop loss was placed at the price of 0.7425 which was 1% below entry price. The trade was allowed to run until a candle with a close 1% below the previous candle appeared. This was at a price of 0.7720 giving the trade a profit of 220 pips.

A sell signal happens when the previous daily close is 1% higher than the current daily close and the price is moving below the 100 exponential moving average. The stop loss should be placed exactly 1% above the price that the trade was entered. The trade is then followed and only closed out when the current daily close is 1% above the previous daily close or your stop has been hit.

In the example on the NZD/USD daily chart above an entry signal was given at the 0.7775 price on the candle where the close was 1% lower than the previous close. The stop loss was placed at the price of 0.7850 which was 1% above entry price. The trade was allowed to run until a candle with a close 1% above the previous candle was formed. This was at a price of 0.7500 giving the trade a profit of 275 pips.

Article source: etoro.com

How to Trade a 15 Pip Breakout Scalpers Strategy

The 15 pip breakout scalper's strategy is specifically designed to scalp 15 pips on 1 minute time period volatile currency pair charts.

The 15 pip breakout scalping strategy has been developed specifically for trading volatile currency pairs in the one minute time period with the utmost accuracy. The currency pairs that can be traded are the EUR/USD, the GBP/USD, the NZD/USD and the USD/CHF and they should be traded during the European and USA sessions for the most volatility.

The stop used is rather narrow at 6 to 8 pips and the target profit is 14 pips or more.

The 15 pip breakout scalping sell strategy is demonstrated by experienced forex traders on the EUR/USD 1 minute candlestick chart above.

The 50 period exponential moving average line shows that the EUR/USD is on a down trend. An upward trend line is drawn where the prices are rising and we wait until the closing price breaks below the trend line.

This is a sell signal and at this point we sell as in this example at 1.3155 and set our stop loss at 1.3160 which is 5 pips above the price we sold at. This particular example would have given the scalper 21 pips profit if the short position was liquidated at the price of 1.3134 however as the target profit level is 15 pips the scalper would probably have liquidated the short position earlier.

The 15 pip breakout scalping buy strategy is demonstrated on the USD/CHF 1 minute candlestick chart above. The 50 period exponential moving average line shows that the USD/CHF is on an up trend. A downward trend line is drawn where the prices are falling and we wait until the closing price breaks above the trend line.

This is a buy signal and at this point we buy as in this example at 0.9154 and set our stop loss at 0.9149 which is 5 pips below the price we bought at. This particular example would have given the scalper 20 pips profit if the long position was liquidated at the price of 0.9174 however as the target profit level is 15 pips the scalper would probably have liquidated the long position earlier.

Article source: etoro.com

How to Trade a Bollinger Band Reversal Strategy

A Bollinger Band is a simple technical analysis tool which indicates an imminent reversal from the current trend.

A Bollinger Band is an indicator which takes a 20 period simple moving average which defines the intermediate term trend of the price and also uses two standard deviations of the instrument being traded to work out the width between the simple moving average and the bands.

The top band is plus 2 deviations above the middle line (moving average) and the bottom band is minus 2 deviations below the middle line (moving average). The bands are not support or resistance levels such as those derived from pivot points and there is no calculated data that says that prices should stay within the bands.

However, most of the time the prices do stay within the bands and this is something that the trader can use to trade Bollinger Band strategies.

Traders who use the traditional technical analysis on candlestick charts like double bottoms and tops, head and shoulders patterns and other candlestick patterns can strengthen their analysis by using the Bollinger Bands indicator.

Bollinger Bands can help traders understand where the price is going. Is it trending, is it ranging or is it volatile. When the bands are very close together the asset is trading in a range that is very narrow and when the bands are far apart this indicates volatility, price breakouts and large rallies.

In the chart above notice how from 06:55 to 08:55 the upper and lower bands are close together and very near the line of the moving average. After 08:55 the bands start to widen and move away from the moving average line as the currency price becomes more volatile and a trend begins to develop.

If the asset price drops outside of the bands either below the lower band or above the upper band the price is considered to be 'breaching the bands'. This happens during times of extreme versatility and is the signal given out by Bollinger Bands is that a reversal in trend is impending.

As the outer bands are two standard deviations from the moving average this means that 95% of the time the price will stay within the band limits and 5% of the time the price will breach the outer bands.

The Bollinger Band reversal strategy is a very simple yet effective strategy for a forex trader to have in his tool kit of strategies. Where two or more candles close above the upper band or two or more candles open below the band then this usually is a strong signal that there is an imminent reversal.

The GBP/USD 5 minute price chart below displays three such breaches of the outer Bollinger Bands.

The first instance of a reversal (the blue circle) did not have a strong signal as the green candle closed above the line and the red candle below the line, however there was a small reversal. At 10:55 the chart showed three closes in a row (red Circle) above the upper band, a very strong signal for a reversal.

The trend reversal lasted until 12:20 when the underlying upward trend continued. Around 13:00 the chart shows two things. Firstly we have two candles closing above the outer band and secondly a typical tweezer candlestick pattern (green circle) confirming the imminent reversal.

Although the total pips profit from these three reversals was around 60 pips it still would have been a very profitable series of trades for a day trader. Bollinger Bands can be used on any timeframe with equally good results.

Article source: etoro.com

How to Trade a Doji Breakout Strategy

Doji candlesticks have opening and closing prices that are very near each other in a given time frame signifying market uncertainty and also a possible bullish or bearish breakout.

