

Dominate the Forex

Boatloads of Strategies, Action Plans
&
Savvy Maneuvers



Joseph R. Plazo

*....Strategies to Make a Thousand Here
A Thousand There ...*

A free book dedicated to All Forex Aficionados

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Forex for Absolute Dummies

Forex (foreign exchange) refers to the foreign currency exchange market, the world's largest financial trading market. Pass yourself as a forex expert with these buzz words:

- Bid – to buy
- Ask – to sell
- Liquidity – financial ease of transaction, i.e. cash
- Trading volume – the amount traded
- Bid/ask spread – the difference between the proposed buying price and the actual selling price
- OTC – over the counter
- Exchange rate – the difference between currency values; for instance, a Canadian dollar is valued at .86 of a US dollar
- Hedge funds – large mutual funds companies that control vast amounts of money and are able to manipulate the value of a currency through speculation
- Central bank – the national bank of a nation, which usually exerts control over the value of that currency

Forex trading is the investment in the currency of one nation. Multinational Corporations doing business across national boundaries find value in keeping their cash reserves in a variety of countries, and holding their funds in a myriad of ways. For example, a UK corporation may hold a percentage of its working capital in UK pounds, but if it does quite a bit of business in USA it may also maintain a percentage of its money in dollars, in US banks. Individual investors over the decades have discovered that there is profit to be made in investment and speculation in the currency markets.

Take the case during the 70's when the German DM swung rapidly in value. It was worth anywhere from 1.2 marks to

the US dollar to 3.5 US marks to the dollar. When the mark was worth 2.5 it was beneficial to spend dollars buying marks, since the mark would buy more goods or services at that rate. As the mark bottomed out 1.7 to the dollar there was less incentive.

Surprisingly, the forex market itself is not unified. One can find many small forex markets specializing in trading various currencies. The most commonly traded currencies in forex speculation are the US dollar, the Australian dollar, the British pound sterling, the Japanese yen, and the European Euro. Currency values vary depending on the market in which an investor is speculating, so there is really no such thing as a single, unified dollar rate, but instead there are multiple dollar rates, which vary according to the market where the trade is occurring.

The major cities in which trades occur include New York, London, and Tokyo. It's a 24 hour process. When Asian trading ends, European trading commences, and when European trading ends, then American trading opens. Naturally, when American trading ends, it is time for Asian trading to open house once more... and so on.

Currently, the most actively traded currency is the US dollar, involved in 90% of all trades. This is followed by the Euro involved in 36% of all trades, then by the yen in 20% and the pound in 17%.

Our fastest rising currency in trade is the Euro, however the US dollar is still the favored anchor point-- and the currency watched so as to judge how others will react. Differences in value of currencies come from the current events. GDP growth, inflation dips, interest rate swings, budget and trade deficits, surpluses and other economic conditions all shift currency values. Investors, for this reason, follow the news very closely. There are 24 hour

cable news channels and many web sites devoted to news that aid currency speculators.

The forex market is highly susceptible to rumors. In fact the central banks of countries frequently manipulated local currency value by sowing rumors about interest rate hikes and other economic propaganda that impacts the value of the domestic currency. When this news is false it is called a dirty float- and it dismays the market.

Money Management Basics for Forex Traders

Money management in the foreign exchange currency market requires educating yourself in a variety of financial areas. First, a definition of the foreign exchange currency or forex market is called for. The forex market is simply the exchange of the currency of one country for the currency of another. The relative values of various currencies in the world change on a regular basis. Factors such as the stability of the economy of a country, the gross national product, the gross domestic product, inflation, interest rates, and such obvious factors as domestic security and foreign relations come into play. For instance, if a country has an unstable government, is expecting a military takeover, or is about to become involved in a war, then the country's currency may go down in relative value compared to the currency of other countries.

There are five major forex exchange markets in the world, New York, London, Frankfurt, Paris, Tokyo and Zurich. Forex trading occurs around the clock in various markets, Asian, European, and American. With different time zones, when Asian trading stops, European trading opens, and conversely when European trading stops, American trading

opens, and when American trading stops, then it is time for Asian trading to begin again.

Most of the trading in the world occurs in the forex markets; smaller markets for trade in individual countries. Simply put forex trading is the simultaneous buying of one currency and selling of another. Over \$1.4 trillion dollars, US of forex trading occurs daily and sometimes fortunes are made or lost in this market. The billionaire George Soros has made most of his money in forex trading. Successfully managing your money in forex trading requires an understanding of the bid/ask spread.

Simply put the bid ask spread is the difference between the price at which something is offered for sale and the price that it is actually purchased for. For instance, if the ask price is 100 dollars, and the bid is 102 dollars then the difference is two dollars, the spread. Many forex traders trade on margin. Trading on margin is buying and selling assets that are worth more than the money in your account. Since currency exchange rates on any given day are usually less than two percent, forex trading is done with a small margin. To use an example, with a one percent margin a trader can trade up to \$250,000 even if he only has \$5,000 in his account. This means the trade has leverage of 50 to one. This amount of leverage allows a trader to make good profits very quickly. Of course, with the chance of high profits also comes high risk.

People who do forex trading do so because they are attracted by 24 hour trading days, by strong liquidity – unlike stocks, buying and selling is almost instantaneous – and the fact that forex trading usually occurs without paying commissions.

Like many other speculative investments, a key part of money management for the forex trader is only using

money that can be put at risk. It is wise to set aside a portion of your net worth and make that the only money you use in forex trading. While the chances of good profits are there, if you should have a problem and get wiped out, you'll only have a limited amount of money placed at risk. Also remember that the market is in constant motion. There are always trading opportunities. If a currency is becoming stronger or weaker in relation to other currencies there is always a chance for profit. For instance, if you believe that the Euro is going to become weak compared to the US dollar then selling Euros is a good bet. If you believe that the dollar is going to become weaker than the yen, or the pound sterling, then selling dollars is wise. Staying current on the news and current events in the countries whose currency you hold is a smart move. Many people reach points where they can predict currency changes based on political or economic news in a given country. Remember though that forex trading is speculation, so be careful when managing your funds and only invest what you can afford to risk.

Foreign Exchange Markets – A General Overview and Structure of the Forex Market

In the beginning countries would trade with each other using the barter system. If one nation needed lumber but had cattle, they would trade one product for another. This was pure trading. This type of economy has many limitations, but served mankind well for many centuries. However, nations quickly saw the benefit of having a system of exchange, and while some cultures used pretty rocks, or animal teeth, precious metals quickly became established methods of exchange. Gold and silver were the most popular. Initially gold and silver coins were used, and

in fact the name of the British standard currency, the pound sterling, came from the Hasterling region where gold coins were made, and originally meant coins of the Hasterling's. Up until World War I most nations had central banks that supported the value of their currencies and most used gold as the standard. Paper money was printed and it legally could be exchanged for gold but this did not often happen. Since it was rarely converted, some banks and some nations believed they no longer needed to keep reserves of gold in their vaults, as the US once did with Fort Knox. Inflation then occurred.

Near the end of World War II a conference known as Bretton woods had many nations reach an agreement on a reserve currency system based on the US dollar. The World Bank and other organizations agreed, and a fixed exchange rate system was reached. The value of the dollar was fixed on a certain amount of gold, and other currencies were fixed on value to the dollar. Currency trading after this however has evolved and currencies have grown in value, and gone down in value, leading to fluctuation.

Today traders take advantage of the fluctuation in value among currencies through the forex or foreign currency markets. It is quite common to see a trader who suspects that the value of the Euro will go up against the yen or the dollar and follow the old axiom of "buy low and sell high." One of the ways this is done is through margin trading. With margin trading a trader doesn't have to have all the money in an account that is being traded. If a trader has 10,000 and works with a one percent margin, he is able to trade \$100,000 in currency. This adds great leverage to the trade and makes forex trading very attractive to many who are looking for a large and quick return on their investments. Forex traders are also attracted to the low costs associated with trading since most trades are without commission. The fact that there is a 24 hour trading cycle is also

attractive to many. Traders have opportunities for large profit, but they also have risk inherent. An aggressive trader may experience profit and loss swings of up to 30% in a day. This can be 30% to the good, or to the bad, so forex trading requires education and courage as well as capital. However there are no daily limits and no restrictions on trading hours other than the weekend when markets are closed. For this reason there are always opportunities. Money will always be made.

Much of the forex trading that occurs however is not with individual investors or speculators. Many commercial organizations have currency exposures that are created due to import and export activities. This is reason enough for many to engage in forex trading. However, financial institutions remain the biggest players in the forex market. Banks, brokers, mutual funds and other major financial institutions are actively involved in forex trading.

Some nations in the past have complained about hedge funds and other large institutions involved in forex trading, saying that they have intentionally devalued their currencies to make quick profits. George Soros, the famous billionaire who is involved in politics, has been accused of this practice by the government of Indonesia. Whether it is true or not, and if true whether it should or should not be done is not for this article. However, when institutions control such large amounts of money, the chance of manipulation does exist. As long as foreign currency is traded, there will be such accusations. However, the forex market remains a way to achieve substantial financial gain.

Earn Thousands Hourly (with a Forex Simulator.)

Test-driving an online forex demo account is the preferred method of potential traders to minimize risk. A demo account readily allows a cautious person to go online and observe exactly how a paid account would work. Think of it like playing the popular wargame Command and Conquer: you send in the troops (gobs of fictitious money), make a few tactical maneuvers (invest in speculative exchanges) and conquer territories (reap profit).

It can be addictive. Without investing and risking any real money, the investor plays with ghost money in an account and initiates buys and sells the same way it would be done in reality. The software used for these demo accounts parallels what the real trading platform does. Real figures are pulled from exchanges, trend charts are generated, and profits are calculated from buy/sell maneuvers. A trader sees at the end of the day the net loss or gain should real money had been used in the transactions.

Even a novice can trade. Let's assume an investor pretends to open a margin account with ten thousand dollars. He watches trends in the currency markets and believes that the dollar will go up in value against the British pound. The demo software empowers him to purchase at a ten to one margin; he then authorizes a buy of one hundred thousand dollars of dollars and sells one hundred thousand dollars of Pounds. There will be a spread, or difference, which accumulates to the gains, or "profit".

Why invest time with demo accounts? Simple. It's safe to learn the currency trade without having real money to lose.

Think of it like crashing your car in driving simulators or doing crazy rolls in an F-14 - on a Playstation. You stretch your creativity, test your reflexes and build your skills all behind the safety of a highly immersive computer screen.

Your mind gets a full reflex workout without incurring damage to property and incurring lawsuits!

The same holds true for forex trading. Spending time with a demo account allows the potential trader to gain skills and learn the ins and outs of the game and the market place. A person is then able to see if they truly have the instincts necessary for the market and have sufficient knowledge to “play with the big boys.”

Almost all online companies involved in forex trading offer demo accounts, sometimes free and sometimes for a small fee. Even if a fee is paid, it is usually worth it because a forex trader can flex his skills and knowledge for vast profits after spending some time practicing with the forex demo software.

Setting up a demo account requires nothing more than a valid email address and your name. Upon activation, you will have access to the usual charts, graphs, ordering system and even prediction tools. The latter are quite interesting, particularly predictive implements based on Fibonacci... but take care that such tools can never predict swings in the market. Too many social, political and environmental variables cause erratic fluctuations and no software can ever take those into consideration.

Richard Peyton, my good friend, benefited from a forex demo account. After months of study of the forex market, Jackson was convinced that he could make a go of it as a day trader in the forex market. His girlfriend, however wasn't convinced and feared the inherent risk. She considered forex nothing more than sophisticated gambling.

Richard went to a brokerage company online that he felt held good reputation. He set up a demo forex account and

began to make trades as though he were using real money. After several days, on paper, Richard garnered consistent profit. He continued learning and his confidence increased that he grew anxious to open a real forex account and invest a percentage of disposable income. His girlfriend also saw how on paper he had made a nice profit and relaxed, withdrew her objections.

Today Richard and his family do very well financially through forex trading, With a demo account, he leapt into a world of vast financial potential and built a fortune. He retired his day job.

Eight Key Aspects in Selecting Your Forex Broker

As you decide upon a forex broker there are many factors to take into account.

- Trust
- Experience
- References from past clients
- Level of success
- Amount of advice to be given
- Convenience
- Amount of margin offered
- Speed

The aforementioned are important. In any financial transaction it is important to trust the broker you work with. This trust is garnered by the experience level the broker has. Of course there are some new brokers starting out who are quite trustworthy, but most people would rather work with an experienced broker. For that reason most new brokers attach themselves to a firm where they can be mentored and gain experience.

References from previous clients are vital. If your broker has helped someone else is successful in the past and that person is willing to speak up for him that says a lot. You can gauge the level of success your broker has had by speaking with past clients and seeing how well they did working with this broker. Next, take a look at the amount of advice your broker is willing to give you. Of course, you make your own decisions and will never take another person's word for everything, but it is good to have knowledge to work with, and advice from an experienced broker is key information to factor in. Convenience is also important. If you live in California then an Ohio broker might not be the best choice. But in the age of the internet that factor has become less relevant. With fax and email where you and your broker live has become less important.

Pay attention to the margin offered. Margin is used to leverage your money. A broker who gives you a 50 to one margin is more valuable than one who gives you 20 to one. And of course speed. Is your broker quick? Does he return phone calls and emails promptly? If so, perhaps you can work with him.

Remember that the broker serves as a trusted advisor and someone that you may be working with for years to come so choose the relationship carefully. Ask friends and acquaintances who are active in forex trading what broker they use and how they met. It is quite possible that you can get a referral from a friend or acquaintance you trust and acquire a good forex broker that way.

An alternative method to find a forex broker is to go online. There are message forums, chat rooms, and email groups through portals like Yahoo, Google and MSN that contain a wealth of information. Getting onto one of these online communities and asking other people for advice is the way that many people found their broker. If a broker has

several clients in an online community who are happy with what he has accomplished for them, then that is a good indication that you might be happy with him as well. Take advantage of the number of people who are on the internet and join some of these online communities. Ask question and you'll probably learn a great deal from the experiences that other people have had. Also find trade journals, magazines and ezines to subscribe to. Read as much as you can about the subject of forex trading before going into it. Become a smart shopper and smarter trader.

Locating a superb forex broker is a job in itself. When you visit with a forex broker you are in essence conducting an employment interview to determine if this is the broker you wish to handle your financial affairs, so be thorough. Ask plenty of questions. Ask for references. Don't be shy. Also check with other people in the office of the broker and see if you would trust them to fill in for your broker if he were not available. And, see if the broker is willing to offer you a demo account to use to get in some practice before you actually make an investment. If the broker is able to do so and encourages you then it means that the broker wants educated clients and is not just out for the quick buck. See what kind of training and tutoring the broker is willing to offer. A good broker will offer to answer your questions and help you through the learning process.

Winning strategies with Forex Charts

As you read forex charts, remember that the two fundamental approaches for online forex trading: fundamental analysis and technical analysis.

Fundamental analysis doesn't rely on forex charts. It scrutinizes political and economic indicators to determine

trades. Charts here are deployed as used as a secondary reference.

Technical analysis on the other hand, attempts to predict price swings by analysis of historical price activity. Those who use technical analysis study the relationship between price and time.

The most actively traded pair of currencies is the Euro and the US dollar, so we will use them in our example. The dollar is on the right hand side of the chart and the Euro is on the left hand side. The currencies are expressed in relationship to each other in pairing. Forex charges will always display how much of the currency on the right hand side is necessary to buy a unit of the currency on the left side. Looking at the typical EU-USD, chart you will notice the last price displayed per given date. This number is always emphasized. The time is tabbed horizontally across the bottom of a chart and the price scale is displayed vertically along the right hand edge of the chart. The time and the price are set in all caps to help the trader remember that technical analysis rests upon the relationship between time and price.

The trader observes the price and time movement on a chart. These include bars, lines, point and figure, and Japanese candle sticks-- the most favored method. With the candlestick method there is a large, red section that is the body of the candlestick. Lines protrude from the top and bottom and they are the upper and lower wicks. When you look at all the candles on a chart it is apparent that bodies come by difference sizes. Sometimes no body exists at all.

The same is true with wicks. Candle wicks come by many difference sizes; there may be no wick at all. The length of the body and the length of the wick are determined by the price range for the candle. Longer candles will have had

more price movement during the time that they were open. The top of a candle wick is the highest price for that currency while the wick's bottom is the lowest price. A currency is bullish when the close of the candle is higher than the open. In simple terms this means that there were more buyers than there were sales during the opening time period. Sometimes the candles will not have wicks. The price opened and it dropped off until it closed.

Forex charts don't offer bullet proof trading hints, but they can help a trader. Past trends do have their place in forex trading as most traders will admit, and using the charts to track historical trends can assist a trader in making a snap decision.

The online investor typically joins a service that provides realtime charts that updates on currency activity. Charts can be checked on a minute to minute basis. For those who primarily do their trading based on historical accuracy this can ease the burden of prediction.

Most forex traders however use a combination of fundamental and technical analysis. They may chart historical trends, but they will also pay close attention to political, cultural and economic indicators within a region. They might use charts and other techniques to check correlation between political climate and currency fluctuations. But even the most sophisticated technical analysis software or tool has its limitations. A trader must be prepared to take risks... and invest money that is not needed for the immediate future.

Vital Tactics to Minimize whopping Forex Losses

Forex trading has one goal: to make money. Remember, that like any speculative venture, there is a potential for losing money. The same holds true with the stock market, the commodities market, and the money market. Any investment that has a chance of great gain poses a certain level of risk. As a forex trader you want to minimize your chance of risk. Observe the following Best Practices:

- Stay informed. Peruse the current events magazines and political journals. Know how the global political and social landscapes have been shifting
- Brush up on economics. A college refresher course can keep you out of the red. Journals by economists like John Maynard Keynes, Kenneth Galbraith and Walter Williams can help you guesstimate potential forex uptrends.
- Read periodicals like the Asian Wall Street Journal and Business Investors Daily.
- Fire up a practice demo account and get a feel of the game before jumping into the market.
- Befriend a broker you trust.
- Cultivate friendships with other traders into active trading.
- Understand historical trends and their impact on the charts.
- Take a short course on forex trading to get your skills up to speed. These cost under \$200 and can help you avoid \$20000 losses
- Research forex on the Internet. Forums provide great sources of information
- And finally, invest money that you can actually afford to lose if worse comes to worse. Then you won't be out of the game completely.

The stroke-prone are discouraged to dive into Forex trading . Jerry Sparks was a forex trader who did very well for

years. He followed all of the rules. His college degree was in history with a minor in political science and he went back and took extra courses in economics and business. Jerry stayed informed. He watched CNN, CNBC, MSNBC and Fox News often. He went to all the major web sites and read several magazines. He also spent time with a demo account before he got into the market in a big way. Jerry was determined to make a killing, and he eventually did. Jerry also only invested money that he had designated as risk capital. He could still live without it if needed.

