Forex Trading For

Beginners

"How to Start Trading Like the Pros *Without* Losing Your Shirt!"

FOREXSHORTCUTS.COM

Forex Trading For Beginners

by ForexShortCuts.com

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A Quick Word Before We Start...

Forex Trading is like golf...

A lot of people do it – but only a *select few* can play it with any kind of skill. **Or consistency.**

And, like golf, it's a tough "game" at the best of times. Every shot counts – and the landscape can be <u>very unforgiving</u>. And that's almost too simplistic an example – golf may be difficult to master, but at least it's not a volatile environment.

Forex *is* volatile. Things can happen fast. **You can lose *your money* – FAST.**

Or – if you know what you're doing, you can make money *fast* as well. It's just that getting to that point can take literally years of diligent practice, training and experience in general.

The bottom-line is that this isn't a get-rich-quick strategy. Go join the latest MLM craze if you're looking for "insta-wealth".

Yes, some have made *millions* when they started out with a mere pittance in capital outlay – solely from forex trading. Maybe that will be your story. **Statistically speaking, though, the chances of that <u>aren't too good</u>.** It's a rare few who've developed a system capable of such – and stuck to it with the necessary discipline to compound their profits over and over again in order to make "real" money.

Why such a negative outlook?

Isn't this kind of a *dreary* way to start out a beginner's guide to trading Forex?

Yes, it is, actually. But it's important that I paint an **accurate, realistic picture** in your mind so that you can approach this like a calculated, profit-minded business-person who's focused on averaging more profitable trades than losses.

Not a cash-crazed opportunist who's only real concern is big houses, fancy cars, private jets, etc. Now – that said – **I think you'll be very excited** about what I have to say about <u>realistic results</u> from forex trading on the next page...

I've made it clear that Forex Trading is a difficult endeavor to succeed with.

There are *hundreds of thousands* of factors at work at any given moment that affect the currency prices, and getting into a trend before it starts and getting out before it tanks isn't just a skill – **it's a science.**

And normally, this would take you *years* of practice, **losses** and likely a lot of frustration before you developed an accurate sense of how to identify or predict market conditions *confidently enough* to profit from them consistently.

But the key word there is **normally**...

Thanks to today's technology (and good ol' capitalism), the tables have turned. You can **realistically** make a consistent profit every month from forex trading *even* if you're a total and complete newbie.

How?

By using **Forex Trading Systems** developed by successful traders. You simply follow along and trade based on their pre-set conditions (if "A = B, then C") - or let their trading management programs trade *for* you. This is a new development that's **only been possible recently** due to the emergence of high-speed internet and trading software titles that are adaptable to 3rd-party programs.

The good, reputable trading systems are tested, backtested and re-tested continually to ensure that they're producing a *consistent* win percentage. **Meaning that you can literally know nothing and still turn a profit if you follow a good system letter by letter.**

But a word of warning:

There's a lot of hacks, scam-artists and "marketers turned forex traders" out there hawking alleged trading systems, expert advisor programs and software that can supposedly make money for you (while you sleep, of course). And obviously, many have been suckered by the clever marketing **and the results are horrific, sometimes financially devastating...**

That's why you need to make sure that you only invest in a trading system that's been developed by someone who's a forex trader FIRST – and internet marketer *second*. **You can see our top rated Forex Trading System right here >>**

If you've printed out this ebook, then you can see our recommended Forex trading system by typing in the following web address:

http://www.forexshortcuts.com/toprated.php

My personal suggestion is to check out that trading system right now, bookmark it and then consider demo-trading it after you're finished reading this book.

You *always* want to test any trading system with virtual funds in your demo account before trading actual capital. My suggestion is to demo-trade the system on a daily basis for at least two weeks – and keep in mind that our top trading system offers an 8-week "either it makes you a profit or your money back" guarantee, so **the only thing at risk is your time** if you test it on a demo account.

Using a reputable trading system is about **the only forex "shortcut" that exists**. It's the only exception to an otherwise very difficult (yet potentially rewarding) form of investment.

Now let's cover the basics of forex trading – taking a look at what forex is, how it works and why some earn fortunes (while most actually *lose* money)...

Introduction

If you were wondering; **forex trading is nothing more than direct access trading of different types of foreign currencies**. In the past, foreign exchange trading was mostly limited to large banks and institutional traders however; recent technological advancements have made it so that small traders can also take advantage of the many benefits of forex trading just by using the various online trading platforms to trade.

The currencies of the world are on a floating exchange rate, and they are always traded in pairs Euro/Dollar, Dollar/Yen, etc. About 85 percent of all daily transactions involve trading of the major currencies.

Four major currency pairs are usually used for investment purposes. They are: Euro against US dollar, US dollar against Japanese yen, British pound against US dollar, and US dollar against Swiss franc. Right now I will show you how they look in the trading market: EUR/USD, USD/JPY, GBP/USD, and USD/CHF. As a note you should know that no dividends are paid on currencies.

If you think one currency will appreciate against another, you may exchange that second currency for the first one and be able to stay in it. In case everything goes as you plan it, eventually you may be able to make the opposite deal in that you may exchange this first currency back for that other and then collect profits from it.

Transactions on the FOREX market are performed by dealers at major banks or FOREX brokerage companies. FOREX is a necessary part of the world wide market, so when you are sleeping in the comfort of your bed, the dealers in Europe are trading currencies with their Japanese counterparts.

Therefore, it is reasonable for you to believe that the FOREX market is active 24 hours a day and dealers at major institutions are working 24/7 in three different shifts.

Clients may place take-profit and stop-loss orders with brokers for overnight execution.

Price movements on the FOREX market are very smooth and without the gaps that you face almost every morning on the stock market. The daily turnover on the FOREX market is somewhere around $1.2 trillion, so a new investor can enter and exit positions without any problems.

The fact is that the FOREX market never stops, even on September 11, 2001 you could still get your hands on two-side quotes on currencies. The currency market is the largest and oldest financial market in the world. It is also called the foreign exchange market, FX market for short. It is the biggest and most liquid market in the world, and it is traded mostly through the 24 hour-a-day inter-bank currency market.

When you compare them, you will see that the currency futures market is only one per cent as big. Unlike the futures and stock markets, trading currencies is not centered on an exchange. Trading moves from major banking centers of the U.S. to Australia and New Zealand, to the Far East, to Europe and finally back to the U.S. it is truly a full circle trading game.

In the past, the forex inter-bank market was not available to small speculators because of the large minimum transaction sizes and strict financial requirements.

Banks, major currency dealers and sometimes even very large speculator were the principal dealers. Only they were able to take advantage of the currency market's fantastic liquidity and strong trending nature of many of the world's primary currency exchange rates.

Today, foreign exchange market brokers are able to break down the larger sized inter-bank units, and offer small traders like you and me the opportunity to buy or sell any number of these smaller units. These brokers give any size trader, including individual speculators or smaller companies, the option to trade at the same rates and price movements as the big players who once dominated the market.