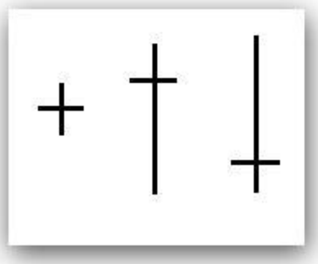
Every forex trader knows and probably uses Japanese Candlestick charts when trading. They add to these charts the technical analysis indicators they have learned to use, such as momentum, leading, lagging and volume indicators.

However, there are also 40 candlestick patterns which a trader should be familiar with. All these patterns are genuine in indicating price direction and all are not difficult to learn. Of the 40 there are 12 which are the major patterns while the remainder which is considered minor is merely used as confirmation of the indications given by the major patterns.

The Doji looks like a type of cross and is a single candle where the opening and closing price are the same or very close to the same in the particular time frame being used.

The horizontal line signifies the open and close during the specific time frame. The vertical line signifies the high and low trading range for the time period in question. The prices travel up and down during the period but close on or near the opening level. The upper and lower shadows vary so that the Doji can look like a plus sign, inverted cross or normal cross.

The significance of a Doji is that there is a strong battle between the market buyers (bulls) and the market sellers (bears) and there is extreme indecision in the market. A Doji that is seen at the top of a trend usually signifies a reversal as does a Doji seen at the bottom of a trend.



The Doji which looks like a plus sign is the ultimate indication of indecision as to which direction the market is going. If the market is in an overbought condition or an oversold condition this shaped Doji indicates a probable market reversal. This Doji is named the Long Legged Doji.

The Doji which looks like a cross because its body is near the upper end of the trading range of the day usually appears on the opening of the day where the price trades lower after opening and then trades higher so that the close is near the opening towards the high of the day.

This Doji is called a Dragonfly and if it falls in the middle of a trading range it signifies very little however if it falls at a support level then it signifies the likelihood of a bullish breakout at the end of a bearish trend.

Finally, the Doji which looks like an inverted cross is called the Gravestone Doji and this candle signifies when at the top of a bullish uptrend that there could be a bearish breakout and if at the bottom of a downtrend a bullish breakout.

In the chart above there are several Doji candles. The blue circle has two Gravestone Doji's in the middle of a ranging price and don't signify any major changes to the price. However, the Graveyard Doji in the red circle signifies a strong bearish breakout.

As with all technical analysis tools the trader should always confirm using another indicator. In this case the Relative Strength Index is crossing down over 50 line into bear territory. After the bearish trend the price ranges and there are several Doji's amongst the candles which have no influence on the price.

However, on the 1st February a Dragonfly Doji signifies a bullish breakout which is confirmed by both the moving average cross over and the RSI bouncing up from an oversold condition. A trader trading the Doji's in the red and green circles would have made over a 280 pip profit.

Article source: etoro.com

How to Trade a Fibonacci Day Trading Strategy

A Fibonacci day trading strategy uses the key Fibonacci numbers to show support and resistance levels and an RSI as confirmation of a sell or buy signal.

One of the most important considerations for any day trader is where the support and resistance level lie on a price chart. Knowing he support and resistance levels helps traders know where the entry and exit points are.

The Fibonacci retracement levels which are based on the Fibonacci numbers and the 'golden ratio' have become a very important tool for day traders. In the Fibonacci number sequence the ratio between two numbers is 0.618 and the ratio between the higher of the two numbers and the number below the next number down is 1.618.

These two ratios are called the 'golden ratio'. Therefore the two most important retracement levels for a day trader are 38.2% and 61.8%. Other important retracement percentages for traders are 50% and 75%.

All forex platforms have built in technical analysis tools so that there is no need for you to work out the ratios and percentages on your calculator it is all done for you.

Currency pair's prices either trade in a tight range within a long term or short term trend before there is a breakout either in the direction of the trend or a reversal of the trend, or they trade on a price breakout.

The EUR/USD 30 minute chart below shows the Euro trending down from a breakout at the 1.3200 level on the 31st January. Notice that the Fibonacci retracement hasn't been set to the absolute high or low. You get better results if the Fibonacci is set to a double top or double bottom as in the example below.

The strategy for a day forex trader having confirmation from the RSI which is falling towards the oversold area would be to short the Euro. The downtrend continues beyond the key retracement levels of 61.8% and 38.2% before retracing from around the 25% level back to the 38.2% level.

The day trader seeing the RSI showing an oversold condition at the 25% level would probably square the short position (red circle) and wait for the next entry signal. The entry signal is given when the price starts to retrace from 0% level (green circle) and the RSI bounces off the 30 oversold conditions. The day traders profit target should initially be at 38.2% but if as in this example the price continues to rise 50%, 61.8%, 75% or 100%.

The price ignores the first three levels before retracing from the 75% level back to the 50% level and then continuing the uptrend. The day trader should stay in the trade unless the price drops back through the 50% level or the 75% level and take profit at the 100% level.

The day trader can also use Fibonacci retracement for a ranging market where the price does not fluctuate that much. The EUR/USD 30 minute chart below is showing a ranging price for the 1st, 2nd and 3rd of February.

A day trader should look for clear buy or sell signal. The clearest signals on this chart are the sell signal where the price retraces from the 75% strong resistance level (1st red circle) and the RSI is moving from an oversold condition to an overbought condition (1st green circle).

The second clear entry signal is the buy signal (2nd red circle) where the price bounces off the 0% support level and retraces back to the 75% resistance level. The exit for the sell trade should be the price at the 0% support level and the exit for the buy trade at the 75% resistance level.

Stop losses should be set one level below (buy) or above (sell) the entry level. Notice how strong the resistance level is at the 75% Fibonacci line.