Sam Franks, Jerry's friend, didn't do as well. Sam never took an economics course in his life and in fact was bored by Economics. He knew nothing of history or politics and didn't even know who John Maynard Keyes was. Sam took his life savings and invested in forex trading without having spent time practicing with a demo account. He knew nothing of the currencies he was trading, and didn't know what historical trends were, or what activity was occurring. He knew nothing of inflation, and in the end he lost some of his money. The difference in these two people is important. One was prepared and the other was not prepared. One made money and the other did not. One did his homework and one neglected it. What you can learn from this is that it is better to be prepared.

By knowing something about other countries and the activities happening over there, you'll be better able to make educated guesses. For instance, if there is a great deal of inflation in a country, you may not want to invest in its currency. However, if you are hedging against that currency you may do well. Remember that it is never too late to learn. There are many good courses available online, and offline. There are many great books to read. Many economists write newspaper and magazine columns and many have web sites you can go to. By doing so you'll be able to learn at the feet of the masters. See how their minds

work, and what currencies they are currently investing in, and you'll be in a better place when it comes time to make those hard decisions yourself. Also going online and meeting other people in forums and chat rooms who share your interest will give you more insight and knowledge. Like anything else in life, forex trading is a job that you must prepare for. The better educated you are, and the better prepared you are, the more likely you will be to be successful.

Five KickAss Strategies in Forex Trading

As you consider forex trading as a profit making venture, it is important to work out winning strategies beforehand if at all possible. Making decisions regarding your forex trading and developing a strategy can be seen as your foundation. With your strategy you will optimize your risk with respect to the expected reward, or put the odds in your favor. Trading strategies should be disciplined and limit risk, while placing you at the most favorable advantage in the market. One strategy is the simple moving away average, which is based on a technical study over twelve periods, with each period fifteen minutes in length. This is a good example of a trading decision that is arrived at through strategy.

A handy rule is used in this strategy. When currency price crosses above the twelfth period, simply move away it is a signal to stop and reverse. In this way a long position will be liquidated and a short position will be established, both using market orders. This system will keep trades always in the market, with either a short position or a long position after the first signal.

Another strategy is to study support and resistance levels. This is another technical analysis strategy and derives support and resistance. The idea is that the market tends to trade above support levels and trade below resistance levels. If either a support or a resistance level is broken, then the market will follow through in the direction given. These levels can be determined by analysis of the chart and assessment of where the chart has encountered unbroken support or resistance in times past.

Another tactic perceived to be exotic is called the balloon strategy. A balloon option is an option that balloons, or increases in size when triggers are reached. For example, if an investor believes that the dollar will gain strength against the Euro in the near future and is currently trading at 100, the investor will see 110 as being strong resistance, but the investor also believes it will be broken. So, rather than buying straight dollars at 100 for the next six months the investor will purchase at “at the money” balloon call with a 110 trigger and multiple of two. The investor will then own a 100 call in USD 110mm. But if the dollar and Euro ever trade at or above 110, the 110 call will double to USD 20mm.

Pay heed to the double bottom strategy. The double bottom is significant to the short term trader as double bottoms indicate a possible major change in sentiment and trend. The pattern is used on all time frames, and many powerful intraday and long term bull markets are conceived from this setup. Double bottoms reflect strong support levels. When prices fail to break support in the down trending markets on more than one occasion we see powerful changes of trend. These reversal signals are meaningful. The most common entry point where a trader will open on a double bottom trade is on a move through the high of the two troughs. This high will represent secondary resistance, and when penetrated confirms a price

reversal. The stops are placed around the lows of the patterns because a move below lows negates the pattern premise.

Study the popular strategy based on the Ichimoku chart. These charts are following indicators, which identify support and resistance levels and create trading signals in a way that is similar to moving averages. A big difference however between the two is that the Ichimoku chart lines shift forward in time, creating wider support and resistance zones and decreasing the risk of trading false breakouts. They are calculated using information on trend existence, direction, support and resistance.

The four main lines are:

- Turning Line = $(\text{Highest High} + \text{Lowest Low}) / 2$, for the past nine days
- Standard Line = $(\text{Highest High} + \text{Lowest Low}) / 2$, for the past twenty-six days
- Leading Span 1 = $(\text{Standard Line} + \text{Turning Line}) / 2$, plotted twenty-six days ahead of today
- Leading Span 2 = $(\text{Highest High} + \text{Lowest Low}) / 2$, for the past fifty days, plotted twenty-six days ahead of today's date.

Now as you select a strategy, devote as much study as possible to increase your chances of gain and profit.

What is Fibonacci and What's Its Relation to the Forex Market?

Fibonacci strategies in forex trading are tactics for anticipating and capturing significant turns in stocks, stock indices and exchange-traded funds. They use classic principles and applications of Fibonacci numbers and a

trading system known as the Elliott Wave. The idea is to calculate and predict key turning points in the markets, analyze business and economic cycles and identify profitable turning points in interest rate movement. Many forex traders benefit from the system and from Fibonacci. But, who is Fibonacci?

Up from 1170 to 1250 Fibonacci was the name used by the Italian mathematician Leonardo Pisano. The son of Guilielmo and a member of the Bonacci family, Fibonacci himself sometimes used the name Bigollo, which may mean good-for-nothing traveller. A brilliant mathematician who wrote several books, Fibonacci was a genius ahead of his day. He is most well known today for the sequence 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, etc, which figures prominently in what is today known as Fibonaccian mathematics, and has a quarterly scholarly journal devoted to it. Fibonacci introduced the western world, which until that time had used the Roman numeral system, to the modern decimal system, imported from Babylonia. The Fibonacci number sequence are studied as part of number theory and have applications in the counting of mathematical objects such as sets, permutations and sequences as well as in computer science.

Fibonacci asserted that Arabic numerals were simpler and more efficient than Roman numerals. He roamed throughout the Mediterranean world of his day and studied under the major Arab mathematicians of the day, and returned to Pisa around 1200. In the year 1202, when he was 32 years old, he published what he had learned in *The Book of Calculation*. In it he showed the practical importance of this new to Europeans number system by applying it to commercial accounting and to conversion of weights and measures. He also showed how to apply it to the calculation of interest, money-changing, and many other applications. The book was well received in educated

Europe and it had a profound impact on European thought. Still the use of decimal numerals did not become widespread until the invention of printing almost three hundred years later. Fibonacci was honored to be a guest of the Holy Roman Emperor Frederick II who was a fan of mathematics and science. In the year 1240 his city, the Republic of Pisa honored him by paying him a salary from the city.

Currently, Fibonacci's numbers are deployed in the run time analysis of Euclid's algorithm determining the greatest common divisor of two integers. It was also used by Yuri Matiyasevich to solve Hilbert's tenth problem. The numbers are also used in a formula about diagonals Pascal's triangle. He said that every positive integer can be written uniquely in a way as the sum of one or more distinct Fibonacci numbers and in that way the sum does not include any two consecutive numbers, which is called Zeckendorf's theorem. A sum of Fibonacci numbers that satisfies these ideas is a Zeckendorf representation. They are also used for tuning of musical intervals in art to determine the size of formal elements.

The numbers are frequently found in nature. They have been found in the patterns of leaves, grass and flowers, and branching in bushes and trees. Fibonacci numbers can also be found in the arrangement of spines on a pine cone, in raspberry seeds and other natural areas. Commonly Fibonacci numbers are seen in fractal Fuchsian groups and Kleinian groups, and in the solutions to reaction diffusion differential equations. Genes too and enzymes often show Fibonacci patterns.

lauded as a genius, he was able to see patterns that escaped most others, and only in the modern age of computers are his numbers and patterns able to be utilized anywhere near what he envisioned them to be used for. His translation of

Arabic numerals to replace the rather limited and bulky Roman system of numerals is a debt the entire modern world owes to him. And certainly serious forex traders also owe a debt to this man from Pisa.

The Allure of Forex Trading Against the Stock Market

Forex trading entices more more people than the stock market does and for many reasons. Among the reason is the chance of a much greater return. Foreign currency fluctuations of just one or two percent, occurring on a daily basis, have a chance of returning great rewards to an investor who catches a wave of change and properly plans his entrance and exist strategy. Many people also like the fact that more leverage is available with foreign currency exchange. For example, 10,000 dollars can be leveraged to purchase as much as 100,000 dollars through margins. This allows the chance of great returns, even at only one percent, with less risk than might otherwise be necessary.

Furthermore the market works 24 hours a day for forex trading while the stock market is only open during business hours. Also many people point out that most forex trading is done without paying commissions, which can amount to significant savings.

Folks who don't understand forex and have some experience with the stock market immediately think that it is risky and has low profit margins, some would say tiny. They get this idea however because less information is available on forex than other types of trading. Forex requires a trader to education himself. Rather than just turning on CNN or CNBC, a forex trader needs to read newsletters and find other ways of self-education.

Being open 24 hours a day and simply being huge is a big benefit for forex trading. A forex trader can literally work 24 hours a day, moving from the Asian market to the European to the American. Couple this with the leverage opportunities then the chances of large profit with forex are phenomenal.

On the flip side stocks have their advantage in that a person can invest in the stock market without really knowing that much and probably do fine. If an investor buys blue chip stocks they are unlikely to go down in value. For long term savings stocks are fine, but the short term large gains are definitely to be found with forex.

Surprisingly, many people don't realize how large the forex market is. It is so huge that no single investor can corner the market as has happened in the past with some stocks, and also with some precious metals and commodities.

Forex turns off potential visitors as people deem it to be risky. Pension funds rarely invest in forex. However for the smart investor who has time to become educated, forex can be the way to go. The billionaire George Soros is a prime example of someone who has done well with forex. He shorted the British pound sterling and made \$2 billion in profit at one point. He also makes over 60% returns on the Quantum Fund, which he owns and has over \$4 billion under management. Of course, Soros has also lost money, but he says "I simply make a lot of money when I am right...and lose as little money as possible when I am wrong." Soros admits to being right only about half the time, but does very well when he is right. Soros's philosophy is to look at a country and its stock market and see if current trends are wrong. If he believes that a current trend is overshot then he goes opposite it, and makes a killing.

On October 1987 the stock market crashed and George Soros lost a staggering \$200 million in just one day! His reply to this was stoic, "I made a very big mistake, because I expected the crash to come in Japan, and I was prepared for that, and it would have given me an opportunity to prepare for the falloff in this country, and actually it occurred in Wall Street and not in Japan. So I was wrong!" While this mistake cost him a great deal, it wasn't the end of the world. Soros philosophy is if he is right, he makes a ton of cash, and if he is wrong he pays for his mistake and keeps on moving. A prime example of how good money can be made in forex by investors who are willing to study, learn, invest and take risks. While not for the timid, the chances of a good return from forex make it the place for daring entrepreneurs to try their hand.

Predicting Forex Trading – Implications for You

For forex traders, knowing how to forecast the Forex can make the difference between trading successfully and losing money. When you begin learning about Forex trading, it is vital that you understand how to forecast the Forex trading market.

Experts use two popular methods to forecast forex movements. Each system is used to understand how the Forex works and how the fluctuations in the market can affect traders and currency rates. The two methods that are most often used are called technical analysis and fundamental analysis. Both methods differ in their own ways, but each one can help the Forex trader understand how the rates are affecting the currency trade. Most of the time, experienced traders and brokers know each method and use a mixture of the two to trade on the Forex.

The first technique used in forecasting foreign currency exchange is called technical analysis. This method uses predictions by looking at trends in charts and graphs from past Forex market happenings. This system is based on solid events that have actually taken place in the Forex in the past. Many experience Forex traders and brokers rely on this system because it follows actual trends and can be quite reliable.

When scrutinizing technical analysis in the Forex, there are three basic principles that are used to make projections. These principles are based on the market action in relation to current events, trends in price movements and past Forex history. When the market action is looked at, everything from supply and demand, current politics and the current state of the market are taken into consideration. It is usually agreed that the actual price of the Forex is a direct reflection of current events.

The price movement fluctuations are another factor when using technical analysis. This means that there are patterns in the market behavior that have been known to be a contributing factor in the Forex. These patterns are usually repeating over time and can often be a consistent factor when forecasting the Forex market. Another factor that is taken into consideration when forecasting the Forex is history. There are definite patterns in the market and these are usually reliable factors. There are several charts that are taken into consideration when forecasting the Forex market using technical analysis. The five categories that are look at include indicators, number theory, waves, gaps and trends.

These can be quite complicated for those who are inexperienced using the Forex. Most professional Forex brokers understand these charts and have the ability to offer their clients well-informed advice about Forex trading.

Another method that savvy brokers and traders in the Forex use to predict the trends is called fundamental analysis. This method is used to forecast the future of price movements based on events that have not taken place yet. This can range from political changes, environmental factors and even natural disasters. Important factors and statistics are used to predict how it will affect supply and demand and the rates of the Forex. Most of the time, this method is not a reliable factor on its own, but is used in conjunction with technical analysis to form opinion about the changes in the Forex market.

When fundamental analysis is used to forecast the Forex, it is important to remember that this method only homes onto what should happen in a certain market based on current events. Unlike technical analysis, it does not look at trends or the history of the market to make a forecast. It looks at current supply and demand, seasonal cycles, weather and the current state of the government all over the world.

For those interested in diving into Forex trading, a basic understanding of how the system works is essential. Understanding both forecasting systems and how they can predict the market trends will help Forex traders be successful with their trading. Most experienced traders and brokers involved with the Forex use a system of both technical and fundamental information when making decisions about the Forex market. When used together, they can provide the trader with invaluable information about where the currency trends are headed.

A Five minute Course in Forex – What You Need to Know to Get Started

Foreign currency exchange, is all about money. Money from all over the world is bought, sold and traded. On the Forex, anyone can buy and sell currency and with possibly come out ahead in the end. When dealing with the foreign currency exchange, it is possible to buy the currency of one country, sell it and make a profit. For example, a broker might buy a Japanese yen when the yen to dollar ratio increases, then sell the yens and buy back American dollars for a profit.

Both Forex and the stock market have some similarities, in that it involves buying and selling to make a profit, but there are some differences. Unlike the stock market, the Forex has a much higher liquidity. This means, much more money is changing hands everyday. Another key difference when comparing the Forex to the stock market is that the Forex has no place where it is exchanged and it never closes. The Forex involved trading between banks and brokers all over the world and provides twenty-four hour access during the business week.

Another disparity between the stock market and the Forex is that Forex trading has much higher leverage than the stock market. When someone decides to invest in the Forex, they can expect much higher profits when they are experienced and understand how it works. There can also be the potential for losing much more money as well.

For those who are just getting started in the Forex, many brokers provide the service of trading using the mini-Forex system. This has a smaller minimum deposit, usually \$100. This makes it easier for those learning how to trade on the Forex to have less of a chance of losing a lot of money and to learn how the system works.

You'll find a lot of buzzwords when dealing with the Forex. Learning to trade on the Forex can be somewhat

complicated for the novice trader. When looking at the names used in the Forex, a symbol is composed of two parts. The first one that is used is one currency and the second half of the symbol is the second currency that is being used. The symbol “usdjpy” means “US dollars” and Japanese yen. It is important to learn what currency symbols mean when learning about the Forex. There are many books and websites dedicated on teaching traders about using the Forex.

For those engaged in the Forex, a broker is usually a good idea. Brokers are professionals when it comes to trading on the Forex and their experience is invaluable, especially to the new trader. When it is time to find a broker, there are several factors to consider. One thing to look for when choosing a Forex broker is to go with someone that offers low spreads. The spread is calculated in pips, or the difference between the price at which currency can be purchased and the price it can be sold at any given time. Because Forex brokers do not charge a commission, they will make their money off of the spreads, or the difference. When choosing a broker, look at this information and compare that with other brokers.

Also, when looking at a Forex broker, look for one that is backed by a well known financial institution. Forex bankers are generally associated with large banks or other types of financial institutions. If a broker is not with a large bank, keep looking. In addition, find a broker that is registered with the Futures Commission Merchant (FCM) and that is regulated by the Commodity Futures Trading Commission (CFTC). Making sure that the broker is properly registered and backed by a large bank or institution ensures that you are getting a reliable broker that is experienced in trading on the Forex.

When looking for a broker, check to be certain that the broker has access to the latest research tools and data. It is important that brokers understand and have access to charts, graphs, news and data that are in real time. This will ensure that the broker is making wise decisions based on accurate Forex forecasting. Also, look for a broker that can offer a wide range of account options. They should offer mini-accounts with a smaller minimum deposits and a standard account. This will give anyone interested in the Forex the opportunity to trade at a level where they feel most comfortable.

Top Five Economic Drivers that Spur Forex Trading

You'll discover many factors that affect the Forex . When learning to trade on the Forex is it important to know and understand the various factors that cause the Forex to fluctuate from day to day. The foreign exchange market will change depending on the several economic factors that play a role in the movement of currency.

When analyzing the Forex, economic factors and indicators are released by the government or by private organizations that can look in depth at economic performances. The economic performances from any country can be analysis by these indicators. The economic reports measure a country's economic health, in addition to government policies and current events.

Frequently, a reputable broker can look at economic indicators and can give advice on which trades will be the best. Reports on these indicators are released at scheduled times and can tell if a certain country is experiencing

improvement in the economy or if it is on the decline. When the prices fluctuate, a great deal one way or the other, the price can be affected.

Among the top economic indicators used when analyzing the Forex is current events and the state of the economy in any given nation. Factors such as unemployment numbers, housing statistics and the current state of a country's government can all affect the changes in the Forex. When a country is feeling good about the current state of affairs in their country, the prices of the Forex will reflect this. When a nation experiences political unrest, large amounts of unemployed workers and inflation, the rate of the currency will also be reflected. Sometimes, this indicator tends to be overlooked, but can serve as an important gauge in the fluctuations of the Forex.

Another economic indicator that is used when looking at the foreign exchange market is the gross domestic product, also called the GDP. This is normally considered the widest and broadest measure of the economy in a country. The gross domestic product represents the total market value of all goods and services that are normally produced within any given country. This is usually measured in the time frame of a year, and not in weeks or months. Using a larger time period gives good statistics on the products and services that are produced in the country. This indicator is not used alone when forecasting the Forex. Usually the gross domestic product is considered a lagging indicator, meaning that is a measurable factor that changes after the economy has already begun to follow a certain trend.

The third economic factor that is often used in analyzing the Forex is the retail sales reports. This is the total receipt of all retail stores in any country. Usually, this measurement is not every single retail sale, but is a sample of diverse retail stores throughout the country. This is

considered a very reliable and important economic indicator because of the consumer spending patterns that are expected throughout the year. This factor is usually more important than lagging indicators and give a clear picture of the state of the economy in any country.

The industrial production report is another reliable economic indicator in the foreign exchange market. This shows the fluctuation in productions in industries such as factories, mines, and utilities. The report looks at what is actually produced in relation to what the production capacity can be over a period of time. When a country is producing at a maximum capacity in this way, it can positively affect the Forex and is considered ideal conditions for traders.