As you can see, the foreign exchange market has come a long way. Being successful at it can be intimidating and difficult when you are new to the game. Let this be your comprehensive guide to being successful in the forex market.

Chapter Summary:

- Forex investing was normally reserved solely for banks and the very wealthy due to the large minimum transaction requirements. Recent advancements in technology have made it possible for anyone to trade forex.
- Forex is the largest and oldest market in the world, with an average daily turnover of approximately $1.2 trillion
- The Forex market is active 24 hours a day

Why Trade FOREX?

The cash/spot FOREX markets possess certain unique attributes that offer an unmatched potential for profitable trading in any market condition or any stage of the business cycle. It leaves one to wonder why bother? The answer to that is very simple. It boasts:

A 24-hour market: A trader has the chance to take advantage of all of the profitable market conditions at any time which means that there is no waiting for the 'opening bell' like the exchange.

Highest liquidity: The FOREX market is the most liquid market in the world. That means that a trader can enter or exit the market whenever they want during almost any market condition minimal execution barriers or risk and no daily trading limit.

High leverage: A leverage ratio of up to 400 is normal when compared to a leverage ratio of 2 (50% margin requirement) in the equity markets. Of course, this makes trading in the cash/spot forex market awkward a swell because it makes the risk of the down side loss much higher in the same way that it makes the profit potential on the upside much prettier.

Low transaction cost: The retail transaction cost (the bid/ask spread) is actually less than 0.1% (10 pips) under the normal market conditions. At larger dealers, the spread could be less than 5 pips, and may expand a great deal in fast moving markets.

Always a bull market: A trade in the FOREX market means selling or buying one currency against another. In essence, a bull market or a bear market for a currency is defined in terms of the outlook for value against other currencies. If the outlook is positive, you get a bull market where a trader profits by buying the currency against other currencies. However, if the outlook is negative, we have a bull market for other currencies and a trader profits being forced to selling the currency against other currencies.

In either case, there is always a bull market trading opportunity for a trader.

Inter-bank market: The foundation of the FOREX market consists of a global network of dealers that communicate and trade with their clients through electronic networks and telephones. There are no organized exchanges like in futures that are there to serve as a central location to facilitate transactions the way the New York Stock Exchange serves the equity markets.

The FOREX market actually works a lot like the way the NASDAQ market in the United States operates, and because of this, it is also referred to as an over the counter or OTC market.

No one can corner the market: The FOREX market is so large and has so many participants that no single trader, even a central bank, can control the market price for an extended period of time. Even when interventions are conducted by mighty central banks are getting to be increasingly ineffectual and short-lived. This means that central banks are becoming less and less inclined to intervene to manipulate market prices.

It is Unregulated: The FOREX market is seen as an unregulated market although the operations of major dealers like commercial banks in money centers are regulated under the banking laws.

The daily operations of retail FOREX brokerages are not regulated under any laws or regulations that are specific to the FOREX market, and in fact, many of these types of establishments in the United States do not even report to the Internal Revenue Service.

The currency futures and options that are actually traded on exchanges like Chicago

Mercantile Exchange (CME) are under the regulation in the same manner that other exchange-traded derivatives are regulated.

There are many different advantages to trading forex instead of futures or stocks, such as:

1. Lower Margin

Just like futures and stock speculation, a forex trader has the ability to control a large amount of the currency basically by putting up a small amount of margin. However, the margin requirements that are needed for trading futures are usually around 5% of the full value of the holding, or 50% of the total value of the stocks, the margin requirements for forex is about 1%. For example, margin required to trade foreign exchange is $1000 for every $100,000.

What this means is that trading forex, a currency trader's money can play with 5-times as much value of product as a futures trader's, or 50 times more than a stock trader's.

When you are trading on margin, this can be a very profitable way to create an investment strategy, but it's important that you take the time to understand the risks that are involved as well.

You should make sure that you fully understand how your margin account is going to work. You will want to be sure that you read the margin agreement between you and your clearing firm. You will also want to talk to your account representative if you have any questions.

The positions that you have in your account could be partially or completely liquidated on the chance that the available margin in your account falls below a predetermined amount.

You may not actually get a margin call before your positions are liquidated.

Because of this, you should monitor your margin balance on a regular basis and utilize stop-loss orders on every open position to limit downside risk.

2. No Commission and No Exchange Fees

When you trade in futures, you have to pay exchange and brokerage fees. Trading forex has the advantage of being commission free. This is far better for you. Currency trading is a worldwide inter-bank market that lets buyers to be matched with sellers in an instant.

Even though you do not have to pay a commission charge to a broker to match the buyer up with the seller, the spread is usually larger than it is when you are trading futures.

For example, if you are trading a Japanese Yen/US Dollar pair, forex trade would have about a 3 point spread (worth $30). Trading a JY futures trade would most likely have a spread of 1 point (worth $10) but you would also be charged the broker's commission on top of that. This price could be as low as $10 in-and-out for self-directed online trading, or as high as $50 for full-service trading. It is however, all inclusive pricing though.

You are going to have to compare both online forex and your specific futures commission charge to see which commission is the greater one.

3. Limited Risk and Guaranteed Stops

When you are trading futures, your risk can be unlimited. For example, if you thought that the prices for Live Cattle were going to continue their upward trend in December 2003, just before the discovery of Mad Cow Disease found in US cattle.

The price for it after that fell dramatically, which moved the limit down several days in a row. You would not have been able to leave your position and this could have wiped out the entire equity in your account as a result. As the price just kept on falling, you would have been obligated to find even more money to make up the deficit in your account.

4. Rollover of Positions

When futures contracts expire, you have to plan ahead if you are going to rollover your trades. Forex positions expire every two days and you need to rollover each trade just so that you can stay in your position.

5. 24-Hour Marketplace

With futures, you are generally limited to trading only during the few hours that each market is open in any one day. If a major news story breaks out when the markets are closed, you will not have a way of getting out of it until the market reopens, which could be many hours away.

Forex, on the other hand, is a 24/5 market. The day begins in New York, and follows the sun around the globe through Europe, Asia, Australia and back to the US again. You can trade any time you like Monday-Friday.

6. Free market place

Foreign exchange is perhaps the largest market in the world with an average daily volume of US$1.4 trillion. That is 46 times as large as all the futures markets put together! With the huge number of people trading forex around the globe, it is very hard for even governments to control the price of their own currency.

Forex trading is simply a great alternative to futures and commodities trading. Unless you are a broker, you will likely want to get some help in forex trading to help ensure that your venture is successful. As with all trading, there are always some risks involved, but if you follow this comprehensive to successful forex trading, the whole process should be much easier. Let’s get started!

Chapter Summary:

- Forex is appealing overall as a high-leverage, high-risk investment environment where large-scale profits are possible in short periods of time
- Forex is live for 24 hours a day, 5 days a week, leaving more time and flexibility to trade in comparison to futures or stocks
- Risks can be minimized with stop-loss rules and other similar exit strategies

Getting Started

When it comes to getting started in forex trading, there are quite a few things that you have to consider first. The first thing that you need to do is to find and choose the right broker to help you in making your trades.

