Profitable Forex Trading

A Beginners'Guide

Introduction to Currency Trading

that Anyone Can Master.

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Content

Introduction

Forex trading refers to the buying and selling of the currencies of different nations, i. e., one currency is bought and another sold at the same time. A Forex deal involves profit when you sell a currency at a price higher than what it cost you to buy. Foreign Exchange market is the largest liquid financial market in the world in terms of the turnover. It yields daily. The highest turnover ever recorded estimated at around $ 2 trillion in a single day. Trading of the major currencies occupy around 85 percent of all daily transactions. The advent of modern technology has made it possible for small traders to avail the benefits of Forex trading by means of various online trading systems.

One of the specialties of Forex trading is that currencies are always traded in pairs like Euro/Dollar, Dollar/Yen, etc. For investment purposes, four major currency pairs are commonly used. They are: US dollar against Japanese yen, Euro against US dollar, US dollar against Swiss franc and British pound against US dollar.

If you feel that the va!ue of one currency will increase against another in future, you may exchange the second currency for the first one so that when things happen as you expect, you can make the opposite deal by exchanging the first currency for that second one and gain profit from the deal. Dealers perform transactions on the Foreign Exchange market at major Forex brokerage companies or banks. Forex is an integral part of the world market and is active 24 hours a day. Even when you are sleeping at midnight, transactions in Foreign Exchange occur in different parts of the globe. Clients may place orders with their brokers to sell equities overnight.

Forex market is the largest financial market in the world. Also known as FX market or Foreign Exchange market, it is the most liquid market on the face of the earth with an average daily turnover of around $ 1.2 trillion. Compared to the stock market, price movements are very smooth on the FX market. New investors can enter and exit positions efficiently.

In the past, small speculators were unable to enter in to the Foreign Exchange market because of the stringent financial requirements and large minimum transaction sizes. The principal dealers in this field were banks, large speculators, big currency dealers etc. Only they could take benefit of the strong trending nature of currency exchange rates and the currency market‘s unmatched liquidity. Today, small traders have the opportunity to buy or sell any number of smaller units because Foreign Exchange brokers are now able to break down the larger sized interbank units and offer them to buy or sell. It is at the option of smaler companies and individual speculators to trade at the same rates and price movements as large speculators and currency dealers who once reigned the market.

Being successful in Foreign Exchange trade is daunting and arduous especially if you are new to the Vield. I hope this e-book will guide you to accomplish your goal.

Why Forex Market is Unique

Forex markets have some unique features that provide an incomparable potential for profitable currency trading in any market situation. A trader need not wait for the 'opening hell' as In the case of the exchange and has the opportunity to avail all fruitful market conditions at any time. Since the Foreign Exchange market is the most liquid market in the universe, traders can enter or exit the field at their will in any market condition.

Compared to the equity markets, Forex markets offer high leverage ratio. Although high leverage offers high profits, it may also expose the trader to extreme losses. Under normal market conditions, the bid/ask spread is less than O.l % (10 pips). In the case of larger dealers, the spread could be smaller and may expand a lot in fast moving markets.

A bear market or a bull market for a particular currency is defined in terms of the positive or negative outlook of its future value against other currencies. If the outlook is positive, there exists a bull market for that qurrency where a trader would like to buy the said currency against other currencies. Ön the other hand, if the outlook is negative, there is a bull market for the other currencies against the said currency where a trader will be forced to sell that currency against other currencies. This way, the Foreign Exchange market is always a bull market and for traders there is always a bull market trading chance.

Telephones and electronic networks help the global network of Forex traders to communicate and engage in trade with their clients. No organized exchange is there to facilitate transactions in Foreign Exchange market unlike in the case of equity markets. It is not possible for a single trader or even a central bank to control the market price for so long that the Forex market is so huge with numerous participants. When interventions are made even by mighty central banks, results turn to be ineffective and short-lived. For this reason, central banks are becoming little interested in interfering to manipulate market prices.