The final economic factor used to analyze the Forex is the consumer price index or the CPI. The consumer price index is the measure of the change in the prices of consumer goods in 200 categories. This report can tell whether or not a country is making or losing money on their products and services. The exports that a country has are very important when looking at this indicator because the amount of exports can reflect a currency's weakness or its strength.

The Forex is affected by many factors. These factors usually follow a certain trend so it is important to understand how each factor works in forecasting the Forex. Some are good indicators alone while others should be used together for accurate Forex predictions.

Bird's Eye of the Euro's Performance in the Currency

The Forex, also called the foreign exchange market is the largest and most liquid trading market in the world. Unlike the stock exchange, the Forex does not have a certain trading place or closing time. Instead, over \$2 trillion are traded and sold every day. The Forex never closes and trading takes place twenty-four hours a day during the business week.

You'll come across six major currency pairs that are used and traded each day on the Forex. These six pairs account for up to 90 percent of the trading activity each and every day. These include the euro and the US dollar (EUR/USD), the Japanese yen and the US dollar (JPY/USD), the US dollar and the Swiss Franc (USD/CHF), the Australian dollar and the US dollar (AUD/USD), the British pound and the US dollar (GBP/USD) and the US dollar and the Canadian dollar (USD/CAD).

Each of these currencies operates a little differently in the Forex and fluctuates a little on a daily basis. The Euro is very important in the foreign exchange currency. It does not just represent one country, but a total of twelve countries in Europe. The countries that are members of the European Union and recognize the Euro as currency are Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and Sweden. Out of the fifteen members of the European Union, only two do not recognize the euro as the official currency. These are Denmark and the United Kingdom. Sweden only began using the euro in 2005.

As of writing the euro is comparative to the US dollar and is worth about 90 cents to the dollar. In 1999, all of the European countries locked the value of their own currencies in relation to the euro. This means that all of the currencies were worth about the same as the euro. These countries soon began using the euro as their currency so

that the money could be used across the borders and used without the need for getting other forms of currency. This transition helped make the euro worth more and become a more accepted form of currency.

The use of a single currency across many countries has both advantages and disadvantages in relation to the Forex. One of the biggest benefits of the euro is that the exchange rate is lowered, thus making investment across borders easier. There are risks in the changes in the value of the currency. This means that companies find it risky to import or export outside their currency zone and that profits could be lowered. Using a unified form of currency eliminates this worry. It creates a more risk free import and export area, which already relies heavily on intra-European exports.

Another boon to many countries using the euro is that it eliminates the need for conversion fees. When a person or business has the need to exchange currency, there is a fee involved. Most financial institutions charge some sort of percentage for conversion and while it is a relative small amount, it adds up. Multiple changes add up all across Europe. Eliminating these fees saves the economy in the long run.

When speculating the Forex and the way the euro performs, it is also important to remember that using one form of currency creates a deeper financial market. This means that the European markets are much more liquid than in the past. There is more competition with the euro not that it is more widely accepted and used. The idea that it will create a deeper financial market means it will affect the way the consumers spend the currency all across the continent. This will in turn, lead to increased amounts of money that is spent on the stock market.

Now that the euro has become one of the major currencies in the world, trading for it and with it will increase on the Forex. The Forex is usually dominated by the US dollar, but the euro is making a strong stand. The use of this currency all over the European countries is appealing in many ways and it is widely accepted all over the world. Both businesses and individuals benefit from the use of the euro in these countries without the worry of having the exchange the money as much as in the past.

The Japanese Yen Stands Up To the US Dollar

The Japanese yen is the official currency of Japan and after the euro and the US dollar is the most widely traded form of currency on the Forex. The foreign exchange market can trade currencies from all over the world with each other. There are many individuals who trade on the Forex to make a profit. When doing this, it is important to understand how each form of currency works in relation to others. The Japanese yen is very comparable to the US dollar on the Forex market.

The Japanese yen gained recognition as currency in 1870 and was modeled after the monetary system in Europe. After War World II, the Japanese yen lost most of its value due to instability. Now, the yen has more value and compares more consistently with the US dollar.

The value of the Japanese yen is mostly determined in the foreign exchange markets and by simple supply and demand. When a yen holder wants to exchange that form of currency for other currencies in order to purchase goods, services or assets, the money is traded on the Forex. When the demand for the yen is high, the value goes up. Until the Bretton Woods System collapses in 1971, the value of the

Japanese yen was set at Y360 per US \$1. Those prices helped stabilize the Japanese economy. When that system was done away with, the value of the yen compared to the US dollar became more competitive. Up to that point in time, the yen was undervalued.

Over time, the Japanese government was concerned that if the value of the yen rose, it would hurt the export business in Japan. They thought it might make Japanese products less competitive and would negatively affect the industry. This is when the Japanese government often intervened with the Forex to affect the value of the yen. This was not helping and the value of the yen climbed steadily. When the increased costs of oil began to change from 1974 to 1976, the yen began to depreciate. There were several fluctuations of the yen during the late seventies and early eighties as the price of oil increased. The yen was weak compared the US dollar until the late eighties when the value began to rise because of the trade surplus that was taking place in Japan.

When the big push came to invest in overseas companies and products, the yen began to have more value. Japan currently enjoys incentives from overseas investments. With the large rise in the value of the yen, Japanese companies began to search for lower production costs and costs associated with importing and exporting.

With the popularity of exchanging and trading the Japanese yen to US dollars, the exchange rates on the Forex are important. The exchange rates represents the link between on country and their partners in other countries. The trading between countries can either negatively or postively affect the relative price of goods and services that are being traded at any one give time. The exports and imports, the assets and the profit from these trades all affect the currency rates. Japan is major import and export

country. The yen is widely used and recognized on the foreign exchange market.

Over time, the fixed, or constant, rates can be predicted by looking at a wide variety of factors including the government policies of a country, current events, supply and demand and even consumer attitudes. The Forex boasts flexible rates, which means that the rates are always changing based on the trade flows, interest rates, rates of inflation and the prediction of future events.

Remember when comparing the Japanese yen to the US dollars that the foreign exchange market is the most liquid market in the world. It is not like the stock market. Money is constantly changing hands from financial institutions to other institutions. It takes an experienced broker or professional that knows and understands the various currencies and trends to understand to trade successfully on the Forex market. The Japanese yen is more comparable to the US dollar now than it was in the past. It is one of the major currencies that is traded every single day on the foreign exchange market.

How to Maximize Relative Strength Analysis

The relative strength analysis is a technical paper that allows investors and brokers to make informed decisions about trading on the Forex. The Forex, also known as the FX or foreign exchange market is the most liquid of all markets in the world. Over two trillion dollars changes hands everyday through the foreign exchange market. There are many factors that affect both the stock market and the foreign exchange market.

When investors and brokers look at the relative strength analysis, they enjoy the big picture of how the trends in the Forex should go. This analysis allows brokers to see current trends in the foreign exchange market and allows them to know if they are interested in buying or selling currency at any given time. This can help an investor or financial institution make educated decisions on which markets are gaining and which ones are losing.

You'll come across many factors that affect the exchange rate in the Forex. These factors can include political events, governmental policies, inflation, and current trends in the importing and exporting business, consumer opinions and even natural disasters all over the world. The relative strength analysis looks at all of these factors. The past trends in the Forex are also taken into consideration, but are not the only thing that is looked at when forecasting this type of market.

The relative strength analysis compares all foreign currency and the exchange rates every day. The report will then be sorted by their strength rating and ranked according the previous week's rating. This report relies on at least 45 weeks of data so that sustained growth can be seen with ease. Using this analysis promises to be one of the most valuable tools of forecast the trends in the Forex. In addition, it can show the rating of stocks and rate them into which ones are the strongest. The stock market has a direct relation to the foreign exchange market because it reflects current trends in buying and selling, which will increase or decrease the value of currency.

The current trend in predicting the trends in the Forex is to use not only the relative strength analysis, but to also look at other factors such as the stock market barometers and economic factors. When investors and brokers look into all of these factors when forecasting the Forex, it makes for a

highly reliable means of predicting trends. This can be the vital difference between making money and losing money on the foreign exchange market.

It is generally agreed that for a currency trader, it is important to understand how the methods and tools are used in both the Forex and the stock market. All currencies are different and the currency rate reflects the value of one currency in relation to another. When there is a noticeable change in the value of currency, one or both values will be affected. Using these methods of comparing the relative strength analysis to the Forex can offer currency traders with an opportunity to better forecast their trades.

There are several benefits to using the relative strength analysis when attempting to forecast the Forex. When an investor looks at the relative strength of a certain stock, it affects the foreign exchange rate. One with a strong relative strength is ideal, but the value on these will not be low. Investors can look at a stock that is increasing in values and used the relative strength to measure whether or not this particular stock is moving up because it has a history of increasing or if it has a sustained high value. Stocks with a good relative strength over a constant, steady time period are good performers in the Forex market.

When using the relative strength analysis in relation to the foreign currency exchange, it is possible to tell which markets are performing well and which ones are not. The key is finding the markets and currency that are moving up on the ranking scale. It is important to remember that like stocks, the Forex is affected by a variety of factors. The relative strength analysis can help investors find which ones are good investments. This report is based mostly on a stock's closing price and the relative strength analysis is based on gains and losses. The report can calculate the markets report for any period in time.

Crossing Currency – The Implications to Traders?

Learning to trade on the foreign exchange, also called the Forex, market can be both exciting and profitable. In order to trade successfully on the Forex it is essential to understand the way the market works, the terminology and the trends. Brokers and financial institutions are often the best way for traders to learn how to use the Forex for profit.

When an investor or individual wants to trade one type of currency for another, it is called exchanging currency, or crossing currency. Currency crossing is the main goal of trading on the Forex. For example, if a business or investor has US dollars and needs to trade those into Japanese yens, a broker would do this on the Forex. Many investors trade currency to make a profit. When a certain type of currency is bought at a low exchange rate, the currency can be sold once the rate increases to turn a profit.

Crossing currency on the Forex is one of the most profitable ways to earn money for many investors. The Forex is unlike any other type of market in the world. The foreign exchange market is extremely liquid and involves over two trillion dollars everyday. The top three currencies that are most traded on the Forex are the US dollar, the Japanese yen and the Euro. All of these currencies are traded the most out of all other forms of currency.

Learning to cross currency in the Forex can be complicated. The biggest factor in trading on the Forex is having knowledge about the Forex and how it works. In addition, there are many benefits of using the Forex for trading. Crossing currency gives traders the leverage to make large profits while keeping the risk of losing capital to a

minimum. In ideal conditions, an investor that puts in \$500 could potentially make over \$100,000.

With the foreign exchange currency being so large, it is very liquid. Crossing currency using the Forex allows a large amount of flexibility for the trader and investor. The Forex gives the trade the ability to buy and sell currency quickly so that they are never stuck in any investment. When investors use online trading as their form of crossing currency, the trading platform can be pre-set to the preferences of the trader. If the trade is not going as expected, the platform can be set to stop the trade, allowing the trader to lose less money while using the Forex.

Crossing currency also allows traders and investors to profit in rising and falling markets. This is another difference between the stock market and the foreign exchange market. With the stock market, an investor can only make money when the shares are on the rise. When there is a falling “bear” market or the stocks decline, investors cannot make money on the stock market. When crossing currency in the Forex, this is not true. This is one appealing factor of trading on the Forex. Investors can make large amounts of profits when a currency pair is either up or down. Crossing currency in the right direction can always make profits.

Another appealing benefit of using the Forex for currency crossing, or trading is that the Forex is always open. When investing in the stock market, the trading is limited to when the market is open. It has a definite closing time during the business week. This is not true of the foreign exchange currency. The Forex is open all the time and does not close. Traders benefit from the ability to trade twenty-four hours a day using the Internet.

Learning to trade on the Forex can be easy when new investors go through an experienced broker or financial institution. Also, there are many ways to learn how to trade on the Forex using free demo accounts available on the Internet. These websites offer valuable resources and free ways for the new investor to practice using the Forex. This is very important for those who want to learn the ins and outs of crossing currency before opening an actual account. Mini Forex accounts are also a good way for the new investor to trade currency without having the risk of a regular account. A mini account allows traders to use a smaller amount of money as their initial investment.

Costly Forex Trader Mistakes – Forget Your Mistakes and Move On!

Learning anything new can lead to mistakes, but making mistakes can be the natural part of the learning process. When learning to trade or invest in the Forex, mistakes can lead to lose of profits and can become expensive. A good investor will understand the market they are using for trading. Whether you are new or experienced, you can still make mistakes. There are common errors that many traders and investors make when trading on the Forex. With a little research, you can learn how to avoid common Forex trader mistakes and how to learn to move on.

Using too much margin when trading or investing on the Forex can lead to costly mistakes. Margin is the use of borrowed money to purchase securities. While it is true that using margins can help you make more money, it can also make your losses bigger. When new investors look at margins as “free” money, they have the potential to lose much more money in the Forex. Margin is not free money and using is too much can end up making more debt than profits. You would not buy stocks using a credit card, so you

would not use margins to trade currency. When investors use margins when trading on the Forex, it requires the investor to have to watch their investments much more closely than when margins are not used. Margins should never be used if the investor does not have the experience or time to closely monitor their trades.

Another common, but costly mistake is when investors buy and trade on unfounded tips. This is one of the most common mistakes, even with more experienced traders. It is easy to be tempted to buy or trade currency or even stocks when you overhear someone talking about the next big “thing”. Sometimes this can be helpful, but more often than not, it will only lead to losses, not profits. Do not fall victim of investing and trading based on tips you hear or read about on television or on the Internet. If you hear about a trade that interests you, then best tip is to do some research and talk to your broker before trading or investing. You can also benefit from getting a second opinion about a Forex tip before buying, selling or trading any form of currency.

Not understanding how the foreign exchange market works is yet another costly mistake that new traders and investors make. Understanding the terminology and terms used in the Forex is very important to new traders. There are tutorials and free demos widely available on the Internet that allows traders and investors to learn how to use the Forex to their advantage. In addition, it is wise to choose an experienced broker that can help you trade and invest in the Forex. These brokers should know everything about the Forex and can help traders and investor make wise choices. Find a broker that is tied with a good financial institution and that has experience in the Forex.

Also, another common mistake is when traders and investors buy or sell when the rate on currency is cheap.

Sometimes this is a good move, but just because the rate is low, does not mean that it will profit the investor. Instead of choosing a currency to buy or trade, it is best to look at all of the factors that affect the exchange rate and look at the trends and history. Avoid buying or selling any currency just because the rate is low. Most of the time, there is a distinct reason why these rates are low. Research the trends of the currency and find out, which ones are the best profit makers when trading on the foreign exchange market.

Last of all, another common mistake that costs money for both new and experienced traders is that they underestimate their trading abilities. Some investors feel that they do not understand the Forex well enough to trade to their fullest ability. Anyone with willingness to learn the Forex can profit with some education and research. It can take some time to learn the aspects of the foreign exchange market, but even new investors can learn how to trade with success.

Trading and Intervention – Optimizing the Market

When trading on the foreign currency exchange market or the Forex using trading and intervention techniques can offer traders benefits. When traders look to intervention as a means of seeing where the Forex is heading, it can indicate that some currencies should be higher or lower depending on what is going on in that country.

Intervention of the Forex is not unusual. When there is a large tragedy or debt in a country, the value of that nation's currency will drop. There was a time when the budget deficit of the United States caused the value of the dollar to decline very rapidly in relation to the Japanese yen. This caused the Japanese yen to rise very quickly. When this

happens, brokers and Forex traders can forecast, or speculate that an intervention is likely. Intervention makes the value of a currency to either rise or fall depending on how the government wants it to move, even if it is short term.

When experienced brokers and Forex traders understand when intervention is likely, it creates the opportunity for the trader to profit by acting quickly. Using intervention as a means of trading on the Forex means that a trader must be up to date on current events from around the world and must be able to act upon the trends very quickly. In addition, it can be very risky to trade on intervention trends and there is the potential for the trader to lose a large amount of capital in a very short amount of time.

In order to completely understand the foreign exchange market and the way currency moves, it is necessary to understand economics from around the world. The Forex solely revolves around currency and their value in relation to each other. The value of the currency plays a huge role in both domestic and global economics.

Intervention is also directly related to the value of the currency and to the central banks. Currency obtains the value by supply and demand and by the government, or the central bank. When a currency is subjected to being valued it is called floating. When a government sets the rates of the currency, it is called fixing. This means that a country's currency is compared against another major currency, usually the U. S. dollar.

Intervention in the Forex usually happens during times of economic instability. Since currencies are always traded in pairs, then a large and significant movement of the rates in one direction or the other will directly impact the other. Any time a nation experiences instability due to inflation,

speculation, disasters or growing national debt, the other country will feel the affects as well. Most of the time, the results of this are not felt immediately, but over a long period of time. This times lapse allows the government or central banks to act accordingly and gives them time to intervene if necessary.

When looking at charts of the way the foreign currency market performs, interventions are usually noticeable on graphs and charts. The intervention may not be made public, but an experience trader can look at these graphs over a period of time and tell when a government has chosen to intervene with the currency rates.

Knowing when an intervention is going to occur is not always easy. It may be very difficult for the untrained trader to know when this is going to happen. However, for those who have experience trading on the Forex, predicting an intervention can be as easy as looking at certain indicators. Usually, interventions occur when the same price levels as occur as previous interventions. This is not always true since some central banks choose not to intervene, but it a good indicator most of the time. Another indicator of when the Forex undergoes intervention is when there are verbal clues. A government might talk about intervening, but it might not happen for a long time. Other times, interventions will happen with no warning.

When trading on the Forex, it is a good idea to make decisions that are informed and will benefit you. If you are inexperienced with trading on the foreign currency exchange, look for a good broker that is backed by a well-known financial institution.

Understanding Forex Options

There are many different options a trader can use when trading on the foreign currency exchange or Forex market. Any trader can find which option works best for their personal needs when they look at all of the different options that are available. Using options when trading on the Forex, offers many benefits to the trader.

When trading on the Forex, there are two major types of options available to traders. The most common option is call the call/put option, which works similar to stock options and the other called single payment option trading, or SPOT. This option gives traders more flexibility when it is done properly.

With the two types of options that are usually used on the Forex, the traditional option allows the buyer the right but not the obligation to purchase something from the option seller. This means that the buyer is not locked into a trade or purchase at any set time or price. If trader purchases a Forex option to buy two lots of euros to dollars at a certain price, this is called a call/put trade. If the pair is below a set amount the trade does not turn a profit and the buyer will lose the premium. If however, the pair rises, then the buyer has the option, or the choice, to gain two lots at the initial price. Then the pair can be sold for a profit to another buyer.