When you are choosing a Broker you need to know that there are many FOREX brokers to choose from, just as in any other market. Here are some things that you need to look for in making your choice:

Low Spreads

The spread, which is calculated in pips, is the difference between the price at which a currency can be bought and the price at which it can be sold at any specific point in time. FOREX brokers don't charge a commission, so this difference is how they are going to make money.

When you are comparing brokers, you will find that the difference in spreads in FOREX is as large as the difference in commissions in the stock arena. What this means is that lower spreads will save you money and therefore, look for a broker that offers low spreads.

Quality of the Institution

Unlike equity brokers, FOREX brokers are usually attached to large banks or lending institutions because of the large amounts of capital that is required. Also, FOREX brokers should be registered with the Futures Commission Merchant (FCM) as well as regulated by the Commodity Futures Trading Commission (CFTC).

You can find this and other financial information and statistics about a FOREX brokerage on the company’s website or the website of its parent company. You will want to make sure that your broker is backed by a reliable institution.

Extensive Tools and Research
FOREX brokers offer many different trading platforms for their clients just like brokers in other markets do. These different trading platforms often show real-time charts, technical analysis tools, real-time news and data, and even support for the various trading systems.

Before you commit to any one broker in specific, you will need to be sure to request free trials so that you can test their different trading platforms. Brokers usually provide technical as well as fundamental commentaries, economic calendars, and other research as a means of assisting you. Basically, you will want to find a broker who will give you everything that you need to succeed.

A Variety of Leverage Options
Leverage is a key necessity in FOREX trading because the price deviations (the sources of profit) are just set at mere fractions of a cent. Leverage, which is expressed as a ratio between total capitals that is available to actual capital, which is the amount of money a broker will lend you for trading.

For example, when you have a ratio of 100:1, this means that your broker would lend you $100 for every $1 of actual capital. Many brokerage firms will offer you as much as 250:1.

Of course, you need to remember that lower leverage also means lower risk of a margin call, but it also means that you will get a lower bang for your buck (and vice-versa). Basically if you have limited capital, you need to make sure that your broker offers high leverage.

If capital is not a problem, you can rest assured that any broker that has a wide variety of leverage options should suffice. A variety of options lets you vary the amount of risk you are willing to take. For example, less leverage (and therefore less risk) may be preferable if you are dealing with highly volatile (exotic) currency pairs.

Account Types

Many brokers will offer you two or more types of accounts. The smallest account is known as a mini account and it requires you to trade with a minimum of maybe $300.

This offers you a high amount of leverage (which you need in order to make money with so little initial capital). The standard account allows you to trade at a variety of different leverages, but it also requires a minimum initial capital of $2,000 to get you started.

Lastly, there are premium accounts, which often require significant amounts of capital to get you started. It also lets you use different amounts of leverage and often offer additional tools and services. You will need to make sure that the broker you choose has the right leverage, tools, and services that are relevant to the amount of capital that you are able to work with.

Chapter Summary:

- Leverage is an important factor if you have low initial capital to work with
- Look for reputable firms with low spreads

Brokers That You Need to Avoid

Just like there are brokers that you want, there are also brokers that you will want to stay away from. For example brokers who are prone to prematurely buying or selling near preset points (commonly referred to as sniping and hunting) are trifling things that are committed by brokers who only seek to increase profits.

Obviously, no broker would actually admit to doing this, but there are ways to know if a broker has committed this offense.

Unfortunately, the only way that you can really determine which brokers do this and which brokers don't is to talk to fellow traders. There is no actual list or organization that reports this kind of activity. The point here is that you have to talk to others in person or visit online discussion forums to find out who is an honest broker.

Strict Margin Rules

When you are trading with borrowed money, your broker should have a say in how much risk you are able to take. With this in mind, your broker can buy or sell at its discretion, which can be a really bad thing for you.

Let's just say that you have a margin account, and your position takes a headlong nosedive before it begins to rebound to all-time highs. Even if you have enough cash to cover it, some brokers will liquidate your position on a margin call at that low. This action on their part can cost you dearly. You talk to others in person or visit online discussion forums to find out who the honest brokers are.

Signing up for a FOREX account is a great deal like getting an equity account. The only major difference is that, for FOREX accounts, you are obligated to sign a margin agreement.

This agreement basically says that you are trading with borrowed money, and, because of this the brokerage firm has the right to interfere with your trades in order to protect its interests. Once you sign up, all you have to do is fund your account and you'll be ready to trade right away.

Chapter Summary:

- Ask other traders (on forex forums or web communities) about who to use as a broker.
- Pay close attention to anything you sign, especially regarding margin rules

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Basic FOREX Strategy

Technical analysis and fundamental analysis are the two basic areas of strategy in the FOREX market which is the exact same as in the equity markets. However, **technical analysis** is by far the most common strategy that is used by individual FOREX traders. Here is a brief overview of both forms of analysis and how they directly apply to forex trading:

Fundamental Analysis

If you think it's hard enough to value one company, you should try valuing a whole country instead. Fundamental analysis in the forex market is often an extremely difficult one, and it's usually used only as a means to predict long-term trends. However it is important to mention that some traders do trade short term strictly on news releases. There are a lot of different fundamental indicators of the currency values released at many different times. Here are a few of them to get you started:

- Non-farm Payrolls
- Purchasing Managers Index (PMI)
- Consumer Price Index (CPI)
- Retail Sales
- Durable Goods

You need to know that these reports are not the only fundamental factors that you have to watch. There are also quite a variety of meetings where you can get some quotes and commentary that can affect markets just as much as any report. These meetings are often brought out to discuss any interest rates, inflation, and other issues that have the ability to affect currency values.

Even changes in how things are *worded* when addressing certain issues such as the

Federal Reserve chairman's comments on interest rates; can cause a volatile market. Two important meetings that you have to watch out for are the Federal Open Market Committee and Humphrey Hawkins Hearings.

Just by reading the reports and examining the commentary, it can help FOREX fundamental analysts to get a better understanding of any and all long-term market trends and also to allow short-term traders to be able to profit from extraordinary happenings. If you do decide to follow a fundamental strategy, you will want to be sure to keep an economic calendar handy at all times so you know when these reports are released. Your broker may also be able to provide you with real-time access to this kind of information.

Technical Analysis

Just like their counterparts in the equity markets, technical analysts of the FOREX trading market analyze price trends. The only real difference between technical analysis in FOREX and technical analysis in equities is the time frame that is involved in that FOREX markets are open 24 hours a day.

Because of this, some forms of technical analysis that factor in time have to be modified so that they can work with the 24 hour FOREX market. Some of the most common forms of technical analysis used in FOREX are:

- The Elliott Waves
- Fibonacci studies
- Parabolic SAR
- Pivot points

A lot of technical analysts have a tendency to combine technical studies to make more accurate predictions on your behalf. (The most common method for them is combining the Fibonacci studies with Elliott Waves.) Others prefer to create **trading systems** in an effort to repeatedly locate similar buying and selling conditions.