Article source: etoro.com

How to Trade a Pivot Point Strategy

A simple Pivot Point Strategy that uses an RSI indicator and three simple moving average lines for confirmation of buy or sell signals.

Pivot point trading strategies are used by the 'big boys' in the currency markets. The 'big boys' are the financial institutions and other big institutions with large treasury departments who trade in the markets.

These groups of traders are the people that trade the biggest volumes in the currency markets and therefore the traders that cause currency prices to go up and down.

This is why when prices approach pivot point support and resistance levels the price moves in the expected direction because everyone is looking at the same pivot point price charts and everyone is trading the same simultaneously in huge volumes.

It is therefore extremely prudent for retail traders to follow on the coat tails of the professional traders and trade at exactly the same time and in exactly the same direction.

Pivot points are major support and resistance levels where there is likely to be a retracement of price. As such pivot points can serve as fairly accurate entry and exit indicators. The way pivot points are traded and what strategies suit you depends on what kind of trader you are.

When trading pivot points it is best to trade currency pairs that trend. Probably the best currency pairs exchange for pivot point trading are the EUR/USD, the GBP/USD, the USD/CHF, the USD/JPY and the NZD/USD.

The first thing to do is set your pivot points on your chosen currency pair chart. You do not need to know the formula or to calculate pivot points manually as there are plenty of free pivot point calculators on the internet that you can use.

Now let's look at the EUR/USD 30 minute chart below with pivot points drawn in.

The first thing to notice is the opening candle in the Asian session on the 30th January which is circled in red. The EUR/USD price starts to fall towards the central pivot point which is the green line at 1.3174. An important point to remember is that before you trade you should always make sure that the entry point is confirmed by another indicator.

The blue circle on the candlestick chart confirms the bearish sentiment with a crossover of the 5 period moving average, downwards through the 20 period moving average. Also on the Relative Strength Index the green circle shows the index crossing down over the 50 line towards the oversold area.

These indicators confirm a sell condition and the trader can take a short position in EUR/USD.

The price continues to fall and passes through the central pivot point after a small bounce by the bulls. The bears prevail and the price falls towards the 1st support level which it passes through with a small bounce (the green candle) before continuing the bearish momentum.

Halfway between the 1st support level and the second support level, the RSI (indicated by the blue arrow) hits the 20 oversold level and bounces up. The EUR/USD price starts to retrace towards the 1st support level.

The RSI has confirmed a change in sentiment at has given a signal that the trader should close the short position. If the price continues its uptrend and the RSI and 5 MA confirms a buy condition then the trader can open a long position.

He should be aware however that the 1st support level could become a resistance level and the price might retrace back down again.

This is a simple Pivot Point strategy that is used in conjunction with an RSI and 3 moving average lines (5, 10 and 20 periods) as confirmation indicators, which can be very profitable if you stick to the rules of the strategy.

Article source: etoro.com

How to Trade a Sustained Break Trading Strategy

A sustained break is a break which has longevity and usually follows a currency that has been ranging or follows an uptrend or down trending market.

A sustained break is a breakout that has the strength and longevity around a support or resistance level. The break is used to confirm that the trade is in the right direction.

The length of the break in terms of time depends on each trader's particular trading strategy as traders will have different support and resistance levels depending on which time frame they are using.

Whatever the time frame as long as the trader knows the critical support or resistance levels any close above or below that level will give a clue as to whether the break will be sustained.

In the EUR/USD chart above the Euro has been down trending and then ranging along the support level closes below the support level. The strategy here would be to go short on the sustained break below the support line.

Your stop loss is best placed at least 5 pips above the support line. This should protect you from being taken out by a quick retracement bounce and also protect you in the event the break is not sustained. Use another indicator to confirm the breakout.

On the EUR/USD chart above the Euro is on an uptrend as the trend line indicates. However, the price then closes below the trend line. This suggests that there is an imminent market reversal. The trading strategy here is to go short once the break below the trend line is confirmed by another technical analysis indicator.

The stop should be set approximately 5-7 pips above the price where the trend line crosses the breakout candle.

Another strategy available to a forex trader is trading a breakout from a downward trend. On the EUR/USD chart above the Euro is on a downtrend as the trend line indicates. However, the price then closes below the above the trend line.

This suggests that there is an impending market reversal. The trading strategy here is to go long once the break above the trend line is confirmed by another technical analysis indicator. The stop should be set approximately 5 to 7 pips below the price where the trend line crosses the breakout candle.

Finally, you should be careful about the risk reward you decide to use when you set your stop loss and your profit target. Risk is an inevitable part of trading and each trade carries some amount of risk depending on the trader's actions.

The best way gauge your risk is to determine your risk reward ratio. This is a parameter which reveals how much is being risked versus the probable reward from the trade.

If for example you stand to lose $200 from the trade and on the other side you could gain $400, your risk reward ratio is 1:2 which is a pretty conservative ratio and one which is recommended as the minimum.

Article source: etoro.com

How to Trade a Trend Line Forex Scalpers Strategy

A trend line scalper's strategy is most profitably done on a 1 minute price chart with a stochastic as the confirmation for the entry and exit levels.

Forex scalping is not for everyone. It involves being on top of your computer screen for an intense period of time because scalping is a process where the trader opens and closes a position in a short period of time.

A scalping strategy usually lasts between 3 to 5 minutes, although many scalpers are in and out of the market in about a minute. The charting time periods used are the very short periods of 1 minute and 5 minutes. It is a demanding form of trading as the scalper makes a small profit on each trade so he has to trade many times during the trading day.