Within the traditional Forex options, there are two sub-categories. These include the American-style traditional option, which allows the trader or broker the option of buying or selling at any point until the expiration of the pair. The other one is the European-style option. This Forex option allows the buyer to make a purchase only at the time of the expiration.

There are several advantages for using the traditional options when trading on the Forex. One major benefit is that traditional options have lower premiums than the SPOT options. The American-style option is also good for traders because it allows for more flexibility because the options can be bought and sold before the expiration. One disadvantage of the traditional Forex option, though, is that these options can be harder to set, maintain and execute than SPOT Forex options.

Single payment options trading, or SPOT for short are easy to trade and are often the most popular among traders. When a trader inputs the scenario of their ideal trade and obtains a premium quote, they receive a pay out, or makes a profit, if that scenario is successful. The SPOT option converts the option to cash and gives the trader a payout on the transaction. Using the SPOT option when trading on the foreign currency exchange is really just a matter of knowing and understanding which scenarios will be profitable, setting those parameters and letting it play out. If the trader is correct and the scenario does in fact take place, then the trader has made a profit. If not, they experience a loss. The loss is the trader's premium. There are many different scenarios that can take place using the SPOT option and for traders this is usually seen as a big advantage over the traditional Forex option. However, one disadvantage is that usually the SPOT options have much larger premiums and will cost more than the traditional options.

Many Forex brokers and traders like to use options when trading on the foreign currency exchanges. The options have an appeal that most traders like. When using either the traditional options or SPOT options, the risk is limited to the option premium, which is the amount that is paid to purchase the option. Also, there is the potential to earn an unlimited amount of profits when using these types of

options. With these options, less money is needed to pay up front. Additionally, the options are popular among traders because they get to set the price and expiration date. These are not pre-set or pre-defined like some options. Options are also appealing to many traders because they can be used to hedge to limit the amount of risks. Many brokers and traders enjoy the flexibility that Forex options offer. When learning to buy, sell or trade on the Forex, it is important to learn and understand these types of options before setting up any kind of account.

What Compels Traders to Forex Markets

With the Forex market being the biggest financial market on the globe, it is no wonder millions of people are drawn to it. When it comes to investing, currency trading is where it's at right now. It is one of the fastest growing investment forms to date. It is important to note however that although the Forex is called a "market" by name, it is not a traditional "market". All trading is done over the telephone or via computers. There is no central location for the trading in any country. It is actually a cash inter-bank or inter-dealer system formed in 1971. This was the time when floating exchange rates came about. The Forex is huge today, with over 3.5 trillion levels exchanged each day. It is clearly one of the most popular forms of trading worldwide.

Availability

One of the best features of the Forex market is that it never closes. This is a system that takes place all day long, every

day of the year. There are people in every country that are waiting to trade. You could wake up at 2 in the morning, no matter where you are, and expect to find trading occurring in full force. The availability of the market is something that is very appealing to some people. When dealing with foreign currency, there is no other way. The market must remain open for 24 hours because of the time differences and such. Traders capitalize on the wide range of trading time and appreciate that aspect of the Forex. With other markets that close daily, there is sometimes a sense of anxiety about what may or may not happen overnight. This is not an issue with the Forex market.

Excitement

Along with its never ending trading, the Forex is attractive to many traders because of the excitement it can bring. Trading is something that can be very exciting and the Forex offers never ending excitement for those willing to partake. The Forex market is so large, with \$1.5 to \$3.5 trillion dollars per day, that it allows nearly perfect liquidity. The size alone makes this market a joy ride for traders. If you are looking for endless excitement, you will be glad to know that you can certainly find it in the Forex market. Unlike the other markets, the Forex is great because you can enjoy that excitement all day long. You won't have to deal with the anxieties that occur with other markets after closing time. You can know that no matter what, the Forex will be open and you will be able to deal with business as needed. This adds a fun element to trading with the Forex, which can be removed by stress in other markets.

It's For Everyone

In previous times, the market was only for the rich. One had to typically place at least a \$1million cash deposit down with the bank to even begin trading. This made it difficult for anyone but rich people to trade. Today however, the Forex is open to smaller scaled traders as well. Most of the traders are actually doing so from home. Lower margin requirements are very attractive to the smaller traders. They allow them to participate with the larger traders on the same scale, but at a more equal position. With the Internet thriving year after year, home based traders can get in with the larger traders via their computer, which was not always the case. Before, only large traders could even access the Forex at any level. Today, the Forex is for everyone.

As you can see, the Forex market is one that offers excitement, availability, and opportunity. These three reasons are what draw millions of people to the Forex each day. It is something that once you try it, you will not want to stop. The opportunities are endless, which is why the Forex is a popular topic in business schools today. If you are interested in learning this market, check with your local college to see if there are any classes offered about the topic. You will need to be aware of the rules and regulations before you begin trading. Once you have the information you need, jump on in and start trading right away!

The Power of the Bollinger Band Technical Indicator in Forex Markets

The Bollinger Band technical indicator is an analytical technique developed by John Bollinger. It helps those who use it compare volatility and relative price levels over a time period. The whole system involves three bands that are supposed to collectively show the majority of a security's price action. These bands include a moving average, an upper band (the average plus 2 standard deviations), and a lower band (the average minus 2 standard deviations).

If you are interesting in learning more about the Bollinger Band technical indicator system, you should check with your local university to see if they offer investing classes that cover this topic. In order to use the system effectively, you will need to know a great deal about how it works and understand each component. You may be able to read and learn from a book yourself. Others may need to have that class instruction atmosphere to fully understand the way this system works however. While this system is steady, the way people use it can determine how it works. There are several ways to deal with the Bollinger Band technical indicator. You can use these rules to help you get started.

Relativity

The first thing to remember is that the Bollinger Bands only provides a relative definition of both high and low. You can take the definition and compare price action and indicator action, but only at relative levels. You can use these findings to make decisions about buying and selling. Keep in mind that volatility and trend are built into this formula, so you won't need to deal with them otherwise.

Indicators

You can use the bands with momentum, volume, open interest, and market data in order to gather indicators. When you do this however, remember that you should not

directly relate the indicators to each other. You can use one indicator that deals with volume and another indicator that deals with open interest at the same time. However, you cannot use two indicators that deal with volume together. So, be sure that you understand that only one indicator of each type should be used. If you don't follow this rule, the Bollinger Bands will not be accurate.

Price

One thing you can use the Bollinger Bands for is to clarify pure price patterns. You will be able to see tops and bottoms and momentum shifts in prices. Price is interesting when gathered using the Bollinger Bands because it goes up the upper band and down the lower band. You can successfully use the bands to get patterns in price and then act in the best interest of your investment. Using this system can help you make smarter and more profitable investing decisions overall.

The Average

When dealing with the average band, you need to note that the default parameters of 20 periods are simply defaults. They are not always representing what the actual parameters of the market are. Your average should always be a detailing of the middle-term trend. It may not always be the best for crossovers however. Also be sure to lengthen the number of standard deviations if the average is lengthened. If the average is shortened, you must shorten the number of standard deviations as well. You must always keep the average logically consistent for the Bollinger Bands to work as they are intended.

Remember that when you are dealing with the Bollinger Bands technical indicator system that what you see is not a signal to buy or sell. You must take in all the information

the Bollinger bands provide in order to make the best investment decision. While the Bollinger Bands technical indicator system is a great way to take a look at patterns and gain helpful insight, it is not a system you should use to base your entire investing strategy upon. Investing is something that often has more to do with life than numbers. When you are investing, be sure that you allow the numbers and calculations to weigh on your decision. However, be sure that you also listen to yourself and your gut instinct with investing. Those who listen to their gut instincts often do very well when it comes to investing. So, trust yourself and let everything simply come as welcomed assistance.

Nasty Investment Myths in the Forex Markets

Many new Forex market traders have misconceptions about the entire system. They see people making money trading with the Forex market and automatically assume they can easily do the same. What they tend to forget is that there is strategy and research done in order to make successful trades and profits from trading. If you are new to the Forex market system, don't get caught up in popular investment myths. Be sure that you know exactly what to expect and be realistic when trading.

Hedging Your Investments

When you are trading and investing in any market, including the Forex, you must have the discipline needed to be successful. Although the system is enormous and there is a lot going on that you won't be involved within, you must actively protect your investments. Your investments will not be protected just because they are in the market. A

lot can change throughout a day, so you have to always be aware of what is going on in order to be fully protected to your best ability. You should always make logical and researched decisions when trading. It is not a system to use to “get rich quick”. It is a serious financial system that can break your pocket if you are not careful.

One thing to remember when trading and trying to protect your investments however will be that you must take risks to gain. Along with taking a large risk, can come a large success or large loss. You have to be prepared for the worst. You can do this by educating yourself as much as possible on the trading system and your investments. The more you know, the better prepared you will be to make successful decisions. If you are unsure about a system of trading, like the Forex, be sure to take classes and read about the system before you begin trading. Only trade when you are certain you are ready to begin. Even after you learn what you need to know about the system and are a seasoned trader, there are times when you will have losses. The system is not one that protects your investments or your money in general. So, be prepared and aware of this issue. Being realistic can really help you gain more success.

Leverage

Leverage is something that is both great when it comes to the Forex and possibly dangerous. Trading currencies offers a high level of leverage. Those who don't have a lot of money to begin with can use leverage to gain more money. When used correctly, you can often do this in short amounts of time. Most people think however that this is something that can be done easily. Those who use leverage to their potential are often those with years of experience in trading. Some people tend to follow the myth that anyone will be able to easily use leverage to get rich fast. This is simply not true. You must be a trader with an excellent

knowledge of the system in order to make leverage work to your maximum advantage.

Another thing to keep in mind is that just because you are trading with a minimum marginal deposit does not mean you should trade at levels above your portfolio. The myth that you can get away with this every time is not true. You should not over leverage yourself. By trading in small amounts, you will be able to make safe investments that will not result in huge losses. You will win some and lose some, especially when you are first starting out.

When it comes to the Forex market, you should know that what you assume to be true may not be true at all. You may think that you can use the Forex market to protect your investments. You have learned from reading this however that the Forex may not protect your investments, and one should be diligent in watching their investments in order to avoid anything catastrophic. You may also think that you can get rich quickly using the Forex market. The truth is that short term trading, which is notorious for turning profits quickly, is not for the beginner. Those who have traded for years may try short term investing, but it is very risky indeed. Lastly, you may think that leverage will help you “play with the big boys” and still stay safe. This can be a horrible assumption and many people will over leverage themselves if they are not careful. So, do research, be smart, and think before you act when dealing with the Forex.

Decoding Interest Rates Correlation with the Foreign Exchange Markets

The foreign exchange market, sometimes known as the Forex market, is one that is affected by several things. The

market itself is becoming one of the most popular forms of trading today. It once was reserved for the richest of the rich, however today with lower minimums; this is a market that draws people from all financial levels. The attractive thing about this market is both its leverage and its liquidity. Many people with a grand background in the Forex system can take very little money and turn it into a lot using the foreign exchange market. However, when you have expertise in the foreign exchange market, you must also be aware of things that affect it. Being aware of these things is part of making logical and rational decisions of trading.

Interest rates are something that drives the foreign exchange market. While currency prices are what the market is all about, interest rates have a direct affect on those prices. Therefore, to be able to understand the current foreign exchange market, one must understand the current conditions of each individual interest rate. While economic and political conditions are also among the things that greatly affect the Forex, there is nothing that affects it more than interest rates. Something to remember is that money often follows interest rates. When the interest rates raise, investors will want to capitalize high returns and you will see money flowing into the country. When one country's interest rates rise, their currency is seen as being stronger than other currencies. This happens because investors seek more of that currency to profit more. Otherwise, it is seen as a good thing when interest rates rise and a bad thing when they fall.

Government participation in the Forex is not an uncommon action. Sometimes governments will flood the foreign exchange market with their own domestic currency. This action may seem foolish to someone who knows nothing about the foreign exchange market, however to those who know it well, it makes perfect sense. When governments flood the Forex with their own domestic currency, they are

attempting to lower the price. When they buy their own domestic currency, they are attempting to raise the price. One might know this strategy as Central Bank intervention. Governments do this to help their overall economy. This is a type of action that keeps the foreign exchange market strong and steady. When you have extremely large players making appearances to keep everything as fair as possible, you create an attractive market.

While interest rates can drive the market for a short time, the nature of the foreign exchange market makes it difficult for them to drive it for a long period of time. The design of the market, with it being large in size and volume, restricts interest rates from having complete control over the system. Many times however, experts try to figure out when interest rates will rise or fall. The most common thing they do in order to keep up with rates is to pay attention to economic inflation indicators. Sometimes investors and experts will also listen to speeches from politicians and other influential people. They can pick apart clues in order to make a guess before the announcements are made. Most of the time, there is a little advance notice before interest rates move.

As you can see, the influences of interest rates on the foreign exchange market are strong. They can help determine which countries' currencies are the strongest. This of course is relative to all other currencies in the market at the time. When you think about the rise and fall of interest rates, you can remember that when interest rates fall, it is typically a good thing for investors and for domestic currency. When rates fall, it is not such a great thing. When rates stay low for an extended period of time, the market may seem a little dull, however the great thing about the foreign exchange market is that when government gets involved, which it usually does at these down times, there is hope for improvement. So, if you are

beginning to learn about the foreign exchange market, don't forget to pay attention to the rise and fall of interest rates around you in order to make the best investment decisions possible.

Assimilating Trading Trend and Ranges in Forex Trading

When you choose to start trading in the Forex market, which is often call the foreign exchange market, you will need to bone up on a little trading vocabulary. Learning specific terms and what they mean are essential before you even think about using real money to trade. You would never get into a pilot's seat and try to fly a plane without ever having taken flying lessons. The same goes for foreign exchange market trading. You need to be fully aware of what you are doing. This is a market that is not quickly learned, so you should never assume that once you jump into it, you will learn as you go. While some people opt to do that, they typically end up losing an adequate sum of money because they were not as prepared as they should have been. Knowing the importance of trading trends and ranges in Forex trading is very important. If you are thinking of trading in the Forex market, be sure you know what these terms mean and their implications.

Trading Trend

When price moves consistently in one direction in the Forex, a trend occurs. When the direction is higher, the trend is often called bullish. When the direction of the price is moving lower, the trend is often called bearish. These terms are relative of course. When you define a trend, you should always remember that price peaks and

troughs are in the same direction. When you are dealing with a bearish trend, remember that price highs and lows are moving lower. Likewise when you are dealing with a bullish trend, they are moving higher.

Often when trends occur, it is possible to draw support lines under one that is moving higher (an uptrend). You can also often draw resistant lines above one that is moving lower (a downtrend). Once you see these lines break, it can be assumed that the trend is complete. At this point there is a possibility that the trend will begin to reverse. When it does reverse, you will need to know the pattern of what that entails.

Trend Reversal

When you hear of a trend reversal, it simply means that the direction of market prices is changing. Often you will see trend reversals following a four step pattern. Usually, this includes the market making a new high, the trend line being broken, the market making an intermediate low, and a new rally that does not match the first high. Many times you will see prices break the previous low however. You may come across terms such as Double, Triple Tops, and Bottoms, which are all trend reversal patterns. Head and shoulders patterns are also popular reversal patterns.

Trading Range

The trading range is actually a sideways chart pattern. It is often used to represent a resting period before the original trend is resumed. You may see these when you are charting trends and should know what they imply.

Often trends are very important to investors. Those who engage in trend-following are people who look at major trends and make decisions in the direction of the trend.

This can be a good strategy, but you must know a great deal about trends and the market in general in order to use this technique successfully. Beginners are not usually very good at tracking trends and using trend-following techniques. One thing that you should also note is that some price movements are trendless. This means that they have no clear direction, which makes trend-following nearly impossible.

Remember, that in order to fully understand trends, you must be educated in the ways of the market and foreign exchange in general. Beginners should not rely heavily on foreign exchange market trend tracking. Once you get more experience you can begin looking into tracking more and more. However, be aware that different things affect and influence the Forex. These influences can change what people expect trends to be. Therefore, you should be a seasoned trader in order to rely on the trends and ranges alone. Educate yourself on these terms and learn to recognize them in the actual market. After all, learning the terms is one thing and being able to see them in reality is different.

Hedging for Protection in the Forex Market

For those who are not familiar with the Forex market, the word “hedging” could mean absolutely nothing. However, those who are regular traders know that there are many ways to use this term in trading. Most of the time when you hear this phrase it means that you are trying to reduce your risk in trading. It is something that everyone who plans to invest should know about. It is a technique that can protect your investments to some degree.

What Is It?

While hedging is a popular trading term, it is also one that seems a little mysterious. It is much like an insurance plan. When you hedge, you insure yourself in case a negative event may occur. This does not mean that when a negative event occurs you will come out of it completely unaffected. It only means that if you properly hedge yourself, you won't experience a huge impact. Think of it like your auto insurance. You purchase it in case something bad happens. It does not prevent bad things from happening, but if they do, you are able to recover a lot better than if you were uninsured.

Anyone who is involved in trading can learn to hedge. From huge corporations to small individual investors, hedging is something that is widely practiced. The manner in which they do this involves using market instruments to offset the risk of any negative movement in price. The easiest way to do this is to hedge an investment with another investment. For example, the way most people would deal with this is to invest in two different things with negative correlations. This is still costly to some people; however, the protection you get from doing this is well worth the cost most of the time. When you begin learning more about hedging, you start to understand why not many people completely know what it is all about. The techniques used to hedge are done by using derivatives. These are complicated instruments of finance and most often only used by seasoned investors.

Is There A Downside To Hedging?

When you decide to hedge, you must remember that it comes with a cost. You should always be sure that the benefits you get from a hedge should be more than enough to make it worth your while. You should make sure the expense is justified. If it is not, then you should not hedge.

The goal of hedging is not to make money. You will not make large gains by hedging yourself. You have to take some risks in order to gain. Hedging is intended to be used to protect your losses. The loss cannot be avoided, but the hedge can offer a little comfort. However, even if nothing negative happens, you will still have to pay for the hedge. Unlike insurance, you are never compensated for your hedge. Things can go wrong with hedging and it may not always protect you as you think it will.

Should I Hedge?

Keep in mind that most investors never hedge in their entire trading careers. Short-term fluctuation is something that the majority of investors do not worry with. Therefore, hedging can be pointless. Even if you choose not to hedge however, learning about the technique is a great way to understand the market a bit more. You will see large corporations and other large traders use this and may be confused at why they are acting this way. When you know more about hedging you can fully understand their strategies.

Whether you decide to use hedging to your advantage or not, you will benefit from learning more about it. You can use it like an insurance policy when trading. You should remember however that hedging can be costly. Always check to make sure the costs of hedging will not run against any profits you may or may not make. Be sure those costs are realistic and that your need for hedging is realistic as well. You will be able to use hedging to help cut your potential losses, however hedging will never guard against the negatives altogether. Learning about it will give you a better understanding at how large traders work the system however, which can in turn make you a better player in the trading game.