Using a profitable trading system with a demo account for a few weeks is a great way to get an accurate “feel” for Forex Trading – without risking any of your own money!

Chapter Summary:

- Leverage is an important factor if you have low initial capital to work with
- Look for reputable firms with low spreads

Demo-Trade This System To See For Yourself Why It's Our Top-Recommendation:

Forex Autopilot System >>

Choosing Your Strategy

Most successful traders will develop a strategy and perfect it over a specific period of time. Some people will focus on one particular study or calculation, while still some others use broad spectrum analysis as a means of determining their trades. **Most experts would likely suggest that you try using a combination of both fundamental and technical analysis, with which you can make long-term projections and also determine entry and exit points.** Of course, in the end, it is the individual trader who has to decide what works best for him.

When you are ready to get started in the FOREX market, you should **open a demo account** **and paper trade so that you can practice until you can make a consistent profit.** Many people who fail have a tendency to jump into the FOREX market and quickly lose a lot of money because of a lack of experience. It is important to take your time and learn to trade properly before you start committing capital.

You also need to be able to trade without emotion. You can't keep track of all stop-loss points if you don't have the ability to execute them on time. You must always set your stop-loss and take-profit points to execute automatically, and don't change them unless you absolutely have to. Make your decisions and stick to them. **Otherwise you will drive yourself (and your brokers) crazy.**

You should also realize that you need to follow the trends. If you go against the trend, you are just messing with your money because the FOREX market tends to trend more often than anything else and you will have a higher chance of success in trading with the trend.

The FOREX market is the largest market in the world, and every day people are becoming increasingly interested in it. But before you begin trading, make sure your broker meets certain criteria, and take the time to find a trading strategy that works for you.

Chapter Summary:

- Choose a system and stick to it adamantly to test for profitability – don't just whimsically trade.
- Following trends is safer than betting against them.

Want to Spot Trends BEFORE They Form?

Understanding Forex Spreads

Forex is always priced in pairs between two different types of currencies. When you make a trade, you have to buy one currency and sell another at the same time. If you want to exit the trade, you must buy/sell the opposite position. For example, when you think the price of the Euro is going to rise against the US Dollar. In order for you to enter a trade, you will have to buy Euros and sell US Dollars.

If you want to leave the trade, you will have to sell Euros and buy back US Dollars. You will be hoping that you were right in your guess and that the exchange rate for EU/USD has actually risen, which means that you will get more Euros back than when you bought them, which is how you will make a profit.

These days just about every forex broker is claiming to have the tightest spreads in the industry. **But marketing does have the ability to be deceiving.** The topic of spreads in the forex spot market is very complicated and often not easy to understand. However, *nothing* affects your trading profitability more.

Spreads are the biggest factor in your trading profits next to skill.

First of all in order to understand the spread, you need to know what it is. A spread is the difference between the ask price (the price you buy at) and the bid price (the price you sell at) that is quoted in the pips. If the quote between EUR/USD at a given moment is 1.2222/4, then the spread equals 2 pips. If the quote is 1.22225/40, then the spread is going to equal 1.5 pips.

The spread is how brokers make their money. Wider spreads will result in a higher asking price and a lower bid price. The consequence to this is that you have to pay more when you buy and get less when you sell, which makes it more difficult to realize a profit

Brokers generally don’t earn the full spread, especially when they hedge client positions. The spread helps to compensate for the market maker for taking on risk from the time it starts a client trade to when the broker's net exposure is hedged (which could possibly be at a different price).

Spreads are important because they affect the return on your trading strategy in a big way. As a trader, your sole interest is buying low and selling high (like futures and commodities trading). Wider spreads means buying higher and having to sell lower. A half-pip lower spread doesn't necessarily sound like much, but it can easily mean the difference between a profitable trading strategy and one that isn’t profitable.

The tighter the spread is the better things are going to be for you. However tight spreads are only meaningful when they are paired up with good execution. Quality of execution will decide whether you actually receive tight spreads. A good example of this is when your screen shows a tight spread, but your trade is filled a few pips to your disadvantage or is mysteriously rejected.

When this occurs repeatedly, it means that your broker is showing tight spreads but is effectively delivering wider spreads. Rejected trades, delayed execution, slipping, and stop-hunting are strategies that some brokers use to get rid of the promise of tight spreads.

Spreads should always be considered in conjunction with depth of book. Oddly enough, when it comes to economies of scale, forex doesn't even act like most other markets. On the inter-bank market, for example; the larger the ticket size, the larger the spread is. So when you see a 1-pip spread on an ECN platform, you have to wonder if that spread valid for a $2M, $5M or $10M trade, which it probably isn’t. In many cases, the tight spread that is offered applies only to a capped trade sizes that are very inadequate for most of the common trading strategies.

Spread policies change a great deal from broker to broker, and the policies are often difficult to see through. This certainly makes comparing brokers much more difficult. Some brokers actually offer fixed spreads that are guaranteed to remain the same regardless of market liquidity. But since fixed spreads are traditionally higher than average variable spreads, you are paying an insurance premium during most of the trading day so that you can get protection from short-term volatility.

Other brokers offer traders variable spreads depending on market liquidity. Spreads are tighter when there is good market liquidity but they will widen as liquidity dries up. When it comes to choosing between fixed and variable rates, the choice depends on your individual trading pattern. If you trade primarily on news announcements that you hear, you may be better off with fixed spreads. But only if quality of execution is good.

Some brokers have different spreads for different clients based on their accounts. For example; those clients that have larger accounts or those who make larger trades may receive tighter spreads, while the clients that are referred by an introducing broker might receive wider spreads in order to cover the costs of the referral. Some offer the same spreads to everyone.

Problems can come up when you are trying to learn about a company's spread policy because this information, along with information on trade execution and order-book depth is rather difficult to get. Because of this, many traders get caught up in all of the promises they hear, and take a broker's words at face value. This can be dangerous. **The only real way to find out is to try out various brokers or talk to those who have.**

Chapter Summary:

- Spreads are complicated, but they directly effect your profits. Take the time to shop around.

Successful Trading Tips

There is no doubt that trading requires more than a few quick tips for success. You need experience, fortitude, capital and, **above all, a solid trading system**.

However, for the average beginner and those who perhaps are losing their focus because of significant draw-downs, keeping things simple can help to introduce much needed focus into your trading.

To that end, here are some tips that you can use for trading that can help you get a handle on these exciting markets:

1. Never add to a position that is losing.

2. Always determine a stop and a profit objective before you start entering a trade. Place stops that are based on market information, and not your account balance. If a "proper" stop is too expensive, it isn't worth it to make the trade.

3. Remember the power of a position. You should never make a market judgment when you have a position.

4. Your decision to exit a trade means that you are able to perceive changing circumstances. You shouldn't think you can pick a price, exit at the market.