Sometimes as much as 100 times a day so in this way small gains accumulate to become big gains by the end of the day.

A forex scalper needs volatility to be able to make money in a very short period of time. Therefore the best currencies to scalp are the EUR/USD, GBP/USD and USD/JPY. Also the best time frames are between 1pm GMT and 3pm GMT because it is over this period that New York opens while the European markets are of course still open and at this time the most volume is traded.

A very good scalping trading strategy using trend lines uses a stochastic in conjunction with the trend line to signal the entry and exit points.

On the GBP/USD 1 minute chart above a down trending line (left hand trend line) has been drawn commencing with the price 1.5844. Notice how the GBP keeps below the line until it breaks it at the 1.5833 price.

The scalping strategy here would be to open a sell trade at 1.5843 in conjunction with the stochastic which is dropping down out of the 80 overbought levels towards the 50 level. A stop loss is placed 4 pips above the trending line at 1.5848. The price objective here should be in the region of 8 to 12 pips.

Wait until the price breaks the trend line and then close out the short position. Closing out at 1.5833 gives the trade a gain of 10 pips. The second down trend line can be traded in the same way when the stochastic moves down into the oversold area below 20. The position is closed out when the trend line is broken or the stochastic moves up from oversold levels above the 20 level.

The scalping strategy for an up trending line is the opposite of the down trending line.

On the GBP/USD 1 minute chart above an up trending line has been drawn commencing with the price 1.5819. The strategy here would be to open a buy trade at 1.5819 in conjunction with the stochastic which is moving up towards the 50 level.

A stop loss is placed 5 pips below the trending line at 1.5814. The price objective again should be in the region of 8 to 12 pips. Wait until the price breaks the trend line and the stochastic is moving down from an overbought condition below the 80 line, and then close out the long position. Closing out at 1.5832 gives the trade a gain of 13 pips.

Article source: etoro.com

How to Trade an RSI Strategy

Trading Relative Strength Index strategies involves simple strategies which if followed can be rewarding for the trader.

The purpose of the Relative Strength Index (RSI) is to calculate the comparative changes that happen between the higher and the lower closing prices.

The index is used by traders to establish overbought conditions and oversold conditions which in turn presents them with extremely valuable information to help them set their entry levels and exit levels in the currency markets.

The RSI is an oscillator and its line 'oscillates' between the values of zero and one hundred. The values of 70 and 30 are considered important values because above and below them are the overbought and oversold regions respectively.

Any value above 84 is considered a very strong overbought situation and generates a 'sell' signal, whereas any value below 15 is considered a very strong oversold situation and generates a 'buy' signal.

The very good and simple strategy is to use the RSI to generate a buy or a sell signal. The RSI should be set to the customary 14 periods with a 9 period MA and with the 70 and 30 levels marked as red lines.

Using the NZD/USD price chart below showing a 30 minute time frame with a 9 period MA we will cover a simple buy strategy.

On the 25th of January the RSI generated a buy signal in the area that is circled. It had given a false signal a few hours earlier when the signal line dropped to 24.56. After bouncing the signal line dropped below the 70 again dipping to 28.47.

This time the 9 MA followed it, both on the RSI indicator and the candlestick chart and positive buy signal was generated. There followed a 249 pip rise in price before the index turned down again.

This next strategy shows sell signal and a buy signal on the same chart. Here we have a EUR/USD 1 week chart.

A sell signal is generated in December 2010 when the index turns down from an overbought condition around 75.60 shown by the blue arrow and then dips down to an oversold condition below the 30 line in June 2010, thereby generating a buy signal as shown by the red arrow.

Finally, another very simple forex trading strategy, which is an impressive trading system using two indicators; the RSI and the 5 period moving average. This strategy can be applied to any currency and is best used on a daily chart. Daily charts strategies are ideal for traders who wish to take on a buy and hold strategy.

The rules for this strategy are straight forward in that if the RSI is greater than 50 and the price has crossed up over the 5 period moving average by 10 pips it signals a buy entry.

If the RSI is less than 50 and the price has crossed down over the 5 period moving average by 10 pips it signals a sell entry.

In the daily chart above there are 4 entry points, two sell signals and 2 buy signals. The exit point for a trader in this strategy would be a logical take profit and the use of a trailing stop. My preference is to wait until the index is just about to move back across the 50 line.

Article source: etoro.com

Trading Trend or Range

Trend and range trading are two distinct trading strategies which entail completely different mindsets and money management techniques.

Introduction:

Quite often traders' especially new traders face a dilemma whether to trade trends or trade ranges. This dilemma not only faces forex traders but also stock traders, futures traders and option traders.

However, even though trading trends or ranges requires two different mind sets and two different types of money management strategies, the forex market is ideal for traders to trade both trends and ranges.

A trend is defined as a series of higher lows (uptrend) or a series of lower highs (downtrend) as indicated by the arrows on the chart below.

Another method of identifying trends is also indicated on the above chart. Bollinger Bands indicate trends when prices contained in the Bollinger Band and either moving from the lower band to the upper band to indicate an uptrend or moving from the upper band to the lower band to indicate a down trend.

Another way of defining a trend is by using a 20 period simple moving average where if prices are above the 20 SMA they are in an uptrend and when prices are below the 20 SMA they are in a down trend.

Whichever way a trader defines a trend the end goal is the same, to make a profit. To do this the trend trader needs to identify the trend early and enter the appropriate trade on the right side of the trend.

In other words don't buck the trend as the 'trend is your friend'. If there is an up trend the trader should go long and if there is a down trend the trader should go short. Then stay in the trade until the trend changes direction.