Guidelines for Trading in Forex Markets

Being new to trading in Forex markets can be a little intimidating. Although many people desire to learn about trading in the Forex, those who begin learning about the trading system find the rules and strategy tactics to be overwhelming at times. While there are rules that you will simply learn along the way, such as price limits and such, there are a few steadfast rules you should know before you make your first move in the Forex market. Use these three rules to help you get started and successfully maneuver throughout the foreign exchange market.

Don't Over Leverage Your Portfolio

When you are just starting out in the Forex, it can be really easy to get caught up in the leverage of the market. The great thing about leverage is that someone who is not investing as much as other larger traders can play with the “big boys” and potentially makes a good profit. An investor can expect to only need to back their investment up to 4% in most cases. This can get some people in trouble however. When you choose to abuse this system, you can end up with a lot of debt. You should never over leverage your portfolio. Be responsible when trading and remember that you are trading larger amounts that you probably have in your portfolio. Keeping yourself grounded is the best way to make sure you use the Forex market to your best potential.

Know When to Quit

Another simple rule for trading in the Forex market is to know when to quit. In turn, this can also mean knowing when to let things stay as they are. There are no way around having occasional trades that have a negative

impact on your finances. Not every trade you make will be a hugely successful one. If life were fair, this may not be true, but in the foreign exchange market, where things change by the minute, there is no way to guarantee every trade will reap rewards. Keep in mind that even the most seasoned foreign exchange market traders have bad trades. Your ultimate goal in trading in the Forex should be to try to come out with more wins than losses.

To make it easier to come out ahead at the end of the day, you should always know when to fold on a deal. Never let deals that you know are losing simply happen because you are praying something will change or to save your pride. Be sure to get out losing the least amount of money as possible. This is a strategy every great trader uses. Watch your trades closely so you can get out when you should. If you have researched the trade before, you will know what the breaking points likely are and be able to make this decision easily. Knowing when to leave well enough alone, alone, is another thing you must learn. Learn to be patient with your trades, especially if they are not in a negative position.

Research Trades

Researching trades beforehand can seem very boring. However, you should never make an order in the Forex market without knowing exactly what you expect to happen. You can look at trends and the history in order to get a better idea of what to expect. If you simply go out into the market with no background on the issues, you will likely lose a lot of money. So, take the time to do a little research before you begin.

Place Stop Loss Orders

You should always be familiar with a stop loss order before you begin trading in the Forex market. The stop loss order is something that should be placed right along with your entry order. This type of order protects you from a potential loss getting out of hand. If the market takes a dive, you will be protected with the stop loss order. You must figure out however, before placing the order, at what point you would want to cut your losses. You should always do this way before placing an order. Although you may find that many traders do not utilize the stop loss order process, you will find that the more successful traders use it often.

The PayOffs of Forex Signals?

Many new traders are clueless when it comes to the Forex market. They know that they want to participate and learn, however they are not sure where to begin. Some companies are aware of this and try to lure these people into purchasing Forex signals. These companies claim that these Forex signals can really help the new traders to get a feel for what is going on in the market and for what works. New traders often pay for these signals, thinking that they will profit from the information. Sometimes the traders do profit and sometimes they don't. There is a lot of controversy over Forex signals and whether they are worth the buck. Some experts feel they are not worth anything while other new traders seem to think they are. The fact is that each trader must decide these things by themselves. If you are new to the Forex, and want to know more about Forex signals, check out this information below. You will be able to notice who you should use if you decide to pay for Forex signals, what precautions to take, and how to go about signing up. You will also learn what you can do instead if you choose not to pay for Forex signals.

Where You Get Them

Many experts warn new traders against paying for Forex signals. Although it may seem like an attractive idea to newer traders, it can lead to trouble. First, a new trader would need to trust the person who was selling the signals. This in itself can be a difficult thing. Finding someone that you trust is unlikely. Experts agree that if someone is selling Forex signals for cash, then they are probably not great traders. Otherwise they would be making their living from the Forex market. Therefore, you probably should not purchase from them. If you did, the Forex signals would not likely pay off for you.

Free Trials & Audits

If you decide that you really want to go ahead and purchase those Forex signals, there are few things you should think about. First, you should only work with those who give you a free trial. When it comes to legitimate businesses, they will be willing to allow you to test their information before committing to the full cost. If the business is not willing to do this, you should probably take your business elsewhere. You also should think about getting audited results from the provider. This is a great way for you to feel better about working with the company and to get real results from their Forex signals. If a company is unwilling to give out this information, you should go elsewhere as well. If you are going to spend money on information that you hope will help you, and not hurt you, you should be working with someone who is willing to open up with real previous results. A company that believes in their information is easier to trust than one that seems to be hiding something.

What Else You Can Do

If you're new to the system and you really want some help getting started, apply for a free account from a Forex broker. These accounts don't allow you to trade with real money, but they are perfect for those who wish to learn a little about the Forex market. You can use these demo accounts to learn the rules of the Forex as well as to gain a little insight on trading and research. There are many brokers who offer these accounts in hope that once you learn about the Forex, you will open a traditional account through them. Once you do decide to open a traditional Forex account, be sure to start with a small deposit until you get everything underway. When you start small, you won't be as afraid to make moves because you will know that you have little to lose. You should also remember that trading via the demo account and trading with a traditional account is a lot different psychologically. There is something that makes people take more risks when using "phony money". So, just beware of these things and behave accordingly when trading at first.

Forex Quotes Can Lead You Places

Trading in the Forex market should not be a spur of the moment decision. You should research and evaluate every move you make to be a successful trader. When you are trying to evaluate what trading moves you should make, it is often necessary to look at Forex quotes to help you decide what to do. Although this may seem simple enough, many new traders have no idea how to even read a Forex quote. Before you make your first trade, be sure that you are informed on how to read and use Forex quotes. If you are not educated on the matter, you will likely lose money because of lack of knowledge on the subjects pertaining to the Forex market.

Reading a Foreign Exchange Quote

When you first look at a foreign exchange quote, or Forex quote, you will likely be a little confused. It can be very confusing however once you learn how to read the Forex quote; you will gain a lot about the system itself. The first letters listed are the abbreviation for the first currency in the quote. This currency is considered the base currency. The value of this currency is always 1, unless otherwise noted. You may see things such as USD/JPY, USD/CHF, and USD/CAD. When you see these currencies with numbers behind them, such as USD/JPY 112.01, it means that one US dollar is equal to 112.01 Japanese yen. When the base unit and the quote rises, it means the dollar has gotten stronger and the other currency has weakened.

There are several exceptions to this rule however. When dealing with the British pound (GBP), the Australian dollar (AUD), and the Euro (EUR), things are a bit different. You may see something that looks like GBP/USD 1.6366. This means that one British pound equals 1.6366 US dollars. When you are dealing with these situations, remember that when you see the quote rising, the US dollar is weakening. A higher quote typically means the first currency (the base currency) is getting stronger. When the quote is lowering, the base currency is getting weaker.

Where to Learn More

Trying to decipher what Forex quotes mean can be challenging. Quotes can really help you decide what's going on in the market and help you make trading decisions. However, you really need to know more about quotes than just how to read them. You should learn different trends that are seen via Forex quotes and be able to apply them to

the market today. When you can easily do this, you will find it easy to use the foreign exchange market to make profits.

If you are interested in learning more about how to read and use Forex quotes, there are several things you can do. You can first decide to learn on your own. When you decide this, you should visit reputable websites in order to conduct your studying. You can also get new books on the subject and read on what the quotes mean and how they can help you. Many people love to engage in self-study because it gives them freedom. When you are learning on your own, you can do it at your own pace. You can go through things as quickly or as slowly as you need to and really soak up information you need. Self-study can be done during lunch breaks or late at night. Some people would rather have a more traditional approach to learning however.

Forex markets are a large part of the curriculum at most business schools today. If there is a business school in your area, you may want to contact them about taking a course on the subject. If you are someone who has the time to spare, taking a course with others interested in learning is a great idea. The class may cost more than a book you can buy, but hands-on-learning is often the best form of education. You will likely learn about markets, trading, strategy, and more. So, if you are interested in learning with a group, a course is likely the best option for you. When you become more educated on the subject, you will be able to see exactly why knowing all about Forex quotes can be important in successful trading.

Three Key Attributes of the Forex Market

While there are many characteristics of the Forex market, there are three that help new traders learn exactly what the

foreign exchange market is all about. These characteristics are those that every new trader should know long before they make their first trade. The Forex system is one that is made to encompass the entire globe. It can be difficult to interpret and even more difficult to trade successfully within. Knowing how the system works is the first step to being a successful trader however. So, before you even think about opening a Forex account, be sure that you are familiar with the foreign exchange market's geographical, functional, and participant characteristics.

Geographical Characteristics

The Forex is a huge market that encompasses the entire globe. This is a market that spans from the United States to Europe, to China, and back. There is no area it cannot touch. This is one thing that makes the market so popular. There is simply something for everyone with the Forex market. It is easily accessed due to it being open all day in every country. Its 24 hour access makes it even more attractive for investors. No matter what time of day you want to trade, there will be someone trading in some distant location around the world. Although there is trading in the Forex in every corner of the globe, the major exchanges are Singapore, Hong Kong, Tokyo, Bahrain, London, New York, San Francisco, and Sydney. The geographical characteristics of the foreign exchange market can help new traders realize the size and volume of the Forex. It is simply unmatched in volume and size. This makes the Forex a powerful tool for investors everywhere.

Functional Characteristics

The entire Forex market functions to transfer purchasing power. This is done between countries. When trades are made, they are allowing partners to convert currency revenues into their domestic currency. When one country's purchasing power is strong, another country's may be

weaker. It also functions to obtain and provide credit for international trade and to avoid an exchange rate catastrophe. When it comes to international trade, the Forex is helpful because it can help the movement of goods between countries and offer credit for financing.

Participant Characteristics

There are two main parts to the foreign exchange market. The first part is the interbank, which is often called the wholesale market. The second part is the client, which is often called the retail market. Throughout these two categories, there are approximately five different types of participants. The bank and non-bank foreign exchange dealers are those that buy at bid prices and sell at asking prices. This helps the efficiency of the market as a whole. An interesting thing to note is that by trading currencies, banks often make up to 20% of their profits.

Individuals and commercial and investment firms make up the second type of participants. This group consists of importers, exporters, tourists, and other portfolio investors. They use the market basically to help them invest. These are often those participants that use the Forex to hedge, which is a way to reduce their risk.

Speculators and arbitragers are the third group type that seeks to profit from the foreign exchange market. These people are those that are out to make money for themselves. They are acting in their own self interest. They seek profitable rate changes in order to help them profit and try to profit with the least possible risk involved. Large banks are sometimes a part of this group.

Central banks and treasuries are also involved in the Forex. They use it to change the value of their own currency, or to at least attempt to do so. This is something that they do with reserves. Their motive is not to profit but to influence

the market. They want the value of their domestic currency to benefit their interests.

Lastly, foreign exchange brokers are the last of the five groups involved in the participant characteristic of the Forex. These participants are those who facilitate trading but are not partners in the transaction. They typically charge a fee for their service, which is most often on a commission scale. They are often seen as go betweens for large traders.

The Global Market Makes the Forex Market Go Round

You may wonder if it's possible to day trade currencies along with trading stocks. Yes, it is possible to day trade currencies as well as trading stocks. In case you have ever wondered how the foreign exchange market, or Forex, works, here is an overview of some of the markets basic features.

First and foremost there are the foreign exchange rates, which is the proportional value of two currencies. To be more specific, it's the required quantity of one particular currency to sell or buy a unit of another currency. There are two methods used to express a foreign exchange rate. The most common method would express the amount of foreign currency that is needed to buy one U.S. dollar. For instance, if a foreign exchange quote expressed as USD/CND at 1.4300, this means that one U.S. dollar can be exchanged for 1.43 Canadian dollars, and vice versa.

The second method is when the foreign exchange rate is expressed under the terms that the USD amount can be exchanged for one unit of a foreign currency. For instance, if a quote of CND/USD at 0.6700 means that one Canadian

dollar can be exchanged for the same 0.6700 USD. When the USD is not used to convey an exchange rate, then the “cross rate” term is used to convey the proportional values between the two currencies. For instance, if the quote is DEM/SFR at .7000, this means that on German Mark can be exchanged for only .7 Swiss Francs.

Basis points are normally when the foreign exchange rate is expressed by a whole number followed by four decimal points. For example, 0.0001 is called a basis point. Therefore, if an exchange rate rises from 1.4550 to 1.4590, then the currency is said to have changed by 40 basis points.

The forex market is used to invest in other countries or even to buy foreign products. Sometimes individuals or firms who wish to buy foreign currencies or products, may need to get hold of some of the currency, beforehand, from the country in which they wish to do business with. Also, the exporters may require payment for services or goods in their own currency, or in USD, which is accepted throughout the world.

In the Forex market, a majority of selling and buying of foreign currencies throughout the world is taken place, mostly by the large commercial banks, who are the major traders in the forex market. With five major institutions based throughout the world in New York, London, Frankfurt, Zurich and Tokyo, the forex market is considered the largest financial market in the world by far, with the multitude of trading volumes exceeding 1.5 trillion USD on most days.

Consisting primarily of world wide network interbank

traders who are connected together by computers and telephone lines, forex traders are incessantly negotiating prices among one another. These artful negotiations normally ensue in a market bid, or asking price, for a specific currency which is then introduced continuously into computers to be displayed on official quote screens. When the forex exchange rates are quoted between banks, this is called “Interbank Rates.”

The foreign exchange spreads are when the exchange rates in the forex market are cited as a two tier “bid” or “ask” rate. For instance, when a USD and a DEM is cited as 1.6000/15, the forex trader who cites this exchange rate is agreeing to buy the DEM’s at 1.6000 and sell them at 1.6015. The “spread” is the actual difference between cites of purchase and cites of sale and also illustrates the profit expected from the transaction for the forex trader. The “spread” may vary comprehensively on any specific currency, all depending on the currency’s strength or weakness, and even it’s past history or prospective volatility.

Many individuals may not be able to get hold of some foreign currencies at forex rates unless they become licensed traders through forex. Instead, those individuals may be able to come across foreign currency through a commercial bank, which may charge the individuals with either a commission or a higher spread than those reigning in the forex market. Sometimes these commercial banks will even charge individuals both commission and higher spread as to enable the bank to make a reasonable profit from the transaction.

Six Tactical Trading Tips for the Forex Newbie

For those of you who are new to the forex market, or even for those of you who are considering becoming a forex market trader, this article is for you. Welcome to forex 101, where you will learn exactly who forex is and what it does. Also for the forex newbie's, you will find a list of six trading tips that will help you in your transactions.

For those of you who are new to the forex trading market, first you will need to know the meaning of the term "forex" which stands for FOReign EXchange market. This pertains to the international foreign currency exchange market where currencies of all kinds are bought and sold. The forex market got its start back in the early 1970's when floating currencies and free exchange rates were first introduced. At this time, the forex market traders were the only players on the market to decide upon the value of one type of currency against another, all solely based upon a particular currency's supply and demand.

The forex market is very unique for a number of reasons. First of all, this is one of the few markets that require very little trading qualifications and is free from any external control and can not be manipulated in any way. As the largest financial market, with trades reaching up to 1.5 trillion U.S. dollars, or USD, the money moves so fast, it's impossible for a single investor to substantially affect the price of any major foreign currency. In addition, unlike any stock that is rarely traded, forex traders are able to open and close any positions within seconds, because there are

always a number of willing buyers and sellers.

1. To open a forex account, all you have to do is simply fill out an application and provide all the necessary identification. The application will include a margin agreement will state if the broker will be allowed to intervene with any trade when it appears too risky. This agreement is made to protect the interests of the broker because most trades are done by using the broker's money. However, once you have established an account, you can fund it and begin trading in the forex market.

2. In order to become a successful trader, you will need to adapt your own trading strategy. There is no one strategy that will work for all the traders, each individual trader will need to develop their own approach to the market. While some traders may rely solely on technical analysis, others may prefer a more fundamental approach, while the more successful traders use a combination of both. Each individual trader will need to learn the best approach for themselves in order to gain a more comprehensive overview of the forex market in order to prepare for any entry and exit points.

3. Understand that prices move by trends. Forex has a popular saying, "The trend is your friend." there are certain movements that have been studied over many years in order to identify a pattern in the trend. These trends need to be understood in order to understand a good trading strategy. For small accounts that are \$25,000 and under, trading with a trend may help

improving your odds when compared to bi-directional trading. Most newbie's will look to trade in any direction, when they should be trading with a trend.

4. Before you take any position, look over the top five currencies to make sure you're not missing something. The top five foreign in forex are: USD/Yen, Swiss franc/USD, Euro/Yen, Euro/USD and Pound/USD.

5. For newbie's, it would be safest to have two accounts because you learn as you play the trading game. Keep one real account, one that you will actually use to trade real money; and the second account should be a demo, one that you can use to test alternative moves in the trading game. You can easily use your demo account to shadow the trades in your real account so you can widen your stops to see if you are being too conservative or not.

6. Always examine the one hour, four hour and daily charts that concern your trades. Although you can trade at 15 and 30 minute time intervals, doing so requires a handful of dexterity.

Spreading you're the Eggs in Your Forex Basket

Learning how to manage your money is the critical difference between who will win and who will lose in

the business of forex market trading. If 100 forex traders begin trading by using a system with 60% of winning odds, only about 5 of those traders would see a profit by the end of the year. Despite those 60% winning odds, only 95% of those forex traders will lose because of poor money management skills. Many traders don't realize that anyone entering any trading system must have great money management skills in order to succeed. After all, traders enter the forex system to make a profit, not to lose money.

Money management will stand for the amount of money you will put on a trade and the risks you are willing to accept for that trade. In order to diversify your forex trading strategies, it's very important to understand the concept of managing money and also to understand the difference between managing money and trading decisions. There are a number of different strategies to use that will aspire to preserve your balance from any high risk liabilities.

First off, you will need to understand the term "core equity." Basically the core equity illustrates the starting balance of the account and what amounts are in the open positions. It's very important to understand the meaning of core equity because your money management will greatly depend on this equity. For instance, if you have an open account with a balance of \$5,000 and you enter a trade with \$1,000 that makes your core equity \$4,000. If you enter another trade for another \$1,000 then your core equity would be \$3,000.

It would be better to begin diversifying your trades by using several different currencies, because by only trading one currency pair, you will generate very few entry signals. For example, if you have an account balance of \$100,000 and have an open position for \$10,000 then that makes your core equity \$90,000. If you choose to enter on a second position, then calculate the 1% of risk from your core equity, but not your starting account balance. This would mean that the second trade would not exceed \$900. Then if you decide to enter a third position, with core equity of \$80,000 then the risk from that trade should not surpass \$800. The key is to diversify the lots between all currencies that have a low correlation.