The Foreign Exchange market is known to be an unregulated market although banking laws regulate the activities of major dealers like commercial banks in money centers. No law specific to the Forex market controls the retail Forex brokerages in their daily operations and many of such institutions in the United States do not even give reports to the Internal Revenue Service.

Advantages of Forex over Futures or Stocks

By putting up a little amount of margin, a Forex trader can control a big amount of the currency similar to stock speculation and futures. The margin requirements for Forex is about 1 % whereas the margin requirements for trading futures are around 5 % of the entire value of the holding or 50 % of the total value of the stocks. For every $ 100,000, the margin needed to trade Foreign Exchange is $ 1000. Therefore, a currency trader‘s money can play with 50 times more than a Stock trader‘s, or 5- times as much value of product as a futures trader‘s. For creating an investment strategy, this can be a very profitable way while trading on margin, but it is important to note that taking time to understand the risks involved is always helpful. You should be fully aware of the way your margin account will work. Thoroughly read your margin agreement with your clearing firm before proceeding any further. If you have any doubt, talk to your account representative.

If the available margin in your account falls below an amount set in advance, chances are that your account could be partially or completely liquidated. You need not get a margin call before your positions are liquidated. For this reason, you should regularly monitor your margin balance and use stop-loss orders on every open position for limiting downside risk.

Paying exchange and brokerage fees is necessary when you trade in futures. The advantage of Forex is that you can trade commission free. Letting buyers to be matched with sellers instantly is a specialty of currency trading which is a worldwide inter-bank market. Although you need not pay commission to a broker to match the buyer up with the seller, the spread is higher than it is when you are trading futures.

Compared to trading futures, there is limited risk involved in Forex trading, After the discovery of Mad Cow Disease found in US cattle, the price of live cattle fell dramatically which moved the limit down for several days. This price fall could have wiped out the entire equity in your account. As the price continued to fall, you would have been compelled to find more money to compensate the deficit in your account. Before the expiry of futures contracts, you have to think ahead whether to roll over your trades. Since Forex positions expire every two days, you have to rollover each trade so that you can stay in your position.

Trading in futures is limited to a few hours every day a market is open. Every time a major news story comes out when the markets are closed, you have no Option but to wait until the market reopens. Forex market, on the other hand is a 24 hour market. You can trade any time you prefer, Monday to Friday. With an average daily turnover of around $ 1.2 trillion, Foreign Exchange is the largest market in the world, i. e. 46 times as large as all the futures markets collectively. It is very difficult even for Governments to control the price of their own currency with the high number of people doing Foreign Exchange trade.

Forex trading is an excellent alternative to trading in futures and commodities. To get started successfully in trading currencies, you require some help unless you are a Forex broker. The whole process should be much easier if you carefully follow the directions given below.

Choosing the Right Broker

The first thing before getting started in Forex trading is to find and select the right broker to assist you in your venture. As in the case of any other market, there are so many brokers to choose frorn. Consider the following things in making your choice.

Always look for a broker who offers low spreads. The spread is the difference between the price at which a currency can be bought and the price at which it can be sold at any particular point of time. Brokers don‘t charge commission and this difference is how Forex brokers are going to earn money. The difference in spreads in Foreign Exchange is as large as the difference in commissions in the stock market. It means that lower spreads will help you to save money and that is why it is better to choose a broker that offers low spreads.

Unlike stockbrokers, Forex brokers are attached to big money lending institutions or banks due to the large capital that is needed. Make sure that your broker has the backing of a dependable institution. See the cornpany‘s website for more information and statistics on Forex brokerage.

Usually, Forex brokers offer different trading platforms for clients as done by brokers in other markets. These trading platforms show technical analysis tools, real-time charts, real-time data and news etc. It is important to test different trading platforms before you commit to any particular broker. For this purpose, you have to request free trials. As part of their service, brokers often provide you with economic calendars, fundamental as well as technical commentaries and other research. An ideal broker will give you everything that you want to succeed.