5. In a Bull market, you never want to sell a dull market, in Bear market, you should certainly never buy a dull market.

6. There are times, due to a lack of liquidity, or excessive volatility, when you should not trade at all.

7. Trading systems that work in an up market may not work in a down market. It is good to know this and remember it.

8. There are at least three types of markets like up trending, range bound, and down trading, and you should have a different trading strategy for each.

9. Up market and down market patterns are ALWAYS there, and it is only that one is always more dominant. In an up market, for example, it is very easy to take sell signal after sell signal, only to be stopped repeatedly. Select trades that move along with the trend.

10. A buy signal that fails is really just a sell signal. A sell signal that fails is a buy signal.

11. It's always easier to enter a losing trade.

12. During the blowout stage of the market, up or down, the risk managers are usually issuing margin call position liquidation orders. They don't generally check the screen for overbought or oversold; they just keep issuing liquidation orders. It is best to make sure that you don't stand in the way.

13. It's good to be superstitious; in that you shouldn't trade if something bothers you.

14. Buy the news that you hear, sell the factual news.

15. News is only important when the market doesn't react in the direction of the news.

16. It helps for you to read today's paper tomorrow. When you read yesterday's paper each day with the knowledge of what the market already did, it will remind you that what happened yesterday has nothing to do with what will happen today.

17. You should never enter a new trade in the direction of a gap. Never let the market make you make a trade.

18. The first and last tick are always the most expensive. Get in late and out early.

19. When everyone else is in, it's time for you to get out.

20. Never trade when you are sick.

21. You should only change your unit of trading under a plan of attained goals. You should also have a plan for reducing size when your trading is cold or market volume is down.

22. Confidence is a bad thing. Remember, you really don't know anything unless you are a broker. You need to expect the unexpected. Always know your position and exit your trade immediately whenever you feel uneasy.

23. Measure yourself by profitable consecutive days and not by individual trades.

24. The best way to break a streak of consecutive loses is to not trade for a day.

25. Don't stop trading when you're on a 'winning streak'. At the same time, however, stick to your stop-loss rules and money-management strategy, and don't think that luck has anything to do with it. Your trading system may simply be having an optimal time-period.

26. Don't turn three losing trades in a row into six in a row. When you're off, turn off the screen, do something else. Sticking in when you are loosing is just silly.

27. Scalpers reduce the number of variables effecting market risk by being in a position only for a few seconds. Day traders reduce market risk by being in trades for minutes.

28. If you convert a scalp or day trade into a position trade, technically you did not consider the risks of the trade properly.

29. You should not worry about a missed opportunity. There is always another one just around the corner.

30. If you look for secrets in the market you will only find things that no one cares about. It is better to use the tools, which will be covered in the next section.

31. Never ask for someone else's opinion, they probably did not do as much homework as you did anyways.

32. When the market is going up, you should say it aloud. When the market is going down, you want to say that aloud too. The reason for this is that you'd be amazed at how hard it is to say what is literally going on in front of you when your mind is full of preconceived opinions.

33. Successful day trading requires flexibility. You have to do your homework so that you can understand the full potential for both sides of the market. This will allow you to make your trades based on what the market is doing at the time of the trade.

34. Here is a quote that would be good for you to remember: "When you wake up, your instincts are wrong."

35. When you make a mistake of discipline, whine like a fool to anyone that will listen. Any errors that are made in discipline are mistakes you will keep on making for many years. Wearing ashes and sack cloth may help you to extend the time before you do it again.

36. If you whined or got fidgety while you read this list, then you share two obvious characteristics with many other traders:

A. You have traded long enough to recognize that you (not the market) make mistakes, and you try to overcome them.

B. This fact is awkward, you have become part of the market and you can never leave. No matter where life takes you, you will always check the market and you will also always want to continue being a part of it.

1. **For small accounts ($25,000 and under), like I said before you need to trade with the trend.** Many beginners look for trades that flow in any direction. While forex trading easily permits bi-directional trading, trading in the direction of the trend improves your odds over the long run.

2. **You should have at least two accounts.** One real account and the other a demo account. Learning doesn't stop when trading real dollars begins. Keep the demo account and use it to test any alternative trades etc. For example, you can shadow your real trades with identical ones in your demo account, but you will want to widen your stops in the demo in an effort to see if you're being too conservative.

3. **You have to stop looking for leading indicators because there aren't any.** While some firms make a lot of money selling software that predicts the future, the reality is that if those products really worked, they wouldn't be telling you about it.

4. **Examine the daily charts, the four-hour charts and one-hour charts are**

there to assist you in timing your trades. While you are trading at 30- and 15-minute time increments, it takes a great deal of dexterity.

5. **Don't trade the time frame that is offered.** Trade the pattern instead. Reversal patterns, hesitation patterns and breakout patterns show up a lot. Learn to look for the pattern in any time frame.

6. **If you have the right amount of money, trading two lots is safer than just trading one.** Trading three lots is safer than two etc. Trading is a big pile of emotions, technical analysis and money management. One lot alone makes it difficult to weigh these elements in deciding to enter or exit.

7. **Extreme trading can be the most conservative trading when you think about it.** Trading at the extremes increases the odds that you have chosen the right direction.

8. **You should fully check the Big Five the dollar/yen, euro/dollar, Swiss franc/ dollar, euro/yen and pound/dollar before you decide to take a position in any one of them.** There might be something obvious that you've missed.

9. **Follow the Upside Down Rule.** If you can turn a chart upside down and it still looks the same, avoid it all together.

10. **Don't keep count of your profits in your first 20 trades. Keep track of the *percentage of wins* instead.** Once you know you can pick direction, profits can be increased with multi-plot trading and by using variations in your stops. In other words, now is the time to get serious about your personal money management.

<u>Chapter Summary:</u>

- Understand that the market cannot be predicted by anyone – it's too complex
- Follow your trading system instead, and focus on long-term patterns rather than instant results

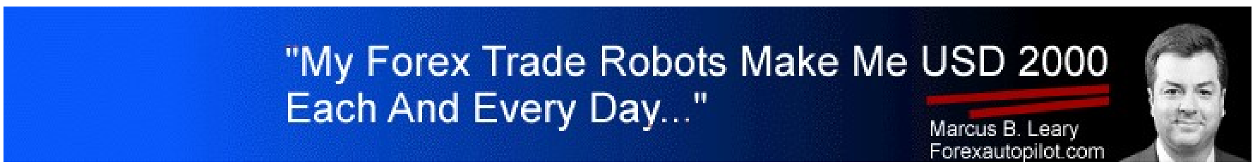
The Only Legitimate Shortcut in Forex Trading is Using Someone Else's *Proven* System

Forget the Market “Prophets” and Signals

Instead – *Use Proven Algorithms* That Identify Profitable Trends and <u>Trade *For* You</u>.

We highly recommend:

[Marcus Leary's Forex Autopilot System >>]



Forex Trading-- Rules of Thumb

In this section we will be covering the few important rules that should never be broken in trading. If you can apply these rules consistently, and with the right amount of discipline, you will be well on the way to being a profitable trader. The following are rules that can significantly improve your chances of success if they are understood, practiced, and implemented consistently in your trading. These rules have been learned the hard way, mostly through trial-and-error, and the inevitable mistakes that everyone makes when they start a trading business.