For instance, if you wanted to trade EUR/USD and GBP/USD with a \$10,000 (1% risk) standard position size in money management, then it would be safe to trade \$5,000 in each EUR/USD and GBP/USD. This way, you will only be risking 0.5% on each position.

It's very important to understand the strategies of the Martingale and the Anti-Martingale, when trying to diversify your forex trading strategies. The Martingale rule means: increasing your risks when you're losing. This strategy has been adopted by gamblers worldwide who claim that you should increase the sizes of your trades even when you are losing. Basically, gamblers use this rule in the following way: Bet \$20, if you lose bet \$40, if you loose bet \$80, if you lose bet \$160, if you lose bet \$320, etc.

Ultimately, the strategy is to assume that if you lose

more than four times, then the chances to win become bigger and as you add more money, you will be able to recover from your loss. Although there are many people who choose to use this strategy, the truth is, the odds are still the same 50/50 even regardless of the previous losses. Even if you lose five times in a row, the odds for your sixth bet, and even those there after, are still 50/50. This is an easy mistake made by those who are new to the trading business. For instance, if a trader started with a \$10,000 balance and lost four trades of \$1,000 a piece for a total of \$4,000 then the traders remaining balance would be \$6,000. If the trader thinks there is a higher chance of winning the fifth trade and increases the size of the position four times, enough to recover from the loss, then if the fifth trade loses the trader will be down to \$2,000. A loss like this can never be recovered back to the \$10,000 starting balance. Any experienced trader would never use such a risky gambling tactic, unless the traders' goal was to lose all the money in a short period of time.

Deciphering Key Patterns in the Foreign Exchange Market

Forex works by making transactions in foreign currencies that are not centered on an exchange like the New York Stock Exchange (NYSE) instead; they take place world wide through telecommunications. The forex trade is open 24 hours a day beginning on Sundays in the afternoon until Friday afternoon. There are dealers to quote all the major currencies in

nearly every time zone through out the world. After the investor decides on what currency to purchase, the transaction is made through one of those dealers. Some of these dealers can even be found online. It's very common for investors to speculate currency prices by obtaining a credit line, as small as \$500, to greatly increase the potential profits and losses. The term for this is "marginal trading."

The term marginal trading is used for trading with a borrowed capital. Many traders find marginal trading appealing because forex investments can be made without using a real money supply. This method allows investors to invest more money with fewer costs for transfer and to open a bigger position with a small capital.

When trading in the forex market, it's best to develop a pattern of recognition in order to become a successful trader. The forex markets often display a specific pattern that repeats over time across assorted time scales. Forex traders can develop an expertise by acquiring the information around the patterns and then discovering how to recognize these patterns for what they are.

Let's use an analogy of a medical student who is learning how to diagnose a disease, for instance, pneumonia. Every disease is defined by a distinct set of symptoms. By running the right tests and making ethical observations of the patient in question, the medical student will be able to collect all the information needed to recognize that the disease is

indeed pneumonia. A medical student can never become an expert doctor until he has seen a number of patients, thus gaining practice in putting the pieces of the puzzle together rapidly and correctly.

The brightest illustration of gaining the trading expertise is through pattern recognition and the large literature on technical analysis. Many of the technical analysis books look like the books that are carried around by medical students. They attempt to combine market symptoms into identifiable patterns that are aimed to help the trader diagnose the market. Some of these patterns may be chart patterns, while others may be based on identifying cycles and configurations, and so on. Like the medical student turned doctor, each technical analyst must cultivate a level of expertise by recognizing the various markets and by learning how to identify the patterns.

Notice how the pattern recognition and research answers lead to very dissimilar approaches to the training of forex market traders. The traders tend to learn how to improve their trading by doing their research by learning how to use more sophisticated tools, collect more data, expose the best predictors, and so on. However, from a pattern recognition advantage point, being successful at trading will not come from conducting more research. Instead, gaining the knowledge directly from the experts and through a great deal of practice will lead to the solid development of competence. The research viewpoint fundamentally treats trading as a type of science. Like scientists, we gain our knowledge by unveiling new observations and pattern recognition through a

perspective that treats trading as a functioning activity. We gain our expertise through our mentors and by constantly practicing the trades.

It would seem that this type of expertise could be acquired by learning pattern recognition from other experienced traders and then attaining the experience well enough to identify them on your own. Traditionally, this is how it's done, but because pattern recognition normally entails a dependable measure of judgment, it makes it very hard to establish outside efficacy once it leaves the hands of the experts. Simply put, an expert trader may be able to utilize more information in trading than he can actually verbalize. Expert traders often describe their work in terms of monetary value and unpredictability patterns, but it may be the way that the patterns are used that makes all the difference between novice and expertise. Although the experts may be able to distinguish patterns in their work, it remains unclear if their greatness lies in the patterns themselves.

Global Expansion and It's Impact upon Forex Market

The foreign market originated in 1973 and more than three decades later, the forex market has been expanding and developing into the robust worldwide market it is today. Even so, currency or money has always been in our society, in one form or another, since the ancient time of the Pharaohs. The first currency dealers started in the Middle East, where

these “moneychangers” exchanged coins from one country to another. When paper bills were introduced as a transferable monetary resource, the transactions became easier for all the traders. The strengthening and development of economies were strongly encouraged by forex and the international trading, bringing many benefits to all the countries involved.

In order to establish the current forex market, several modifications had to be made. The first of the major changes occurred towards the end of World War II with the Bretton Woods Accord in 1944. Three great countries, the United States, France and Great Britain gathered together at the Bretton Woods to organize a new worldwide economical order. This is when the U.S. dollar, or USD, became the monetary standard form of currency that dealers would use when determining the values of other currencies on the forex market. Before the U.S. dollar became the standard currency, the British pound was the main currency that was used to compare other currencies on the forex market. During this time, nearly half of Europe was in disarray while the United States remained unharmed by WWII. In hopes to create a more stable foreign exchange trading environment which would help restore the worldwide economies and stabilize the international economic state of affairs, the Bretton Woods Accord was established.

While the Bretton Woods Accord survived until 1971, a new agreement soon followed in the December of that year, entitled the Smithsonian Agreement. Although the Smithsonian Agreement was quite similar to the Bretton Woods Accord, it also allowed

for additional fluctuation within the forum of the foreign exchange market. As no new agreements were made, this was replaced with the current free floating system, allowing the governments in forex trading to either peg or semi-peg their currencies or allow the currencies to simply freely float. The free floating system became officially mandated in 1978. Currently, all major currencies move independently from the other currencies implementing the services of forex dealers. Because there are no limitations on currency dealers and investors who want to trade currencies in an open and free foreign exchange market, there has been an inflow of speculation by brokerage houses, independent broker dealers, future trading brokers, hedge funds, banks as well as individuals.

The forex market is driven by the enormous scope for profit potential among the currency dealers, along with the supply and demand. The free floating system is more practical for today's forex market which undergoes a change in the currency rate approximately every 4.8 seconds. After loosely evolving from a connection of financial centers to one integrated market, the foreign exchange market is now playing an exceptional role in a country's economy. The forex market has expanded worldwide, reflecting the constant growth of international trades. When considering the size of the forex market, it's important to understand that any transactions made, whether it's with a future trading broker or an independent broker, will ultimately lead to more transactions. This is mostly due to the brokerage establishments as they readjust their positions whether to manage or offset their risks.

Today's foreign exchange market is a truly worldwide, 24 hour a day trading zone, with most of the currency trading amidst the currency dealers in London, New York and Japan. The only time that currencies stop trading is on Friday when Japan closes its business and then there is a one day window before Europe steps in on Monday morning to open for business. Companies that sell and buy foreign currencies as part of their business like independent brokers and currency dealers, only make up a small percentage of forex trading. The majority of forex trading comes from banks, investment companies and brokerages. As more currency traders discover the foreign exchange markets potential for earning and raising capital, the market continues to develop and grow steadily. Forex reaches a daily turnover of at least 30 times more than any other U.S. market.

Top Currencies to Ogle in the Forex Trading Game

The prices of currency are influenced by a number of reasons, like political and economic conditions in the issuing country. Interest rates, inflation and political stability are all factors in the prices of any currency. Although governments can try to control their currency prices by lowering the price, this is also called flooding the market, or by raising the price and buying on a large-scale. Although the volume of forex is sizable, it's still impossible to have any control of a market for any length time and because market forces

normally prevail in the long run, forex has become one of the fairest investment opportunities made available.

In the world of forex, each currency is given its own three letter code that is used in the forex quotes. The most common and widely used currencies used in the forex market are USD (U.S. dollars), GBP (United Kingdom pounds), JPY (Japanese yen), CAD (Canadian dollars), EUR (European euros), AUD (Australian dollars) and CHF (Swiss francs). These currencies have been the top foreign currencies to watch in the forex trading game. The prices of the foreign currency exchanges are specified in pairs by the forex quotes. By using a currency pair of U.S. dollars and European euros in the example below, the first currency is called the base (which is always at 1) and the second currency is called the quote (which shows how much it costs to buy one unit of the USD, or base currency):

$$\text{USD/EUR} = 0.8419$$

When reversed, this is the cost of USD to buy one euro:

$$\text{EUR/USD} = 1.1882$$

The base currency is growing stronger when the price of the quote currency goes up, therefore only one unit of the base currency can buy more of the quote currency. However, if the quote currency begins to fall then the base currency will become weaker. All forex quotes are perceived as a “ask” or a “bid” price. The ask price is what sellers will sell the base currency at, while at the same time be buying the quote currency.

The bid price is what the buyers will pay for the base currency, also while selling the quote currency. For example, a symbol bid ask of:

USD/CAD 1.2392 1.2397

This shows that you can buy one U.S. dollar for 1.2397 Canadian dollars, or you can also sell one U.S. dollar for 1.2392 Canadian dollars. You can find the exchange rates in cross country charts that list numerous types of currencies with their values against one another. There are also currency conversion calculators, all of which are readily available online.

Along with the U.S. dollar, United Kingdom pound, Japanese yen, Canadian dollars, European euros, Australian dollars and Swiss francs as some of the top currencies to watch in the forex trading game; some new currencies have been emerging. Be sure to keep an eye out on these emerging currencies: CNY (China yuan), CZK (Czech koruna), HKD (Hong Kong dollar), HUF (Hungarian Forint), INR (Indian Rupee), KRW (Korean Won), MXN (Mexican Peso), PLN (Polish Zloty), SGD (Singapore dollar), ZAR (South African Rand), and THB (Thai Baht). These currencies may not be one of the top currencies now, but they can make for some good investments. Taking two examples out of all of the emerging currencies:

The China yuan is only limited to financial institutions and onshore companies and is not liquid. Currently the USD/CNY rate is about 8.2770 and is being closely managed by the central bank (PBOC). The Chinese government has resisted all calls for them to revalue their currency; but as the Chinese government

continues to strengthen their banking systems and make reforms in their economic policies, there is likely to be a possible call for opening spot trading. The interbank money market does not go beyond four months.

The Czech koruna is a convertible, yet free floating currency that has been floating around since May 1997. All foreign investors have unrestricted access to these local markets. London banks continue to be very active in currency trading and accounts for nearly 60% of the daily turnover. This market is liquid for about five years. The Interest Rate Swaps, or the IRS, is mainly driven by offshore banks.

Exotic Currencies Hit the Forex Markets

The exotic currency is defines as a currency with little liquidity and limited dealing. The exotic currency is neither a minor nor a major currency. Some of the currencies that are considered minor are the Australian dollar, the Canadian dollar and the New Zealand dollar. Some of the currencies that are considered major are the Japanese yen, the Euro, the British pound, the Swiss francs and the German mark. All exotic currencies play a very important role in the forex market and are just as important as all the major currencies.

The foreign exchange market has played a very

important role as the sole domain for financial institutions, most major banks and for the central banks like the United States Federal Reserve. The foreign exchange market has made some substantial profits that are made annually by these banks and financial institutions and these are now offered to you.

All countries are now becoming more dependent on one another due to the increase in worldwide trade and foreign investments. The state of a country's economic activity can cause the country's currency to fluctuate, considering how the economic factors can alter the structure of a currency's interest rate. The monetary health of a particular country depends on whether the currency either appreciates or devalues.

Some banks make between 40-60% of their profits from trading currencies when they allocate around 20-30% of their funds into the foreign exchange market. Until recently, the American public has been unaware of the forex market because the foreign currency market had not been financially accessible to the general population of traders and investors; also, because of the minimum account requirement, which was beyond the means of the average trader or investor. Now that the situation has changed, instead of needing a minimum of \$200K to open an account, a mere \$10K can be used to open an account.

The foreign exchange market is dominated by these five major currencies: the U.S. dollar

(USD), the British pound (GBP), the Japanese yen (JPY), the European euro (EUR) and the Swiss franc (CHF). All five of these currencies rank highly in their activity and popularity thus accounting for more than 70% of trading in North America alone. Other currencies that are traded, though not as easily, are the more exotic currencies including the New Zealand dollar (NZD), Australian dollar (AUD), Canadian dollar (CAD) and the French franc (XPF). The minor currencies, which can also be considered as exotic currencies, account for between 3-7% of the total market volume. Together, all the major and minor currencies represent all the hard currencies that are currently being traded in the forex market.

Top three most traded currency in the world:

The U.S. dollar Index is the currency that gives relative strength to the Dollar. The Index reflects the statistical weaknesses or strengths of the trend of the U.S. dollar (USD). If the index figure is fairly large, then the U.S. Dollar is stronger, likewise if the index figure is smaller, then the U.S. dollar has become weaker. The Dollar has become weaker over the past two decades, mostly because of the world's low opinion of financial policies that result in prominent budget deficits.

The European euro and Europe has taken its first steps toward what many economists call "Euroland" with its single currency, the Euro. Europe's eleven nations that use the euro are: France, Spain, Belgium, Italy, Portugal,

Austria, Finland, Luxembourg, Ireland, the Netherlands and Germany. These eleven nations consist of about 300 million people and also account for almost 20% of the worldwide economy. The European Union in addition represents America's largest foreign market, which is twice the size of Japan and Canada combined. Trade flows between Europe and the United States has been roughly in balance for over nearly a quarter of a century, whereas in Asia, the U.S. runs large trade deficits.

Japan, along with its Japanese yen, continues to be one of the most undisputed global economic powers of today's market place. Since WWII, the Japanese government has been applying all of its energy and resources into developing its economy into one of the biggest economic powers in the world. The Japanese yen has become the third most traded currency in the world.

Time lining Daily Forex Trading – So, when should you trade? ?

In today's foreign exchange market, investors and traders can literally trade currencies worldwide 24 hours a day, in any trading zone. The top three currency trading is among the currency dealers in London, Japan and New York. These currencies are being traded 24 hours a day and the only time that currencies stop trading is on Friday when Japan closes its

doors. There is a one day window after Japan closes before Europe steps in on Monday morning to open for business.

Companies that sell and buy foreign currencies as part of their business, like independent brokers and currency dealers, only make up a small portion of the foreign exchange currency trading. With a majority of trading come from banks, brokerages and investment companies. As even more currency traders become aware of the foreign exchange markets potentiality for earning and raising capital, the forex market will continue to develop and grow at a steady pace. The forex market reaches an average daily turnover of 30 times higher than any other U.S. market.

Along with the drive for supply and demand, the forex market presses on as the enormous scope for profit potential among the currency dealers is steadily rising. The forex market also uses the free floating system that is considered more practical for today's foreign exchange market which can experience a change in the currency rates at an estimated 4.8 seconds. After developing from connective financial centers to one unified market, the forex market is taking on a prodigious role in the country's economy. Having expanded worldwide, the forex market is reflecting the constant growth of all international trades and their countries. When you consider the size of the foreign exchange market, it would be important to understand that any transactions that are made with a future trading broker or an independent

broker, can lead to more transactions. This can be due to the brokerage businesses as they work to readjust their positions.

In order to be an effective day trader, you must understand your overall portfolio and its sensitivity to market unpredictability. This is especially important when trading foreign exchange currencies, because these currencies are priced in pairs and no single pair will trade completely independently of others. Once you gain an understanding of these correlations and how they can change, then you can use them to your advantage to control your portfolio's exposure.

Correlations Defined

There is a reason for the interdependence of foreign currency pairs, for instance, if you were trading the British pound (GBP) against the Japanese yen (JPY) or GBP/JPY pair, then you're trading a type of derivative of the USD/JPY and GBP/USD pairs. Therefore, the GBP/JPY must be slightly correlated to one or both of the other currency pairs. Even so, the interdependence amongst these currencies will stem from more than the fact that they are in pairs. While there are some currencies that will move one right behind the other; the other currency pairs can move in different directions that often result in a more complex force. In the financial world, correlation is the statistical measure of a relationship between two securities.

Then there is the correlation coefficient that

ranges between -1 and +1. The correlation of +1 indicates that two currency pairs can move in the same direction nearly 100% of the time. While the correlations of -1 indicates that two currency pairs are likely to move in the opposite direction 100% of the time. If the correlation is zero, this indicates that the relationships between the currency pairs will be completely at random.

Yet, it's clear that correlations are not always stable. Correlations do change, as the global economic system and other various factors can change on a daily basis, making the ability to follow the shift in correlations very important. The correlations of today may not be in line with the long term correlations between any two currency pairs. This is why it's suggested to take a look at the past six months trailing correlation to provide a more clear perspective on the average relationship between the two currency pairs. This change comes from a variety of reasons, with the most common including a currency pair's predisposition to commodity prices, the diverging monetary policies and unique political and economic circumstances.

The Best Forex Software Need Not Be Expensives

If you're interested in getting started in playing the field in forex trading, then you will find that there are a large number of software programs

available. Whether the software programs you need are desktop based or web based, either one can be used in your forex trading. There are many brokers who offer their clients software packages free of charge or they can be a part of opening a trading account with a particular brokerage. Normally the software that will come with your open trading account is the very basic model, with the bare minimum of what you can use, or even need. Occasionally, these brokers will offer extra features at a cost. So when you're considering which broker to open an account with, you may want to consider what software packages they offer to correspond with your account. There are many web site's that offer free demo accounts, allowing you to download different packages so you can try before you buy. Using a free demo account will give you a better idea of what software you would like to use and will help prevent buyers remorse.

The basic software's available are the desktop and the web based. Which ever one you choose will depend on your preference and other technical constituents. The forex market is obviously very dynamic which means that you will want to get the software that is the most reliable and up to date connection to the data as possible. Now, let's talk about your internet speed connection. Your internet speed connection is a very important factor and if you plan on playing the forex game, you will need to go from dial up to either DSL, even broadband if you can afford it. The faster it is, often the better. Your internet connection

speed is a major factor when considering what forex trading software to use.

Another great consideration would be one of online security. Most web based forex software is generally more secure than the desktop based software packages. If you choose the desktop software, then all of your information and your data are stored in your hard drive, making all your valuable information vulnerable to a number of security infractions. If a virus invades your computer, then all of your personal data and the integrity of your trading system can be jeopardized. If you're hard drive crashes, then all of your important data will be lost forever. Another threat would be those hackers who can hack their way into your computer and gain access to all of your personal information and trading systems.