If you trend trade then you should not risk more than 2.5% of your capital on any one trade and your stops should be fairly tight and no more than 25 pips behind your entry price. This clearly means that the market should be liquid and the likelihood of slippage very low and there should be no gap risk as there is in the stock and bond markets.

The forex market with its average daily turnover of over $1.5 trillion per day is in fact the most highly liquid financial market in the world. The capacity for large profits for a trend trader is magnified with leverage.

A typical leverage is 100:1 therefore you can $100 of your own money and control $10,000. Which means a trend move of 300 pips gives you a nice profit of $300 very quickly.

Of course you could also lose the same amount of money and more just as quickly if you decide to buck the market and go against the trend or decide not to use any stops.

On the other hand range trading is another strategy altogether. Not the type of range trading where the price oscillates between tight bands. This is still trend trading but on shorter trends. Real range trading is where the trader doesn't care in which direction the price is going because the underling strategy or philosophy is the price will always return to its original point.

The trader doesn't actually care in which direction prices are going because the strategy and assumption is such that the trader is in a win/win situation.

If for example the EUR/USD price is at 1.2800 and the trader sells the currency pair and the price rises. The trader would sell the currency every 20 pips the price goes up and then buy it back as it moves down every 15 pips.

It will eventually fall back to the 1.2800 price again and the trader would have gained a big profit. If the price falls the trader simply rides the downward trend.

Is it better to trade trends or ranges? That is up to the forex trader and how comfortable he feels about both strategies. Trading both strategies is also a common trading plan.

Article source: etoro.com

RISK MANAGEMENT IN FOREX TRADING

Forex: Money Management Matters

Put two rookie traders in front of the screen, provide them with your best high-probability set-up, and for good measure, have each one take the opposite side of the trade.

More than likely, both will wind up losing money. However, if you take two pros and have them trade in the opposite direction of each other, quite frequently both traders will wind up making money - despite the seeming contradiction of the premise.

What's the difference? What is the most important factor separating the seasoned traders from the amateurs? The answer is money management.

Like dieting and working out, money management is something that most traders pay lip service to, but few practice in real life. The reason is simple: just like eating healthy and staying fit, money management can seem like a burdensome, unpleasant activity.

It forces traders to constantly monitor their positions and to take necessary losses, and few people like to do that. However, as Figure 1 proves, loss-taking is crucial to long-term trading success.

Amount of Equity Lost	Amount of Return Necessary to Restore to Original Equity Value
25%	33%
50%	100%
75%	400%
90%	1,000%

Figure 1 – The table above shows just how difficult it is to recover from a debilitating loss.

Note that a trader would have to earn 100% on his or her capital - a feat accomplished by less than 1% of traders worldwide - just to break even on an account with a 50% loss. At 75% drawdown, the trader must quadruple his or her account just to bring it back to its original equity - truly a Herculean task!

The Big One

Although most traders are familiar with the figures above, they are inevitably ignored. Trading books are littered with stories of traders losing one, two, even five years' worth of profits in a single trade gone terribly wrong.

Typically, the runaway loss is a result of sloppy money management, with no hard stops and lots of average downs into the longs and average ups into the shorts. Above all, the runaway loss is due simply to a loss of discipline.

Most traders begin their trading career, whether consciously or subconsciously, visualizing "The Big One" - the one trade that will make them millions and allow them to retire young and live carefree for the rest of their lives. In forex, this fantasy is further reinforced by the folklore of the markets.

Who can forget the time that George Soros "broke the Bank of England" by shorting the pound and walked away with a cool $1-billion profit in a single day? But the cold hard truth for most retail traders is that, instead of experiencing the "Big Win", most traders fall victim to just one "Big Loss" that can knock them out of the game forever.

Learning Tough Lessons

Traders can avoid this fate by controlling their risks through stop losses. In Jack Schwager's famous book "Market Wizards" (1989), day trader and trend follower Larry Hite offers this practical advice: "Never risk more than 1% of total equity on any trade. By only risking 1%, I am indifferent to any individual trade." This is a very good approach. A trader can be wrong 20 times in a row and still have 80% of his or her equity left.

The reality is that very few traders have the discipline to practice this method consistently. Not unlike a child who learns not to touch a hot stove only after being burned once or twice, most traders can only absorb the lessons of risk discipline through the harsh experience of monetary loss.

This is the most important reason why traders should use only their speculative capital when first entering the forex market. When novices ask how much money they should begin trading with, one seasoned trader says: "Choose a number that will not materially impact your life if you were to lose it completely.

Now subdivide that number by five because your first few attempts at trading will most likely end up in blow out." This too is very sage advice, and it is well worth following for anyone considering trading forex.

Money Management Styles

Generally speaking, there are two ways to practice successful money management. A trader can take many frequent small stops and try to harvest profits from the few large winning trades, or a trader can choose to go for many small squirrel-like gains and take infrequent but large stops in the hope the many small profits will outweigh the few large losses.

The first method generates many minor instances of psychological pain, but it produces a few major moments of ecstasy. On the other hand, the second strategy offers many minor instances of joy, but at the expense of experiencing a few very nasty psychological hits.

With this wide-stop approach, it is not unusual to lose a week or even a month's worth of profits in one or two trades.

To a large extent, the method you choose depends on your personality; it is part of the process of discovery for each trader. One of the great benefits of the forex market is that it can accommodate both styles equally, without any additional cost to the retail trader.

Since forex is a spread-based market, the cost of each transaction is the same, regardless of the size of any given trader's position.