Leverage is an important requirement in Forex trading for the reason that the sources of profit, namely price deviations are just set at mere fractions of a cent. Leverage, which is defined as a ratio between total capitals that is available to actual capital, i. e. the amount of money a broker will lend you for trading. If your broker would lend you $ 100 for every $ 1 of actual capital, you have a ratio of 100 : 1. Many broker firms offer as much as 250 : 1. Lower the leverage, lower will be the risk of a margin call and it means that you will receive a lower bang for your buck. Make sure that your broker offers high leverage if your capital is limited.

If capital is not a problem for you, any broker who has a wide variety of leverage options can be chosen. Different options can be applied to vary the amount of risk you are likely to take. For example, if you are dealing with highly volatile currency pairs, less leverage may be preferable.

Brokers offer different kinds of accounts to choose from. The smallest account, otherwise called mini account, requires that you have to trade with a minimum 0f maybe $ 300. This offers you a high amount of money as leverage that you need in order to earn money with very little initial capital. Although the standard account allows you to trade at different leverages, you require a minimum initial capital of $ 2,000 to get you started. A significant amount of money is required as capital for starting premium accounts. It also offers you different amounts of leverage plus additional tools and services. Always make sure that the broker you engage has the right tools, services and above all the right leverage that are relevant to the capital you are able to deal with.

There are brokers whom you should avoid, as there are brokers whom you want to engage. Some brokers only seek to increase profits and are prone to prematurely buying or selling near preset points, which is commonly termed as sniping and hunting. Although no broker would admit to doing such unethical things, there are ways to know whether a broker has done any such offence. But the only way you can find which brokers do this and which brokers don‘t, is to talk to other traders. There exists no list and there is no organization that reports this king of misconduct. The best thing is to visit online discussion forums or talk to others about honest brokers.

Your broker should have a say in how much risk you can take when you are trading in Forex with borrowed money. Keeping this in mmd, your broker cän buy or seil at his discretionvery much against your interests. Suppose you have a margin account and your position takes a headlong nosedive before lt starts to rebound to all-time highs. Somä brokers will liquidate your position on a margin call at that bw1 even if you have enough money to cover lt and this can cost you dearly.

Contracting for a Forex account is very much like getting an equity account. For Forex accounts, yu have to sign a margin agreement being the only major difference between the two. Such agreements generally stipuiate that you are trading with borrowed money, and, therefore the brokerage firm has every right to interfere with your trades for protecting its interests. After sighing up, you have to fund your account and you can trade right away.

Technical Analysis and Fundamental Analysis

As in the case of equity markets, there are two basic areas of strategy in the Forex market, namely technical analysis and fundamental analysis. Technical analysis is the most common strategy used by individual Forex traders. Let‘s see how these two strategies directly apply to Forex trading.

Fundamental analysis, which is usually used only as a means to predict long-term trends, is an extremely difficult strategy in the Forex market. But it is notable that some traders trade short term strictly on news releases. There are many different fundamental indicators of the currency values released at different times. The following are a few of them.

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

It is important to note that these are not the only fundamental factors that you have to study. There are many types of meetings where you get some quotes and commentary that can influence markets just as much as any report. Such meetings are usually conducted in order to discuss any inflation, interest rates and other effects that may affect currency values. Sometimes, even the way things are worded while addressing some matters like the Federal Reserve chairman‘s comments on interest rates; can result in a volatile market. Two crucial meetings that you have to look out for are the Federal Open Market Committee and Humphrey Hawkins Hearings.

Reading reports and commentaries will help Forex analysts to get a better understanding of any and all long-term market trends and also help short-term traders to get benefited from extraordinary happenings. Make sure that you always keep an economic calendar with you to know when these reports get released. Your broker may also be able to provide you with similar information.

Price trends in the Forex market are analyzed by technical analysts just like their counterparts in the equity markets. The time frame that is involved constitutes the only real difference between technical analysis in Forex and technical analysis in equities, i. e. Forex markets are open 24 hours a day. Because off this difference in time frame, some forms of technical analysis that factor in time have to be changed so that they can work with the 24 hour Forex market. The following are some of the most common forms of technical analysis applied in Forex trading.