If you decide to go with the web based trading software then most of the maintenance and security issues are handled by the provider of the package. The internet based foreign exchange systems are readily hosted on secure servers, like the servers that credit cards are processed on. This will give you more protection, with less hassle, as your data is encrypted. Along with this protection, your software provider will protect you from losing data by providing mirrors and backups of your account data.

You may also find that internet based software is more convenient, aside from the extra security when you're considering on what

software would best suit your needs. Moreover, the software will run on your regular web browser, so there won't be any software you would have to download, meaning you will always have access to the most current features and versions of that software. In addition, if you frequently travel, you are sure to appreciate being able to log in to the internet from any computer and have all of your information immediately accessible.

Whatever option you decide to use, choose the forex trading software that you personally find easier to use. Just because particular software works wonders for your friend or colleague, doesn't mean it will work the same for you.

If you're new to the trading game, then it would be best to have two accounts, one with your software of choice and one demo account. Considering that you learn as you play the trading game, you can keep one account that you will actually use to trade real money; and the demo account, to use to test any alternative moves. You can also use your demo account to overshadow the trades in your real account so you can see if you are being too conservative.

Top Traits of a Seasoned Trader

Forex trading on the internet is the quickest way to use your investment capital to its maximum. The foreign exchange markets can offer certain advantages to the smaller and

larger traders, thus making the foreign exchange currency trading more preferable than the other markets such as stocks, options and all of the traditional futures. Here are some of the top reasons why you will want to use the forex trading on the internet, in order to become a more successful forex market trader.

1. Forex is the largest market, trading at a volume of almost two billion, giving forex traders virtually unlimited flexibility and liquidity. That's over three times larger than the equity market and over five times larger than futures.

2. Forex trading can fit into anyone's schedule because it is available on the internet 25 hours a day, 7 days a week. There is no waiting for markets to open; they are always open day in and day out. This flexible schedule makes the forex market extremely attractive to those professional and potential traders and investors.

3. Forex trading on the internet encompasses buying one currency while simultaneously selling another currency; therefore you have an equal opportunity to make a profit no matter what direction the currencies are heading. Another great advantage to consider is that there are currently only fourteen pairs of currencies to trade. Compare those fourteen currencies to the thousands of stocks, options and futures when you're considering the pros and cons of delving into the trading game.

4. Investors and traders are flocking to the forex internet trading as a way to gain a higher leverage to their investments. Some brokers even offer margin ratios of 200/1 in open forex trading accounts. There are also those mini-forex accounts that can be opened for a minimum of \$200, offering a margin of 0.5%, where \$50 in trading capital will control a ten thousand unit currency position.

The forex prices are often predictable, allowing the currency prices to create trends that can be followed to allow the technically trained forex trader to able to spot, and even take advantage of, the many entry and exit points. One of the best parts about forex trading on the internet is that there is no charges for commissions, any exchange fees or any other hidden fees. The forex market is a very easy market to research the countries and currencies involved. The only fees come from the forex brokers, who only make a very small percentage of what the bid/ask price is. Plus, there is no need to calculate any commissions or fees when completing a trade and your transactions are made a confirmed within seconds. Also because this is all done electronically, with no people involved, there is not much that can slow you down.

For the newbie's in the forex trading game, you will need to know the forex terminology. Here is a list of some basic terms and concepts you will need to know in forex trading:

Spot Market- The market for buying and selling

currencies that are usually for settlement within 2 business days, also known as the value date. For example: USD/CAD = 1 day.

Exchange Rate- This is when the value of one currency is expressed in the terms of another. For instance, the EUR/USD has an exchange rate of 1.3200, and then 1 Euro is worth 1.3200 USD.

Currency Pair- All currencies must be sold in pairs. There are two currency's that make up an exchange rate, so when one currency is bought, the other is simultaneously sold and vice versa.

Base Currency- This is the first currency in a pair.

Counter Currency- This is the second currency used in a pair. The counter currency can also be known as the "terms" currency.

Broker- This is a firm that will match a buyer to a seller for a small fee or commission.

Sell Quote- This quote is normally displayed on the left side and represents the price that you can sell the base currency for. The sell quote is also referred to as the "bid" price. For instance: EUR/USD quotes 1.3200/03, and then you can sell one Euro for 1.3203 USD.

Buy Quote- This quote is normally displayed on the right side and represents the price that you can buy the base currency for. The buy quote is also referred to as the “ask” or “offer” price. For instance, EUR/USD quotes 1.3200/03, and then you can buy one Euro for 1.3203 USD.

Can the Emotions in Forex Trading “Go with your gut.”

When it comes to forex trading, that’s a trading strategy that is bound to lose you money – unless your gut is highly trained and impervious to emotion. The trick to making money in the currency exchange market is to avoid making emotional decisions and follow a carefully thought out strategy that takes the current market and history into account.

Forex trading is a highly volatile market. Emotions tend to run high – and low – and either of those extremes can influence your trading decisions, unless you have a strategy planned in advance, and stick to it, no matter what you THINK you’re seeing at the moment. The keys to success in Forex are *system*, *analysis* and *perseverance*. Note that emotion is not one of them. Going with your gut is a losing proposition in forex trading.

Letting your emotions rule your decisions can hurt your trading in several different ways. It’s the reason that most experienced traders tell novice traders that they need to develop a system – and stick to it no matter what. The system tells you when to buy, what to buy, when to trade and what to trade for. By sticking to your system even when you want to fly in the face of accumulated data, you’ll maximize your profits.

A system based on technical analysis of historical market trends is one of the most

potent tools that you can utilize if you're just getting started in forex trading – and many traders with years of experience continue to use their system to keep the profits rolling in. In fact, many will tell you that when their 'gut instinct' and their system collide, the system is almost always right.

The third key is *perseverance*. Analysis of trends in the market will show you that the market moves in dips and spurts within overall patterns that are predictable. No trend moves smoothly in an up or down line – there are inevitable periods of time when values suddenly spiral up or down based on some outside factor. These are the times when emotion can hurt your portfolio. When a currency that you're holding takes a sudden dip south, it's tempting to succumb to panic trading, cut your losses and run even if your system tells you to hold on. On the other hand, it's easy to catch the rising excitement as a trade starts increasing in value and scramble to buy more of the same. These are exactly the times to rely most heavily on your trading system. It will tell you exactly when to trade for maximum profit.

Using a mechanical system takes the emotion out of your trading, eliminating one of the key factors that people fail. Your system doesn't get stubborn about proving a theory. It isn't swayed by bad news, or elated by good news. It doesn't hold onto a bad trade hoping against hope that if it just holds on long enough, the

trend will turn around and become a moneymaker.

To be effective, your system – whether you develop your own or adopt one created by someone else – should identify the entry point of your trade, the exit point of your trade, mitigating factors, and an exit strategy. In laymen's terms that means:

- Under what conditions should I acquire a currency?

For instance, you may have a buy order for when a particular currency drops more than 5 pips because your analysis tells you that that's likely to be as low as it goes.

- Under what conditions should I trade that currency for another – and which one?

There are two reasons to exit – to maximize your profit, or minimize your loss. That means you have a set stop-loss order and a set take-profit order at which point to cash out your trade.

- What factors will I allow to change that decision?

If you're not careful, this is where emotion will sour deals for you. While the money market moves in predictable patterns, there are always individual variations of a trend within those patterns. If you've taken those variations into account, it will be far easier to decide when a factor really does make a difference, and when it's just wishful thinking.

- How will I trade out of a currency?

Your exit strategy may be as simple as ‘a stop-loss order when my loss hits 5% or a take-profit order when I’ll make 40% profit’.

By employing a system to tell you when to get in, out or stick, you’ll minimize the impact of your emotions on your trading and maximize your profit.

Failsafe Facts to Guarantee Failure in Forex Trading

Forex trading – it's one of the most exciting new 'games' in town. The stakes are variable enough that almost anyone can play, and the potential winnings are high enough to tempt even the most conservative into the running. There's something romantic and dashing about trading in money – a cachet that stock, bonds and mutual funds just don't have. With trillions of dollars changing hands everyday, it seems like everyone's got a fail-safe method that will make you rich overnight. Here are nine failsafe facts that will guarantee that you fail in forex trading.

1. There is a failsafe method to make money on every trade.
Just like there's no such thing as a free lunch, there's no such thing as a failsafe method. You WILL lose money on some trades, it's inevitable. Expecting to always win is a guarantee that you will hang on to trades long past the point that an experienced trader would have found an out.
2. You don't need to know anything about the market to make money in it.
Not knowing your playing field is a sure way to hit every bump and hole in it. It's not enough to read a few articles from your dealer. You need to make a concentrated effort to understand the forces that drive

the market so you'll know the best times to make a move.

3. You can play a winning game by making frequent trades with small profits.

If your goal is to make a few hundred dollars a day, you may be ahead of the game, but you're seriously limiting your profit potential. The only people getting rich on frequent tiny trades are the dealers taking commission on them.

4. You don't need a plan to make money in the currency market – making money IS a plan. Trading without a well-thought out plan is like jumping out of a plane without a backup chute. Your plan is what keeps your eye focused on your goal, and gets you through the inevitable losses. Currency trading isn't a short-term game, but most new traders (95%) quit within the first year because they didn't have a plan to follow.
5. If you stick with a losing trade long enough, it will turn around.

Sticking with a losing trade is a good way to lose more money. When a deal isn't going the way that you expected, it's hard to admit that you were wrong and get out – but it's the best way to avoid losing even bigger money. Winning on one trade isn't going to make you rich overnight. Consistently knowing when to get out – whether it's to cut your losses or grab your winnings – is the way to be a successful currency trader.

6. Where there's smoke, there's fire. Rumors are just that – rumors – 99% of the time. If you want to win at the game, base your trades on reality, not hearsay. On the

other hand, rumors can alert you to look at what's really happening and make a decision based on the movement that you see.

7. The more currencies you trade, the better your chances are of scoring a big profit.

The more you know about a currency, the easier it is to predict how and when it will move. The more intimately you understand the way it behaves, the better your chances are of consistently making successful trades in that currency. If you're trying to focus on too many different currencies, you'll be spreading yourself too thin to really get to know any one of them.

8. Thinking long-term and trading short-term is a sure way to make money in the long run.

That's one of those logical fallacies that sound good on the surface. Look at it more closely though. If you're trading in the short term, then you need to keep your eyes on the short term rather than trading to what you think the market will be in a week. Today is today – if you make your best trade today every day, you'll consistently be ahead of the game.

9. The way to make money in forex is to always have a trade in motion.

Sometimes there just isn't a trade that's going to profit you. Making a trade just to make a trade is a sure way to do yourself no good – and possibly a great deal of harm.

Mind Games – The Psychology of Forex Market Trading

When it comes to trading on the Forex market, winning is a matter of the mind rather than mind over matter. Any trader who's been in the game for any length of time will tell you that psychology has a lot to do with both your own performance on the trading floor and with the way that the market is moving. Playing a winning hand depends on knowing your own mind – and understanding the way that psychology moves the market.

Studying the psychology of the market is nothing new. It doesn't take a genius to understand that any arena that rides and falls on decisions made by people is going to be heavily influenced by the minds of people. Few people take into account all the various levels of mind games that motivate the market, though. If you keep your eye on the way that psychology influences others – including the mass psychology of the people that use the currency on a daily basis – but neglect to know what moves you, you're going to end up hurting your own position. The best Forex coaches will tell you that before you can really become a successful trader, you have to know yourself and the triggers that influence you. Knowing those will help you overcome them or use them. Are you saying 'Huh?' about now? Believe me, I understand. I felt the same way the first time that someone tried to explain how the mind games we play with ourselves

influence the trades and decisions that we make. Let me break it down into more manageable pieces for you.

Anything involving winning or losing large sums of money becomes emotionally charged.

All right. You've heard that playing the market is a mathematical game. Plug in the right numbers, make the right calculations and you'll come out ahead. So why is it that so many traders end up on the losing end of the market? After all, everyone has access to the same numbers, the same data, the same info – if it's math, there's only one right answer, right?

The answer lies in interpretation. The numbers don't lie, but your mind does. Your hopes and fears can make you see things that just aren't there. When you invest in a currency, you're investing more than just money – you make an emotional investment. Being 'right' becomes important. Being 'wrong' doesn't just cost you money when you let yourself be ruled by your emotions – it costs you pride. Why else would you let a loser ride in the hope that it will bounce back? It's that little thing inside your head that says, "I KNOW I'm right on this, dammit!"

Bottom line: You can't keep emotions out of the picture, but you can learn not to let them control your decisions.

To most people, being right is more important than making money.

Here's the deal. The way to make real money in the forex market is to cut your losses short and let your winners ride. In order to do that, you have GOT to accept that some of your trades are going to lose, cut them loose and move on to another trade. You've got to accept that picking a loser is NOT an indication of your self-worth, it's not a reflection on who you are. It's simply a loss, and the best way to deal with it is to stop losing money by moving on – and really move on. Moving on means you don't keep a running total of how many losses you've had – that's the way to paralyze yourself. This brings us to the next point:

**Losing traders see loss as failure.
Winning traders see loss as learning.**

Not too long ago, my twelve year old son told me that before Thomas Edison invented a working light bulb, he invented 100 light bulbs that didn't work. But he didn't give up – because he knew that creating a source of light from electricity was possible. He believed in his overall theory – so when one design didn't work, he simply knew that he'd eliminated one possibility. Keep eliminating possibilities long enough, and you'll eventually find the possibility that works.

Winning traders see loss in the same way. They haven't failed – they've learned something new about the way that they and the market work.

Winning traders can look at the big picture while playing in the small arena.

Suppose I told you that last year, I made 75 trades that lost money, and 25 that made money. In the eyes of most people, that would make me a pretty poor trader. I'm wrong 75% of the time. But what if I told you that my average loss was \$1000, but my average profit on a winning trade was \$10,000? That means that I lost \$75,000 on trades – but I made \$250,000, making my overall profit \$175,000. It's a pretty clear numbers game – but how do you keep on trading when you're losing in trade after trade? Simple – just remember that one trade does not make or break a trader. Focus on the trade at hand, follow the triggers that you've set up – but define yourself by what really matters – the overall record.

Ride the Wave – The Elliott Wave Theory for Forex Markets

One of the best known and least understood theories of technical analysis in forex trading is the Elliot Wave Theory. Developed in the 1920s by Ralph Nelson Elliot as a method of predicting trends in the stock market, the Elliot Wave theory applies fractal mathematics to movements in the market to make predictions based on crowd behavior. In its essence, the Elliot Wave theory states that the market – in this case, the forex market – moves in a series of 5 swings upward and 3 swings back down, repeated perpetually. But if it were that simple, everyone would be making a killing by catching the wave and riding it until just before it crashes on the shore. Obviously, there's a lot more to it.

One of the things that makes riding the Elliot Wave so tricky is timing – of all the major wave theories, it's the only one that doesn't put a time limit on the reactions and rebounds of the market. In fact, the theories of fractal mathematics makes it clear that there are multiple waves within waves within waves. Interpreting the data and finding the right curves and crests is a tricky process, which gives rise to the contention that you can put 20 experts on the Elliot Wave theory in one room and they will never reach an agreement on which way a stock – or in this case, a currency – is headed.

Elliot Wave Basics

□ Every action is followed by a reaction.

It's a standard rule of physics that applies to the crowd behavior on which the Elliot Wave theory is based. If prices drop, people will buy. When people buy, the demand increases and supply decreases driving prices back up. Nearly every system that uses trend analysis to predict the movements of the currency market is based on determining when those actions will cause reactions that make a trade profitable.

□ There are five waves in the direction of the main trend followed by three corrective waves (a "5-3" move).

The Elliot Wave theory is that market activity can be predicted as a series of five waves that move in one direction (the trend) followed by three 'corrective' waves that move the market back toward its starting point.

□ A 5-3 move completes a cycle.

And here's where the theory begins to get truly complex. Like the mirror reflecting a mirror that reflects a mirror that reflects a mirror, the each 5-3 wave is not only complete in itself, it is a superset of a smaller series of waves, and a subset of a larger set of 5-3 waves – the next principle.

□ This 5-3 move then becomes two subdivisions of the next higher 5-3 wave.

In Elliot Wave notation, the 5 waves that fit the trend are labeled 1, 2, 3, 4 and 5 (impulses). The three correcting waves are called a, b and c (corrections). Each of these

waves is made up of a 5-3 series of waves, and each of those is made up of a 5-3 series of waves. The 5-3 cycle that you're studying is an impulse and correction in the next ascending 5-3 series.

□ The underlying 5-3 pattern remains constant, though the time span of each may vary.

A 5-3 wave may take decades to complete – or it may be over in minutes. Traders who are successful in using the Elliot Wave theory to trade in the currency market say that the trick is timing trades to coincide with the beginning and end of impulse 3 to minimize your risk and maximize your profit.

Because the timing of each sequence of waves varies so much, using the Elliot Wave theory is very much a matter of interpretation. Identifying the best time to enter and leave a trade is dependent on being able to see and follow the pattern of larger and smaller waves, and to know when to trade and when to get out based on the patterns you identify.

The key is in interpreting the pattern correctly – in finding the right starting point. Once you learn to see the wave patterns and identify them correctly, say those who are experts, you'll see how they apply in every facet of forex trading, and will be able to use those patterns to trigger your decisions whether you're day trading or in it for the long haul.

Five Ways to Avoid Forex Scams

Whenever there is an opportunity to make large amounts of money, there will be people who are eager to jump right in and start making money. And where there are people who are eager to get rich quick with a minimum of effort on their part, there are fraudsters waiting to take their money. Experienced traders are wise enough to avoid the frauds – it's the new traders who are most vulnerable to the forex scams that are slipping into the currency exchange market.

The U.S. CFTC (Commodity Futures Trading Commission), which regulates futures and commodities trading, warns new investors to be wary of frauds and scams that promise huge profits from your investments, in and out of the Forex market. The CFTC has issued several Consumer Fraud Alerts in connection with foreign currency trading. They offer the following tips to help you avoid being scammed.

Be skeptical of high-profit-low-risk come-ons.

“I made \$1900 in one minute!” touts one sidebar ad for a Forex trading company. Ads that promise high returns on small investments with little or no risk to you are tempting bait. The fact is that while there are certainly big profits to be made in forex, there are correspondingly large losses. And most

novice traders drop out of active trading by the end of their first year because they can't afford the risk.

Be suspicious. Period.

Before you part with a penny, thoroughly check out the company or trader you're planning to do business with. Check the CFTC's consumer fraud alert page. Check to see if the company is registered with the CFTC, or is a member of the National Futures Association. Check to see if there's any disciplinary action against the firm or company. Get even more basic. Get a valid address and telephone number, and verify that it belongs to the company. Check to be sure the person you're dealing with actually works for the company. Especially if you're doing business on the Internet, it's very easy for a scammer to fake credentials.