For example, in EUR/USD, most traders would encounter a 3 pip spread equal to the cost of 3/100th of 1% of the underlying position. This cost will be uniform, in percentage terms, whether the trader wants to deal in 100-unit lots or one million-unit lots of the currency.

For example, if the trader wanted to use 10,000-unit lots, the spread would amount to $3, but for the same trade using only 100-unit lots, the spread would be a mere $0.03.

Contrast that with the stock market where, for example, a commission on 100 shares or 1,000 shares of a $20 stock may be fixed at $40, making the effective cost of transaction 2% in the case of 100 shares, but only 0.2% in the case of 1,000 shares.

This type of variability makes it very hard for smaller traders in the equity market to scale into positions, as commissions heavily skew costs against them. However, forex traders have the benefit of uniform pricing and can practice any style of money management they choose without concern about variable transaction costs.

Four Types of Stops

Once you are ready to trade with a serious approach to money management and the proper amount of capital is allocated to your account, there are four types of stops you may consider.

1. **Equity Stop** - This is the simplest of all stops. The trader risks only a predetermined amount of his or her account on a single trade. A common metric is to risk 2% of the account on any given trade.

   On a hypothetical $10,000 trading account, a trader could risk $200, or about 200 points, on one mini lot (10,000 units) of EUR/USD, or only 20 points on a standard 100,000-unit lot. Aggressive traders may consider using 5% equity stops, but note that this amount is generally considered to be the upper limit of prudent money management because 10 consecutive wrong trades would draw down the account by 50%.

   One strong criticism of the equity stop is that it places an arbitrary exit point on a trader's position. The trade is liquidated not as a result of a logical response to the price action of the marketplace, but rather to satisfy the trader's internal risk controls.

2. **Chart Stop** - Technical analysis can generate thousands of possible stops, driven by the price action of the charts or by various technical indicator signals. Technically oriented traders like to combine these exit points with standard equity stop rules to formulate charts stops.

   A classic example of a chart stop is the swing high/low point. In Figure 2 a trader with our hypothetical $10,000 account using the chart stop could sell one mini lot risking 150 points, or about 1.5% of the account.

Figure 2

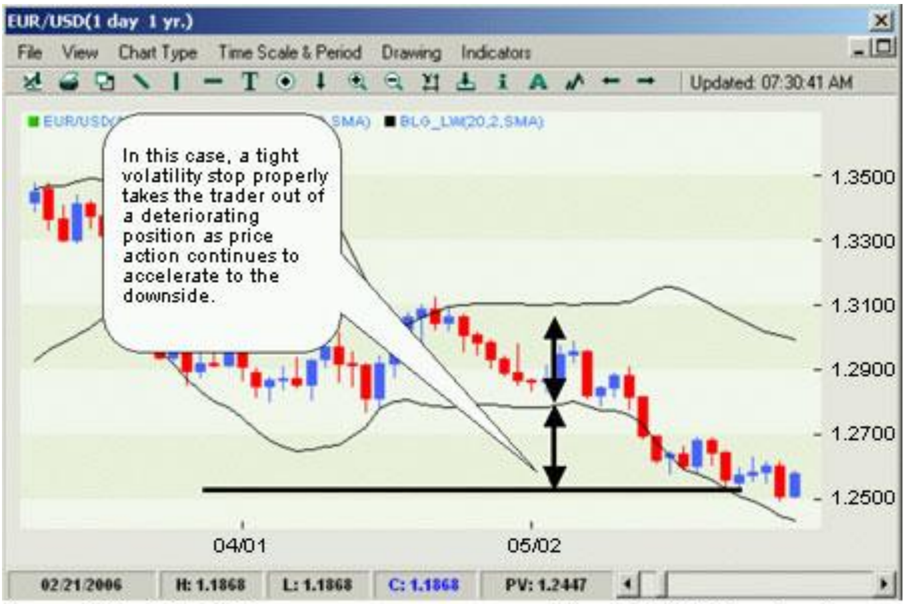
3. Volatility Stop - A more sophisticated version of the chart stop uses volatility instead of price action to set risk parameters. The idea is that in a high volatility environment, when prices traverse wide ranges, the trader needs to adapt to the present conditions and allow the position more room for risk to avoid being stopped out by intra-market noise.

   The opposite holds true for a low volatility environment, in which risk parameters would need to be compressed. One easy way to measure volatility is through the use of Bollinger Bands®, which employ standard deviation to measure variance in price.

   Figures 3 and 4 show a high volatility and a low volatility stop with Bollinger Bands®. In Figure 3 the volatility stop also allows the trader to use a scale-in approach to achieve a better "blended" price and a faster break even point.

   Note that the total risk exposure of the position should not exceed 2% of the account; therefore, it is critical that the trader use smaller lots to properly size his or her cumulative risk in the trade.

Figure 3



Source: FX Trek Intellicharts

Figure 4

4. Margin Stop - This is perhaps the most unorthodox of all money management strategies, but it can be an effective method in forex, if used judiciously. Unlike exchange-based markets, forex markets operate 24 hours a day.

   Therefore, forex dealers can liquidate their customer positions almost as soon as they trigger a margin call. For this reason, forex customers are rarely in danger of generating a negative balance in their account, since computers automatically close out all positions.

   This money management strategy requires the trader to subdivide his or her capital into 10 equal parts. In our original $10,000 example, the trader would open the account with an forex dealer but only wire $1,000 instead of $10,000, leaving the other $9,000 in his or her bank account.

   Most forex dealers offer 100:1 leverage, so a $1,000 deposit would allow the trader to control one standard 100,000-unit lot. However, even a 1 point move against the trader would trigger a margin call (since $1,000 is the minimum that the dealer requires).