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

There is a tendency among technical analysts to combine technical studies for the sake of accuracy in predictions. The most common method is combining the Fibonacci studies with Elliott Waves. Some others try to create trading systems in an attempt to repeatedly locate similar buying and selling circumstances.

How to Choose Your Strategy

Successful traders develop schemes and perfect them over a specific time frame. Some traders will stick to one specific study or calculation, while some others rely on broad-spectrum analysis as a way to determine their trades. Experts always advise you to try using a combination of both fundamental and technical analysis. This way, you can make long-term projections and also ascertain entry and exit points. In the end, it is the individual trader who has to take decision on what works best for him.

Before getting started in Forex trade, you should open a demo account and paper trade so that you can practice until you attain consistency in profit. Generally, people who fail have a tendency to jump into the Foreign Exchange market and quickly suffer loss due to lack of experience. It is vital to take your time and train yourself to trade in the right manner before you start committing capital.

As a rule, trade without emotion. You will not be able to keep track of all stop-loss points in case you don‘t have the power to execute them without delay. Always set your stop-loss and take-profit points to execute automatically. Never change them unless absolutely needed. Take firm decisions and follow them. Otherwise you will end up driving yourself and your brokers crazy.

Following trends is vital in Forex trading. You will have a better chance of success in trading with the trend and if you go against the trend, you are just wasting your money because the Forex market tends to trend more often than anything else.

The Forex market is the biggest market in the world, and people are getting more and more attracted to it. But before engaging a broker, make sure he meets certain standards, and take the time to discover a trading strategy that suits you.

Knowing Forex Spreads

Forex is priced in pares between the currencies of two different countries. When you make a deal in Forex, you buy one currency and sell another at the same time. You must buy/sell the opposite position, if you want to exit the trade. For instance, if you think the price of Euro is going to rise against the US Dollar. For entering trade, you need to buy Euros and sell US Dollars. If you wish to exit trade, you will have to sell Euros and buy back US Dollars. Your hope is that your expectation was right and that the exchange rate for EU/USD has actually risen, meaning that you will get more Euros back than when you bought them, and this way you will make a profit.

The claim of every Forex broker is that he is having the tightest spreads in the industry. For a beginner, the topic of spreads in the Foreign Exchange market is very confusing and often very difficult to understand. However, it is to be noted that nothing affects your trading profitableness more.

The first thing you need to know is what the spread actually means. A spread is the difference between the price you buy at and the price you sell at that is quoted in the pips. If the quote between EUR/USD at a given time is 1.2222/24 then the spread equals 2 pips.

The spread is what helps brokers to earn money. Wider spreads will cause a higher asking price and a lower bid price. The result is that you have to pay more when you buy and get less when you sell, making it hard to earn profit.
Very often, brokers don't earn the full spread, particularly when they hedge client positions. The spread helps to compensate for the market maker for accepting risk from the stage it begins a client trade to when the broker's net exposure is hedged.

The importance of spreads is that they affect the return on your trading strategy considerably. Being a trader, your chief aim is to buy low and sell high as in the case of futures and commodities trading. Broader spreads means buying higher and having to sell lower. A half-pip lower spread need not necessarily sound like a good deal, but it can be the difference between a fruitful trading scheme and one that isn‘t so.

If the spread is tight, better things will happen for you. However tight spreads are significant only when they are paired up with good execution. Quality of execution will determine whether or not you actuaily get tight spreads. A good Illustration of this is when your screen displays a tight spread, but your trade is filled a few pips to your disadvantage or is cryptically rejected.

When this happens again and again, see whether your broker is showing tight spreads but is delivering wider spreads. Some brokers use strategies like delayed execution, rejected trades, stop-hunting and slipping to do away with the promise of tight spreads.

Spreads should always be reckoned in conjunction with depth of book. Strangely enough, in the matter of economies of scale, Forex doesn‘t even behave like most other markets. For example, on the inner-bank market, the larger the ticket size, the larger the spread is. When you see a 1-pip spread on an ECN platform, you have to inquire if that spread is valid for a $ 2M, $ 5M or $ 1OM trade, which it believably isn‘t. Many times, the tight spread that is offered is applicable only to capped trade sizes that are very insufficient for most of the general trading strategies.