Be wary of sending money over the Internet.

The Internet has made it incredibly easy for scammers to operate. It only costs \$6.95 a month to have a professional looking web site hosted – that's pennies a day to reach millions of potential marks. Before you part with credit card numbers, bank account transfer permissions or wire transfers, be sure to check out the company with all the authorities listed above.

Beware high pressure sales tactics.

Legitimate dealers don't need to contact you with unsolicited email, or pressure you into doing business with them. If someone is pushing you to invest right now, tonight, this moment, it should set off huge warning signals in your head. A real dealer is more concerned with keeping you as a customer for the long haul. He'll be patient while you check out his credentials and reputation. A phony dealer can't afford that luxury – he needs to get you on the hook right now, or risk losing his score.

Be cautious of companies that tell you they'll trade for you on the 'interbank' market.

The interbank market is a term for a loose network of currency traders that include banks, financial institutions and large corporations. Fraudulent currency trading firms often tell customers that they'll trade for them on the interbank market where the prices are better. It should be a warning signal to you to stay away.

While technically not 'scams', you should also be wary of paying good money for training courses that promise you systems that are 'guaranteed' to earn you high profits. If the course advertises that their system will earn you huge profits with minimal risk, or guarantee you 40% return on your money in six weeks, take the promises with a huge grain of

salt. Experienced traders understand that the forex market is a time market – while it's possible to make large amounts of money in short-term trades, finding those profitable trades is a matter of being in the right place at the right time... which means putting in the time and the effort to be there.

They also understand that they'll lose more often than they win – the trick is to keep your losses short and your profits long. Any company that guarantees that you'll make a profit on all or most of your profits is coloring their advertising. Stick with trusted companies whose credentials you can verify and whose background you can check.

Pivot Points in Forex – What They Are and How to Use Them

You may hear that one of the handier tools in a forex trader's toolbox is a pivot point calculator. Pivot points are one of the commonly used triggers for trading systems. If you're new to the forex market, though, you may be foggy on exactly what pivot points are and what they can mean to your trading.

In a nutshell, pivot points are exactly what they sound like – the point at which the market is expected to turn – if it's been going down, a pivot point is the value at which it will reverse the trend and begin to climb. If it's been rising, then the pivot point is where the sentiment of the traders will turn and begin a downward

trend. Obviously, being able to predict major movements in the money market is a valuable skill, since it hints at the where the market is moving and whether or not this is the time to trade or stick.

Pivot point trading is an especially popular method of mapping out a trading strategy. It was originally used by floor traders in the stock market who liked it because it allowed them to gauge where the market was heading with just a few simple bits of information and calculations. By knowing the high, low, opening and closing points from the previous day, they could calculate a point at which the market had ‘turned’ to head upward or downward. Pivot points can help predict where the market is going – and coupled with the resistance and support points, give you an idea how far in that direction it will go.

There are a number of ways to calculate the pivot points for the day, but the most common – and easiest – is to average the opening, closing and high points for the last day’s trading. There are other pivot points that can be calculated from those numbers as well. Before we talk about how to calculate them and what they mean, let’s define a few terms:

Pivot point – the point where the market reverses a current trend

Resistance – A high point in a market chart that recurs regularly. Generally, it’s the point where the market (or currency) will begin a downturn

Support – A low point in the market chart that recurs regularly. Generally, it's the point where the market (or currency) will begin to climb back up.

Traditionally, support and resistance points are difficult to break through. Most of the time as the numbers approach that level; there will be a slight rebound in the other direction. An interesting phenomenon is that once a resistance or support point is broken, it tends to switch sides – a broken resistance will often become a support for prices on the other side of the line.

The most common calculation for arriving at a pivot point is:

Pivot: $(\text{High} + \text{Close} + \text{Low})/3$

Resistance: $2 * \text{Pivot} - \text{Low}$

Support : $2 * \text{Pivot} - \text{High}$

USD/EUR Date:02/03/06 14:40
O=0.83174 H=0.83188 L=0.83167
C=0.83188

Given this data for Feb 3, 2006, the pivot points for Feb 4, 2006 would look like this:

Pivot: 0.83180

Resistance: 0.83193

Support: 0.83172

Those numbers give me some points on which to base my strategy for the day. If the market opens above the pivot point, it's a bull market,

and most advisors would go for long trades, since the direction of the market is up. If it opens below pivot, it's time to favor short trades and quick sales.

There are two common sales strategies using pivot, resistance and support points.

Breakout Trade: When a currency pair breaks through a resistance or support point, there's usually a surge of activity around it. Buy if the charts show a break through a resistance, sell if the rate drops below a support point.

Pullback Trade: When the exchange rate drops back from a high, most traders will buy, based on other information that's available. It's a tricky move, though, since the pullback could just be a temporary pause in the upward momentum, or the beginning of a downward rebound.

Using pivot points to inform your strategy in day trading is a complex subject. You'll find a great deal written about it by various gurus and experts. These basics can help you understand what you're reading from them.

Predicting Trends of the Oil Marketplace and Impact upon Forex Trading

Why should you worry about the price of oil if you're not buying and selling oil?

If you're trading currencies, there's one very good reason. Many of the most important currency trading pairs rise and fall on the price of a barrel of oil. The price of oil has been a leading indicator of the world economy for decades, and experts predict that that won't be changing any time soon. The connection between the price of oil and the economy of many countries is based on a couple of simple facts:

1. Countries with healthy supplies of crude oil benefit economy-wise from higher oil prices.
2. Countries who depend on imports for their energy needs benefit from lower oil prices and lose when oil prices rise.
3. When the economy of a country is strong, its currency is also strong in the forex market.
4. When the economy in a country takes a downturn, its currency loses value in the currency exchange rate.

The fluctuating oil prices of the past year – 2005 – are a good example of what can happen when factors affect the price and supply of oil.

Remember from basic economy courses that higher oil prices act to put the brakes on consumer spending. This will be true as long as the major source of oil for industrialized countries is petroleum based. The price of all goods produced hinges on the price of a barrel of oil. If the oil prices rise, so do production and supply prices for most consumer goods. In addition, the expenses of individual consumers rise as they pay more to fuel their automobiles and heat their homes. The net result is a downward swing in the economy of the country until it hits a rallying point that starts it back on an upward trend.

Experts who watch the oil market are split on which way oil prices are headed, and just how far. A little over a year ago, most pundits agreed that \$40 a barrel was the upper limit for a barrel of crude oil. At the year's beginning, oil had already broken that point, and was selling at \$42.50 a barrel. The vagaries of the weather, world politics and actual capacity to meet demands have fueled one of the most volatile pricing years in recent memory. At one point, the price of crude broke \$70 a barrel, an increase of 65% over the beginning of the year. And while prices dropped for a short period, at the end of the year, they were still 45% higher than at the beginning of the year. Since the turn of the year, prices have begun their climb again, and the majority of traders believe that we won't see a reversal of that trend in the near future. The conservative predict a price of \$80

per barrel. The more aggressive are calling it at \$100.

What will this mean for the currency trading market?

In the currency market, exchange rates are often predicated on the health of a country's economy. If the economy is robust and growing, the exchange rates for their currency reflect that in higher value. If the economy is faltering, the exchange rate for their currency against most other currencies also stumbles. Knowing that, the following makes sense:

1. The currency of countries that produce and export oil will rise in value.
2. The currency of countries that import most of their oil and depend on it for their exports will drop in relative value.
3. The most profitable trades will involve a country that exports oil vs. a country that depends on oil.

Based on those three points, the experts are keeping their eye on the CADJPY pairing for the most profitable trades, and here's why.

Canada has been climbing on the list of the world's oil producers for years, and is currently the ninth largest exporter of oil worldwide. Since the year 2000, Canada has been the largest supplier of oil to the U.S., and has been getting considerable attention from the

Chinese market. It's predicted that by 2010, China's import needs for oil will double, and match that of the U.S. by 2030. Currently, Canada is positioned to be the largest exporter of oil to China. This puts Canada's dollar in an excellent position from a trading perspective.

Japan, on the other hand, imports 99% of its oil. Their reliance on oil imports makes their economy especially sensitive to oil price fluctuations. If oil prices continue to rise, the price of Japanese exports will be forced to rise as well, weakening their position in the world market. Over the past year, there has been a close correlation with rises in oil prices and drops in the value of the yen.

If economy and history are to be heeded, the oil prices can't continue to rise indefinitely. Eventually, consumers will bite the bullet and start cutting their demand for oil and gas. When that happens, the price of oil will either stabilize, or start heading back down toward the \$40 a gallon that experts predicted it would never hit.

The Magical Correlation between Exchange Rate and Forex

Exchange rates. Euros, dollars, yen, marks, francs; Floating exchange rates, pips, points – the whole concept of the exchange rate can be a daunting one for a beginning trader. But understanding how exchange rates work and

how they affect forex markets is essential if you're going to last longer than the time it takes to make one /really/ bad trade. Get ready, get yourself your favorite soothing beverage, and let's dive in to the mysterious workings of the exchange rate. By the time you're done with your drink, you'll have a better understanding of the way the exchange rate works and how it affects the money you make in your trading.

What the heck is an exchange rate?

The exchange rate refers to the relative worth of one type of currency against another. To make it very simple for you, let's use an exchange rate with which you are already familiar – the exchange rate of dollars to dimes. Suppose you have 10 one dollar bills. You know that each of those dollar bills is worth 10 dimes. You could, if you wanted, go to the bank – or the corner store – and ask to exchange your 10 dollar bills for 100 dimes. The exchange rate would be expressed as $DOL/DIM=.10$ or $DIM/DOL=10$. In other words, you can exchange one dollar for 10 dimes or 10 dimes for one dollar.

The same holds true when you expand the definition to include foreign currencies. Instead of dollars and dimes, your dealing with Euros, yen, pounds and francs. $EUR/USD=1.1023$ means that each euro is worth \$1.1023 (yes, in forex we go to four decimal points because of the large volume of trading). In reverse, that would be expressed as $USD/EUR=.9071$. In other words, if you want to trade US dollars for

Euros, it will cost you \$1,102.30 to get 1000 Euros.

**But exchange rates move up and down!
How does that work?**

Let's go back to our dollars and dimes. Let's say that your corner store has decided that from now on, it will only accept payment in dimes. If you want to buy a gallon of milk there, your dollar bills are now worthless. In order to buy that gallon, you're going to have to find someone to give you 30 dimes for your three dollars. That works out just fine – until there's a shortage of dimes in the neighborhood. You go to your brother, whose been tossing all his change into a bucket for the last five years and tell him, "I'll give you three dollar bills for 27 dimes because I need \$2.70 to buy a gallon of milk."

You've just effectively changed the currency exchange rate from $DOL/DIM=.10$ to $DOL/DIM=.11$. That means every dollar is now worth 11 dimes instead of ten – and if you want to buy \$100 worth of dimes, you'll get 90 dimes, not 100.

The same thing happens in the international currency market. If you want to buy goods in Japan, you need to trade with Japanese money. If all you have is dollars, then you need to exchange your dollars for yen. If lots of people are trying to buy yen at the same time, then you're going to end up paying (exchanging) more dollars for less yen – and the products that you're buying cost you more.

So why would people want to buy more yen?

When a country's economy is strong, people know that they'll make more money if they invest in businesses and products in that country. In order to buy products or invest money there, they need to exchange their currency for that country's currency. If there's a rumor that a major industry in that country is about to fail, people will want to get out – and will start trading in their yen for dollars or Euros or Aussies – whichever is the best exchange rate you can get.

So it's all about supply and demand?

There are a couple of other factors that influence exchange rates. One of those is the interest rate. When you hold currency, you earn interest in that country's currency at their prevailing rate. If the interest rate is higher for yen than for dollars, then people will trade in their dollars for yen in order to earn a higher rate. A second factor is the inflation rate. When the inflation rate in a country is high, people don't want to hold that country's currency since the value of the money is going down. Likewise, if the inflation rate is low, people are more likely to want the country's currency because the value isn't expected to go down.

One other important factor in the exchange rate is trade with other countries. If world prices for a country's exports go up in relation to their imports, they'll be making more on what they sell than they are spending for what

they buy. You can see this most clearly in the price of oil. The US buys a large percentage of its oil from Canada. As the price of oil on the world market increases, the exchange rate of Canadian dollars to US dollars goes down – Canadian dollars become more valuable because the Canadian economy is growing stronger.

Obviously, there's far more to the intricacies of floating currency exchange rates, but this basic primer should help you understand some of the more complex writings on the subject.

The Bottomline on Day Trading

Day trading – no, it's not something that Bill Murray wished he had in *Groundhog Day*. It's a style of trading on the foreign currency exchange market in which a trader completes all his trades within a single day. In other words, he may make a few dozen – or more – trades in a day with the objective of buying and selling quickly and making a profit from the fluctuations in a currency exchange rate over the course of the day.

Sound complicated? Depending on the method or *system* that you use to pick your trades it can be. The idea behind day trading is that currency exchange rates are subject to fluctuations over the course of the day – they go up and down depending on who's buying, who's selling and what rumors are floating

around. In fact, day trading in the foreign currency market is probably the single segment of any type of stocks, currency or futures trading market most affected by rumors and real-time, real-world happenings. A savvy trader who is quick on his feet can roll up the profits by paying attention to what the current news is doing to the currency exchange rates.

The currency market, commonly referred to as the forex (short for Foreign Exchange), is the most liquid market in the world. The latest statistics say that daily trading on forex is in excess of \$1.3 trillion U.S. dollars. That makes forex the world's largest, most efficient market. A major part of the reason for the liquidity and volume of trade is the practice of day trading. The difference between day trading and other types of trading is in how long you hold your stocks (or in this case, your currency). In day trading, you hold nothing beyond the close of the day's market. Think of it as a game in which the object is to keep trading cards back and forth, increasing the value of your cards – but have no cards in your hand at the end of the day.

Of course, since the currency market is a 24 hour market, there really IS no market closing – so the rules change slightly. The currency market is open from Sunday afternoon to Friday afternoon, with trading going on all the time, so you can pick your times to trade rather than being locked into the Stock Exchange timetable.

How You Make Money in Day Trading

People will tell you that the difference between a day trader and an investor is the length of time that each holds onto their stocks. That's a superficial difference. The real difference is in the mindset of short-term vs. long-term and liquidity. An investor buys something that he believes will steadily increase in value, and holds onto it for the long haul. A day trader rides the minute fluctuations in the currency market minute by minute the way a surfer rides a wave. Because you're trading in lots of 100,000, a tiny fluctuation can mean a big profit – or a huge loss.

Limiting Loss in Day Trading

One of the hardest concepts for new traders to grasp is that of limiting loss. Let's say you make a trade for a currency that is heading down because you believe that it's near its support point – the point where it will rebound and start heading back up. Instead, it breaks the point and keeps heading down – you're losing money instead of making it. You have two choices – hold onto it because you KNOW it will start heading back up soon, or get rid of it and limit the amount of money you're going to lose. In day trading, the name of the game is limiting your losses and maximizing your wins – decide ahead of time just how much you'll allow each trade to lose before you sell it, and then **STICK TO YOUR LIMIT**. By the same token, decide how much profit you want to make, set a sell order for when the currency reaches that point – and sell when it hits the mark.

Know what you're doing.

Day trading on the forex is like any other business. The people who make money are the ones who take the time to learn the market and understand the ins and outs of the trades that they make. Those who jump in feet first without learning the terms, rules and trends of the forex market are priming themselves to lose – and lose big. Remember, there's no such thing as high profit potential without equivalent risk. Before you jump in, take a course in trading, or read read read all that you can.

Forex – A Fast Way to Make a Few Bucks

\$1.3 trillion; According to conservative estimates, that's the amount of currency that's traded on the Forex every single day. Trading on the Forex is one of the fastest growing money-making opportunities in the world. All it takes to start is a small investment (many dealers will start you off with as little as \$250), and some knowledge of the world markets and of trading. Oh. And, according to those that do it every day and make their living changing dollars to francs to yen and back, some common sense, some practicality and a lot of confidence are a big help.

Some background:

- 10 The Forex began in the 1970s with the introduction of free exchange rates and floating currencies. It's the open market where the world's currencies are exchanged and traded with few regulations. Because of the open nature of the market nearly anyone can trade and make money. The volume of trading and the enormous number of players make it almost impossible for any one trader to manipulate the market.
- 11 The Forex is open 24 hours a day, from Sunday evening to Friday evening, and there are always trades to be had. This makes it one of the most liquid and constantly moving markets in the world
- 12 Even though most transactions are made in lots of 100,000, marginal trading allows traders to start trading

with an investment of as little as \$250-500.

Marginal Trading

Marginal trading is both what makes trading on the foreign exchange market so possibly profitable – and its biggest risk. In a nutshell, trading on the margin is simply trading with borrowed capital. Depending on your dealer, you can purchase \$100,000 worth of currency for as little as \$500. If your trades are on target, you make a profit on the entire \$100,000 lot – minus dealer commission, of course. If, on the other hand, your trade ends up losing you money, you could end up being liable for far more than the \$500 you originally invested.

That's why one of the strongest bits of advice you'll hear from most experienced forex traders is 'Keep your eye on the margin' – or even more strongly, 'Don't ever trade on the margin'.

Here are some other important tips to keep in mind from forex traders on how to make quick money on the forex.

- 13 Buy low, sell high. That sounds like a 'doh!' moment, but there are many people who forget that the market runs in patterns of dips and rises. Keep your eye on the pattern and buy when the exchange rate dips, then sell when it peaks.

- 14 Be prepared to cut your losses. No one, no matter what they tell you, has a 100% profitable system. What they do have is the knowledge to get out of a trade before it goes further south. If you make a trade that decreases in value, decide ahead of time how much you can afford to lose. When you reach that low, sell. Don't hang on 'in case it turns around'.
- 15 Know the situation in the country whose currency you're trading. The economy and politics of a country have a profound effect on the exchange rate of its currency. Keep your ear to the ground and be prepared to move based on what you hear – because everyone else will.
- 16 Pick a system that works for you. System is what it's all about, according to traders who make money in the market. A system helps you decide in advance exactly how much you can afford to lose, and set stop/sell or buy orders based on those figures. Pick a system, live your system, and don't second-guess your system.
- 17 Always keep in mind the bottom line. Especially if you're day trading, you'll find that you lose at least as often as you win – but you can still come out ahead if you plan your strategy and system out in advance. By deciding in advance how much you can afford to lose in a trade, and when you should take your profits and cut them loose, you'll make a profit

even when most of your trades are losers.

- 18 Finally, take the time to EDUCATE YOURSELF before you jump in with both feet. Forex trading is like any other business. You can't make money if you don't know what you're doing. Study, read and practice – then go out there and make some money.