   So, depending on the trader's risk tolerance, he or she may choose to trade a 50,000-unit lot position, which allows him or her room for almost 100 points (on a 50,000 lot the dealer requires $500 margin, so $1,000 – 100-point loss* 50,000 lot = $500).

Regardless of how much leverage the trader assumed, this controlled parsing of his or her speculative capital would prevent the trader from blowing up his or her account in just one trade and would allow him or her to take many swings at a potentially profitable set-up without the worry or care of setting manual stops.

For those traders who like to practice the "have a bunch, bet a bunch" style, this approach may be quite interesting.

Conclusion

As you can see, money management in forex is as flexible and as varied as the market itself. The only universal rule is that all traders in this market must practice some form of it in order to succeed.

Article by Boris Schlossberg, and sourced from investopedia.com

BECOMING A SUCCESSFUL FOREX TRADER

The 6 Simple Secrets Of Successful Forex Trading

The system discussed here is not the holy grail of forex trading. There is no such thing. How to become a profitable forex trader has far more to do with mindset than with a specific trading strategy. In fact, no forex trading strategy can be profitable if a trader has the wrong mindset.

The GRABIT© System that I developed will optimize your trading mindset, so that it's better geared towards trading profitably. The system consists of 6 simple principles, who's first letters form the word GRABIT.

Is it hard to follow this system? No. That is to say, is it hard to quit smoking? Those of you who have smoked before - or still are smoking - will probably say that it is indeed (very) hard. But if that was your answer, ask yourself what is so hard about not lighting up another cigarette?

Ok, let's look at the 6 principles of the GRABIT system.

Goals

This really is the kind of principle that should play a role in every major endeavor you undertake. When you set out on a new path, it helps to set clear, definable goals to guide you. If you set no goals at all, or vague goals, you don't have anything to benchmark against. Clear goals help you stay the course on the road to success.

Realism

This second principle goes hand in hand with the first. Many beginning traders do set goals, only they're not very realistic. Setting the goal of making $10,000 annual profit with a trading capital of $500 is very enthusiastic, ambitious and optimistic - all very likable qualities - but such mission impossibles are best left to Hollywood.

And since failing to reach a goal is very demotivating, there's really no reason to set goals that are ridiculously hard to achieve.

To make sure you set realistic trading goals, you should answer the following questions for yourself:

- How much money can you invest? Your financial goal is partially based on the amount you have available for trading.
- How much time can you devote to studying? The more time you can spend on expanding your knowledge, the more trading strategies you can explore and master. Learning about different trading strategies and techniques will increase the chance of finding a strategy that really suits you.
- How much time can you devote to trading? Answering this question will help you cross out a number of trading strategies. For instance, If you have a full time job which allows for only about an hour of trading each day, you don't have to bother with intraday trading.

Analyze

Every successful trader will tell you that the most challenging aspect of trading is keeping your emotions out. It's hard to stay in trades that have a lot of unrealized profit, just as it is hard to close a trade that is moving against you. It's hard to keep believing in a trading system that hasn't delivered for some time, and very easy to start doubting everything you do.

You have to do everything you can to limit the temptation of making emotional decisions, and of the most important steps you can take to that end is to find out what kind of trader you are. What kind of trading personality do you have? Are you impulsive, (relatively) good at taking a loss? Are you patient, disciplined, do you believe the natural direction of a given stock is up?

In my book 'Forex for Ambitious Beginners' I go deeper into the process of self-assessment for traders and also list a number of questions that will help you gauge your own trading personality. If you already have the book, I strongly suggest you spend time on the chapter about self-assessment.

Build

You should build your own trading system, rather than plucking one from the internet. I know it's very tempting to simply copy the trading system of some (supposedly) successful trader, and it might very well be a very profitable strategy but the fact that it works for them, doesn't mean it will work for you.

The best thing to do is to take note of those strategies and let other traders tell you what works for them, to see which parts really resonate with you. Borrow bits and pieces from other people's trading strategies, but only to mold them into a strategy that is customized to your trading personality, financial circumstances and time schedule.

If you are a hobby trader and just want to stay in the market without losing too much, you don't have to spend years building your system, but if you are committed, if you are serious, if you want to achieve financial freedom, than it might take you years before you have build and fine-tuned a successful trading system of your own.

Do you think that's a little long? How about if you were starting a business and someone told you it might take you three to four years before it'd become a successful business. Would you find that very odd? Because if you do, you better not start a business.

Trading on the financial markets for a living, to become financially independent, is a business too. It will very likely take you a couple of years before you master trading profitably consistently. (and don't let anyone tell you differently).

So, find a trading strategy that fits your (trading) personality. Formulate a set-up, an exit strategy and determine the right money management, and you're on your way.

Impassionate

Interesting thing about the word 'impassionate' is that it has two opposite meanings. On the one hand it means being passionate about something, and on the other hand it means to be dispassionate. As a trader you need both those meanings to become successful.

Be passionate about trading

Look, if you're only in it for the money and don't care at all for charts, price development, financial news, or how different tradable instruments correlate with each other, in other words if you don't like the game , you probably won't last very long as a trader.

In the beginning you might struggle, and there will definitely be difficult periods, so if you don't have any passion for the activity itself, for trading as such, it will be very hard to get through those difficult periods.

Be dispassionate when trading

You've carefully build a trading system that fits your trading personality, that has a solid set-up, exit strategy and money management. One of the main reasons you have a trading system is to keep you from making emotional decisions. So, now that you're in the market it's time to let your system do its work.