Set up and Implement specific goals and objectives

Few things are more important to your trading success than having set specific goals and objectives for what you are trying to achieve. It is amazing to me how often we hit our targets, meet our objectives, and reach our goals best when we speak aloud and write them down.

For any business to be successful it must have measurable objectives that you are actually able to achievable. In trading, the primary objective is obviously to make money, but it is important to have other objectives that are not strictly cash-related.

We must always remember that reward and risk go hand-in-hand in trading and that we can't expect to achieve high returns without planning and bracing for high risk (draw-downs).

Your objectives and goals have to be very specific to you, but they must also include the following characteristics if they are going to be useful:

- Be measurable in accordance to completion and timeframe involved
- Be realistic and achievable
- Be worth the time and effort involved
- Be positive

As an example, here are some actual objectives (Please bear in mind that this is only a partial list):

- Create 2 new positive-expectancy trading systems each and every year
- Seek to make less errors implementing your trading systems each year
- Work to achieve a return to maximum draw-down ratio of 1.5:1
- Take 2 weeks vacation from trading during each year

You should also note that only one of them is meant to be about making money, and that has a measurable objective that is very similar to a draw-down, and it is not guaranteed. If you know what you are trying to gain in your trading, and when you are trying to achieve it, the whole of your efforts will be more focused on meeting your objectives.

This also helps to guide you to only pay attention to things you really want to achieve with your time and resources that you have available. This will also give you a way that you can effectively measure the success and progress of your trading strategy.

Generally traders who have well-defined objectives will be much more successful than those that do not have pre-defined goals.

Consistency and discipline

In order for you to be able to realize the full potential of your trading systems it is very important that you take every trading entry, adjust every stop, and close out every trade when your pre-defined trading system says you should.

This takes an extreme amount of confidence in your trading systems, good and reliable technology, and the unwavering discipline to stick to your trading plan no matter what happens.

The good thing about have an underlying assumption about being consistent and disciplined is that you have a pre-defined plan for every situation that you may face in your trading, so that you know how you are defining what being consistent really means. Your plan needs to include at least the following items in it if it is going to be successful:

• All of your trading rules for entering, adding to, and getting out of your positions

• What you are planning to do if your trading computer, internet connection, broker, power, telephone etc. fails to be of any real use or break down

• What you will do if for some reason you are unable to trade

• What you will do if you lose a certain percentage of your account

• What you will do if all the markets are closed and you can't get out of your current positions

Unless you write down the answers to all these scenarios, you cannot be properly consistent and disciplined in your approach to trading and if you lose money you will not know if it is because you didn't follow your plan, your plan is incomplete, your systems do not work, or if it is because you are simply going through a losing period.

Let your profits run

This rule is undoubtedly the key to being a successful trader. It is in these three simple words however that are easier said than done. When we get a profitable trade going it is our natural fear of losing the unrealized cash starts and we truly want to close it out now and quit while we are ahead.

Most trading actually consists of long periods of small winners and losers, that is quickly followed by a few huge winners that make the difference between overall profitability and simply breaking even or even losing thanks to the trading costs(commissions, spread, and slippage).

It is our ability to let the huge winners become huge. This is what determines how we will perform overall during the course of the year. The key here is in letting a winning streak run is to have trailing stops that are generally outside the daily noise of the market so that they are not so tight as to get stopped out during ‘normal’ trading process.

This means that you need to be prepared to give up a relatively large portion of a winning trade’s open profit and it is also the thing that makes this so hard to implement. In fact, we should be adding to a winner and widening stops rather than trying to figure out how tight our stops can be to capture the largest amount of profit.

The trade has already shown you if it intends to be a winner, and the chances are it is a low-risk idea if you were to add to the position now rather than ‘strangle it’ with stops that are too tight.

It is very important that your management rules leave room for large winning trades, and that the rules are pre-defined and understood before you place the trade in the first place. This will allow you to stick to your rules when you do get the big winner.

Cut your losses short

This is actually the sister rule to the one mentioned above, and is usually just as difficult to do (even if it is very easy to define). In the same way that profitability comes from a few large winning trades, capital preservation so comes from avoiding the few large losers that the market will see fit to send you each year.

Setting a maximum loss point before you enter the trade so you know ahead of time approximately how much you are risking on this position is pretty straight up.

You just have to have an exit price that tells you that your trade is a losing one you should exit before it gets any bigger. Because of gaps at the open, or limit moves in futures we can never be 100% sure that we can get out with our maximum loss, but simply having the rules, and always sticking to them will save us from the nasty trades that just keep on going against our position until we have lost more than many winning trades can make back.

If you have a losing position that is at your maximum loss point, you should just get out right away. You can't hope that it will turn around for as it isn't common sense.

Being that trades are either winners or losers, and this one is shouting 'Loser' at you, the chances that it will turn around and become a large winner is decidedly small.

Why would you want to risk any more money on a trade that has already shown itself to be a loser when you could simply close it out (accept the loss) and move on. This will leave you in a much better place financially and mentally, than holding on to your position and hoping it will go back your way.

Even if it did do this, the mental energy and negative feelings from holding the losing position are just not worth it. this is why you should always stick to your rules and exit a position if it hits your stop point.

Never add to a losing trade

One of the few trade management rules that you should never break is 'Never add to a losing trade'. Trades are split into winners and losers, and if a trade is a loser, the chances of it turning right around and becoming a winner are too small for you to want to risk more money on. If it actually is a winner disguised as a loser, why not wait until it shows it is a winner before you add to it.

If you do this you will notice that nearly every time the trade ends up hitting your stop loss and does not change direction. Sometimes the trade turns around before it hits your stop and becomes a winner and you can count yourself very lucky if it does.

Sometimes the trade hits your stop loss and then turns around and becomes a winner and you can count yourself unlucky. Whatever happens, it is never worth adding to a loser, hoping that it will eventually be a winner. The odds of success are just too low to risk more capital in addition to the initial risk.

Don't take too much risk

One of the most devastating mistakes that any trader can make is in risking too much of their capital on a single trade. One thing is certain in trading and that is if you lose all your capital you are out of the game indefinitely. Why should you risk so much when you could be prevented from continuing?

There is a useful saying in poker than going all-in works every time but once. It is the same thing in trading. If you risk all of your account on every trade it only takes one loser to wipe you out, so you will be out of the game at some point as it is only a question of time.

In general, you should only risk 1-3% of the available capital allocated to a system on any individual trade. This is calculated using the size and, the difference between our entry price and our maximum stop price, and the amount of capital that is allocated to the system.

With these things combined we are almost certain never to lose all of our trading capital. In fact, the chance of us hitting our maximum drawdown for the year is extremely low.

All trades that you make should be of a size that almost seems pointless to your future fortune. If you are worried about the size of a trade then it is too big and you should use a lower amount immediately.

Remember that longevity in any trading market is the key to making money by trading. You should trade slowly over a long time with minimal risk, is always preferable to rapidly with too much risk.

Only trade positive expectancy systems

If you have a positive expectancy trading system, the only factors that will decide how much money you will make per year are the number of trades the system actually makes, how much capital you allocate to the system, and how accurately you use the trading signals.

If you do not know whether your trading system is positive expectancy then it makes no sense for you to be trading it in the first place. Expectancy is calculated using the profit or loss on each trade; divided by the initial risk, and then taking the average of this number of a series of trades. Systems that have positive expectancy will make money most of the time and those with negative expectancy will lose money.

Successful traders only trade systems when the odds of success are in their favor so that they know that making money is the final result of accurately implementing the system and not just pure luck.

You will want to minimize all of you trading business costs

Some trading systems can offer you only marginal profitability, and trading implementation costs (commission, spread, and slippage) can be the difference between making a profit and making a loss.

With the simple availability of modern electronic brokers, and fully-automated trade processing and execution, it is definitely worth the effort in looking for a very low cost way to implement your trading system.

High commission, wide spreads, and large amounts of slippage can be lowered

drastically and easily by carefully choosing the right broker. This can be the difference between a system being useable or not. Paying too much for trade implementation is a way to lose money that you can actually avoid.

For those just starting out, we recommend **Easy Forex** as a broker/platform due to their relatively affordable spreads and fee structure.

Educate yourself

In order for you to be able to compete at the highest level in the trading business and be a successful player, you must be well-educated about what you are doing. Being well-educated means that you have thoroughly researched and tested your trading ideas and know why your trading system worked in the past and is still working.

It means that you understand all the technology and applications that your system needs to perform with accuracy. It means understanding your goal and objectives and how trading will help you achieve them. It means understanding yourself and how your personality will affect your results.

In order to succeed as a forex trader, you really need to become an expert in your own trading business to understand how it the dots are all connected, when it is broken, and how it can be improved. This takes commitment, hard work, dedication, and more hard work.

Avoid trading scared money

No one ever made any money trading when they had to do it to pay their bills at the end of the month. Having a requirement to make a certain amount of dollars per month or you will be financially in trouble is the best way I know to completely mess up all trading discipline, rules, objectives, and leads faster than you'd expect to disaster.

Trading is about taking a reasonable amount of risk in order to achieve a good reward.

The markets and how and when they give up their profits is nothing that you can control. You should never trade if you need the money to pay bills. Do not trade if your business and personal expenses are not covered by another income stream or cash reserve. This is how hasty decisions are made.

Chapter Summary:

- Stick to your system, let your profits run, cut your losses and make attainable goals.
- NEVER trade with funds you need to live on. ONLY trade with money you can afford to lose.

The best way to start trading Forex profitably is to practice on a demo account with a trading system you can trust.

We recommend using the **Easy Forex platform** along with the **Forex Autopilot Trading System (FAPS)**, which has a consistent win-rate.

To open a demo account for virtual trading, you might try using **ForexYard >>**

Dealing with your losses

One of the most important rules of Forex trading is to keep your losses as small as possible. With small Forex trading losses, you can outlast those times when the market moves against you, and be well positioned for when the trend turns around.

The one proven method to keeping your losses small is to set your maximum loss before you even open a Forex trading position.

The maximum loss is the greatest amount of capital that you are comfortable losing on any one trade. With your maximum loss set as a small percentage of your Forex trading effort, a string of losses won't stop you from trading for any particular amount of time. Unlike the 95% of Forex traders out there who lose money because they haven't implemented wise money management rules to their Forex trading system, you will be ok with this money management rule.

To use as an example- If I had a Forex trading float of $2000, and I began trading with $200 a trade, it would be reasonable for me to experience three losses in a row. This would reduce my Forex trading capital to $800. It would then be decided that they're going to bet $400 on the next trade because they think they have a higher chance of winning after having lost three times already.

If that trader did bet $200 dollars on the next trade because they thought they were going to win, their capital could be reduced to $500 dollars. The chances of making money now are practically nil because I would need to make 150% on the next trade just to break even. If the maximum loss had been determined, and stuck to, they would not be in this position.

In this case, the reason for failure was because the trader risked too much money, and didn't apply good money management to the play.

Remember, the goal here is to keep our losses as small as possible while also making sure that we open a large enough position to capitalize on profits and minimize losses. With your money management rules in place, in your Forex trading system, you will always be able to do this.

Chapter Summary:

- Effective money management is far more valuable than a one-off “good day” of trading. Learn to trade so that you're not risking your entire egg-basket with each move.

Forex Trading Tools

When it comes to getting started with forex trading, the tools that you should get will certainly make learning and executing your trading efforts a great deal easier. Just like you would calculator before you bought a house, there are special tools that you can use when trading forex as well.

Below you will find a list and descriptions of some of the popular tools that are used to help you make your trading experience easier. They are listed in terms of what they do as well. Let's look at these right now!

Automatic Execution tool
The Advanz Auto4X platform helps to take your Trade Station strategy signals and also automates their execution to Gain Capital's trading platform. Advanz Auto4X is designed so that it can be powerful, flexible and accurate so as to meet the needs of various complex institutional trading departments.

It is also designed to be simple and efficient for an individual trader. Advanz Auto4X also helps to support the execution of a variety of different strategies working on any number of time frames to all of the Forex crosses that are made available for trading.

Analytics tools

Elliott Wave	This is considered by most experienced traders to be the purest form for getting technical analysis because Elliott

Wave analysis measures investor psychology. The Wave reveals that mass psychological swings during a natural sequence, which creates specific and measurable patterns.

K.B. Advisory Ltd.

This actually offers you daily technical analysis and trading recommendations that are based on sophisticated trading system strategies and was developed by Keith Black. It boasts a successful 3 year track record of performance.

(Technical Research Limited)

TRL is a Specialist Foreign Exchange Forecasting Service that can help you with forecasting and trading analysis in the global foreign exchange markets. Technical Research Limited is rated the No. 1 FX Advisory Service by customers in 39 different countries around the world.

This program is very powerful, and offers you real-time analysis for market professionals who are looking for:

1. An edge with decision making support
2. Top performing market models
3. To spend less $$ on real-time data and exchange feeds
4. Standard, and simple graphical trading support
5. Visual representation of risk to the traders managing it.

(International Financing Review)

IFR Forex Watch gives you real-time technical analysis of the FX spot and options markets. It gives you analysts in London, New York, Boston, San Francisco, Singapore and Sydney. Few can actually match the depth and variety that this program offers. IFR specializes in sifting through the vast array of information that clutters up current market participants, and boiling it down into its bare essentials.

Global Market Research

Global Market Research provides price forecasting and is a proven performance-based Trade Strategies for the FX market trader. You should check out the daily newsletter, FX Technicals and intraday updates and analysis, through the Web or directly to your e-mail.