Therefore, when the position is open you are dispassionate. Your system is running the trade and you don't care either way whether or not the trade goes one way or the other. The system does not provide you with a 100% wins - no system can - but you've set it up so that it is profitable on the whole, and now you have to let it do it's work.

That doesn't mean you can never change your system, it means you have to trust your system as long as you're in a trade.

Trust

You have to trust your trading system. You have to trust your set-up, you have to trust your money management and you have to trust your exit strategy. If you don't, you're likely to change your system before it has had a chance to prove itself.

Let's look at an example. Say you have a system that provides 50% winners and 50% losers. A winning trade will make you 10 (pips, dollars, gold bars, doesn't matter) a losing trade will cost you 7. That means that in the long term, executing 100 trades will turn an average net profit of 50x3 = 150. So your Expected Value is 1,5 per trade.

That doesn't mean you will make 150 profit every time you execute 100 trades. A random sample of 100 trades could easily show 80 winners and 20 losers, or the other way around. But in the long run you will turn that average net profit of 1,5 per trade. That is, if you stick to the system.

If you don't trust your system, you'll switch too soon to another system and you'll never find out whether or not that system (or any other trading system) works or not. Of course you can backtest your system, and doing so will help you fine-tune it before going live, but many traders still have difficulty following a system even after it has proven itself in a solid backtest.

As soon as they start trading with real money, doubt creeps in after only a couple of losing trades, and then the tweaking, changing, distrusting begins. Before long, many traders have switched to a new system entirely, after which the process repeats itself.

Of course you can tweak your system - and you should - but do it sparingly, and mindfully. You've spend time building the system, tracking the system, evaluating your system. Only when you find a leak over a longer period of time should you adjust the system.

If you don't trust the system while you're in a trade, you'll become impatient. Impatience makes you exit too soon - afraid that profits will dissipate - or too late, because you don't want to take a loss.

Once you're in the trade and for as long you're in the trade, you have to trust the system.

In short

The GRABIT system consists of six principles you have to follow to become a successful trader.

Goals - Set clear, definable goals.

Realism - Make sure the goals you set are realistic.

Analyze - Find out what kind of trading personality you have.

Build - Build your own trading system, one that suits your trading personality.

Impassionate - Be passionate about trading, impassionate when trading.

Trust - Trust your system when you're in a trade, don't be impatient.

Following these principles won't guarantee success as a trader, nothing can, but you'll have a lot more chance to be successful if you do.

Article source: forexforambitiousbeginners.com

CONCLUSION

Even though online forex trading is a high risk venture, however, with adequate preparation it can also be a highly financially rewarding business.

Unlike what some people think, it is not difficult learning how to trade foreign currencies online, all that it takes is studying as much materials as you can find, and also getting experienced traders who are known to be successful traders as mentors.

Once you have mastered the necessary trading fundamentals and have identified a trading style or technique to stick to, making profit in most trades would be guaranteed!

Forex trading is not as difficult and complicated as some people would want us to believe …

INTRODUCING … **The Forex Trading Pro System**

A proven and effective Forex Trading System specially created for the NEW and INEXPERIENCED trader to start trading and making profit almost immediately.

A 21 Video Course that gives you the opportunity to watch over the shoulders of forex trading gurus as they trade live, and to discover their secrets of making consistent profits from the market. This course is so simple and easy to understand, and you will be amazed to discover how easy it is to make money from forex trading!

A remarkable aspect of this Unique System that you need to check out is its non dependence on charts and indicators to make profitable trades over and again. This removes complexities from forex trading and makes it extremely easy for beginners to quickly copy and implement in their trades to get great results.

Go get the details right away here: The Forex Trading Pro System Course.

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ATTRIBUTIONS

In the course of making this ebook, some articles and images that were found useful were lifted from the websites below, you are encouraged to visit these sites as they have lots of great resources that can help you achieve success in forex trading:

eToro

eToro is the world's leading social investment network and the first global market place for people to trade currencies, commodities, indices and stocks online in a simple, transparent and more enjoyable way.

It currently empowers over 2.75 million users in more than 140 countries worldwide to manage their funds through its innovative online investment platforms and active trading community. Click here to visit eToro.com

Investopedia

Investopedia has been the leader in independent, unbiased financial education material since 1999. In addition to offering the most comprehensive financial dictionary on the web, visitors have access to articles, tutorials, FAQs, investment research, commentary, calculators, and two real-time investing simulators. Click here to visit Investopedia .com

Forex for Ambitious Beginners

Forex For Ambitious Beginners is a book written by Jelle Peters. It is specially written to help people coming into forex trading newly to understand what it takes to become a successful trader. You can get details of the book here: Forex for Ambitious Beginners

Forex Time (FXTM)

Forex Time is an international online forex broker. The company provides services to a wide range of different customer types including retail, business to business, institutional investors, portfolio management, and introducers. Click here to visit Forextime.com

FX Empire

FX Empire is the flagship of the FX Empire Network. It provides its readers with the most expert and most timely technical analyses, fundamental analyses and news-pieces; this in order to empower them to make for themselves the best possible financial decisions. Click here to visit Fxempire.com

Learn To Trade The Market

Learn To Trade The Market is a popular forex trading blog authored by Nial Fuller, a professional forex trader and trading mentor who is widely considered 'The Authority' on Price Action Trading.

After starting this blog in 2008 he has become one of the most widely followed forex trading mentors in the world with a monthly readership of more than 250,000 traders across 50 + countries, including Australia, Singapore, Malaysia, USA, Canada and UK . Click here to visit Learn To Trade The Market

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