This is a resource for a well-connected market professional that has been trading and writing about markets for nearly 20 years. You can capitalize off of his experience and his analysis, especially technical analysis, to get a real trader's take on current market action.

4CAST gives you key market information and analysis to market participants worldwide, including central banks. It also has an on-line service that gives you fundamental, political, strategic and technical analysis 24 hours a day.

ForexTRM is the only forex charting service that pairs 18 world and regional currencies and tracks them every day. This means ForexTRM lets you to trade any one of the 18 currencies against any of the other 17. It uses its unique trademarked Sigma Bands and Hurst Cycle Analysis to correctly identify:

- Overbought/sold forex markets
- Where trading risk is at its lowest point in time
- Which currency pairs are ready to trade

There is also an ALERTS Newsletter that you can get free of charge.

The Market Vu Show is the number one program for traders and active investors to use today. It lets you interact on your pc in real time as your host Market Vu and the famous Vu Team bring you live market action from the Global Forex Markets. It lets you watch professional traders and share ideas. You can also:

- Get Real Time Detailed Charts from the Vu Team
- Get LIVE Trade Setups, Entries, Stops and Profit Targets
- Get Free Access for FX Account Holders

Get After Hours Education and Seminars

Tutorials

The Forex Edge is an instructional CD that tries to give Forex traders the unique tools that may just give them an advantage to the rest of the field. It will show you how to identify unique formations and how to structure your own indicators and generate your own signals.

Here are a few more tools that you should check around for:

- Rate History Tool
- Converter
- EuroConverter
- Conversion List
- Risk Probability Calculator
- Investment Risks (VaR)
- Forex Pivot Point Calculator
- Pip USD value Calculator

Summary

As you can see, the buying and selling of currencies is necessary as it supports trade between countries in today's global marketplace and, as the major world currencies often work against one another, will continue to be. **There is so much money to be made from currency transactions.**

The major players in the market today are buying and selling in single deals and they are often running into many millions of dollars. The smaller players (as usual), like the brokerage houses and individual brokers, are often trading in single deals that consist of as little as one hundred thousand dollars.

Nowadays, you can join this market and, providing you take the time to learn everything that there is to know of the currency markets and have a little bit of capital to invest, you can have a great time and earn a very reasonable income from your trading efforts when you do it online.

As you have learned here you will not be able to trade on your own and will need to use a broker, but many brokers will allow you to open an account online and start trading with anywhere between $250 and $1,000. Many of them will let you try a free demo just to let you get the hang of it.

FOREX trading is not for everybody but its major advantage is that it is a highly liquid market that does not involve the commission payments and paperwork which many people find a problem like with other forms of trading. It is, however, a technical market and **you should not try it unless you are absolutely ready to take the time to learn the basic principles that make up this currency market and become competent in the use of some of the tools at your disposal.**

It is not necessary to become an expert in these markets to profit from them. With a little time and effort you can quite easily gain enough of an understanding of the currency markets to start making money online and off and, eventually you will be surprised at just how quickly you can become quite an expert.

The other factor here is using a trading system that actually works – without that, you're better off going to Vegas.

You can see a full lineup of *every* prominent trading system right here, reviewed with no holds barred and based on actual user feedback >>

This guide has given you all of the knowledge you need to make money if you really want to. All you have to do is follow the advice mentioned here and do your research. Next thing you know, you will be earning steady income from the forex trading market in no time at all!

BONUS Chapter!

Managing Your Money - 101

Managing Your Money

When you **start Forex trading**, it is important to learn the basics of money management. If you just decide how much money you can afford to lose on a single trade, and start trading without any system, then you are not trading you are gambling. **Forex trading is not about gambling and trying to win the jackpot, it is about making consistent profitable trades.**

Unless you manage your money properly while trading the Forex, then you just as well play the casinos in Las Vegas instead...

Some gamblers do make money in casinos, but many more people lose their money. The only people who consistently make a profit from gambling are the casino owners. Even when gamblers do win, the casino owners often bribe them with free hotel rooms, free food and drink etc. to carry on gambling, and in the end they lose all their money to the casino. **When you trade the Forex, you need to think like the smart casino owner, not like a gambler...**

In any enterprise, it is always easier to lose money than to make it, and trading the Forex is no different. For example, suppose you lose 50 percent of your bankroll on a trade. Now you have only 50 percent left to trade your way back to where you started. And what happens if you lose the other 50 percent on your next trade?

Gamblers often talk about winning streaks and losing streaks. When they think they are on to a winning streak they keep on staking all of their winnings on the next roll of the dice or spin of the roulette wheel – and what happens? You've guessed it, they lose all their money, and end up broke. In Forex trading you can never rely on winning streaks, but losing streaks are a very real and ever present danger.

Suppose you have a trading system that returns a profit 70 percent of the time. You would expect 7 out of 10 trades to make a profit, and 3 out of 10 trades to make a loss. However this ratio is only true if you average out the results of hundreds or even thousands of trades. So if you make 100 trades, you will probably make close to 70 profitable trades and 30 losing trades. But what if you start trading, and your first 10 trades are all losing trades?

The answer is you must only trade with a small percentage of your trading bankroll. For example, suppose you have a starting capital of $10,000. See what will happen if you make 10 consecutive losing trades (trading with 10 percent of your bank on the left, and 5 percent of your bank on the right):

10 Percent		5 Percent	
Bank	Trade	Bank	Trade
$10,000	$1,000	$10,000	$500
$9,000	$900	$9,500	$475
$8,100	$810	$9,025	$451
$7,290	$729	$8,574	$429
$6,561	$656	$8,145	$407
$5,905	$591	$7,738	$387
$5,314	$531	$7,351	$368
$4,783	$478	$6,983	$349
$4,305	$430	$6,634	$332
$3,874	$387	$6,302	$315

If you started with $10,000 in your bank, and trade with 10 percent of your bank each time, then you would have $3,874 - $387 = $3,487 left in your bank after 10 losing trades. But you would have $6,302 - $315 = $5,987 left in your bank if you traded with just 5 percent each time. (Of course if you had traded with $1,000 each time, you would be cleaned out after 10 losing trades.)

If your system returns 50 percent profitable trades, and 50 percent losing trades, then you would expect to get 10 consecutive losing trades once in every 1024 trades. (And they might be your very first 10 trades!) If your system returns 70 percent profitable trades, and 30 percent losing trades, then you would expect to get 10 consecutive losing trades once in every 169,350 trades.

This is not very likely to happen in your first 10 trades, but it is still more likely than your chances of winning your state or national lottery. **This also demonstrates the importance of developing a system that returns a high percentage of profitable trades.**

By risking no more than 5 percent of your bank at any one time, you should be able to ride out even long losing streaks. The other advantage is, as the overall amount in your bank increases you can trade with larger margins, and hence make larger profits.

Note: When you trade with an odd amount, e.g. 5 percent of $6,302 = $315, always round down. So you would buy 1 mini lot at $100 (with a 1 percent margin) and leave the other $200 in your account, just in case the trade moved against you.