Spread policies are different among different brokers and the policies are often hard to see through. This of course makes comparing brokers a lot difficult. Many brokers otter fixed spreads that are guaranteed to remain static irrespective of market liquidity. But as fixed spreads are habitually higher than average variable spreads, you are paying an insurance premium during most of the trading days so as to get protected from short-term volatility.

Some other brokers offer you variable spreads relying on market liquidity. Spreads are tighter while there is good market liquidity but they will broaden as liquidity dries up. Choosing between fixed and variable rates depends on your own trading pattern. If you trade chiefly on news announcements, you may be fortunate with fixed spreads, but only if quality of execution is good.

There are brokers who have different spreads for different clients on the basis of their accounts. Clients making larger trades or those who have larger accounts receive higher spreads, while clients referred by an introducing broker get wider spreads for covering the cost of the referral. Some brokers offer the same spread to all traders.

It can be hard to learn about a company‘s spread policy because this information and information on trade execution and order-book depth are difficult to obtain. For this reason, many traders get caught up in the offers they receive and take the words of brokers at face value. This can be unsafe. The only alternative is to try out various brokers or talk to those who have.

Powerful Tips on Forex Trading

In order to become a successful Forex trader, you require a lot more than a few quick tips and tricks. You will need capital, experience, fortitude and, above all, a hearty trading system. However, if you are a beginner, the following tips will help you to get started successfully in Forex trading.

Tip 1: You should be fully aware of the power of a position. Never arrive at a market judgment while you have a position.

Tip 2: Ascertain a stop and a profit objective before you enter a trade. Place stops based on market info, and not your account balance. If a ‘proper“ stop is too costly, it isn‘t worth it to go ahead with the trade.

Tip 3 - Remember not to add to a position that is losing.

Tip 4 - Trading systems that work efficiently in an up market need not work in a down market. Always keep this, in mind.

Tip 5 - If you decide to exit a trade that means you are capable of perceiving changing circumstances. Never think you can pick a price, exit at the market.

Tip 6 - Sometimes, due to excessive volatility or lack of liquidity you should keep yourself away from trading.

Tip 7 - In a Bull market you should never sell a dull market and in a Bear market you should never buy a dull market.

Tip 8 - Always remember that news is only important when the market doesn‘t react in the direction of the news.

Tip 9 - Sell the factual news and buy the news that you hear.

Tip 10 - Superstition is good in the sense that you shouldn't trade if something bothers you.

Tip 11 - Up trending, range bound and down trading are three types of markets and you should have a different trading scheme for each of them.

Tip 12 - Risk managers commonly issue margin call position liquidation orders during the blowout stage of the market, up or down. They don't usually check the screen for overbought or oversold, They just issue liquidation orders. Make sure that you don't stand in the way.

Tip 13 - Up market and down market patterns always exist. It is only that one is always more dominant than the other. In an up market, it is very easy to take sell signal after sell signal, only to be stopped time and again. Only select trades that move along with the trend.

Tip 14 - It is very easy to enter a losing trade.

Tip 15 - A buy signal that fails is in fact just a sell signal and a sell signal that fails is a buy signal.

Tip 16 - When everyone else is in, time is up for you to get out.

Tip 17 - Never enter a new trade in the direction of a gap and never let the market make you make a trade.

Tip 18 - It helps for you to read the previous day's paper each day to get an idea of what the market already did. It will definitely remind you that what happened yesterday has nothing to do with what will happen today.

Tip 19 - Always get in late and out early because the first and last ticks are always the most expensive.

Tip 20 - Scalpers bring down the number of variables effecting market risk by being in a position that lasts only a few seconds and day traders keep down market risk by being in trades for minutes.

Tip 21 - Try to measure yourself by profitable successive days and not by individual trades.

Tip 22 - Never trade while you are sick.

Tip 23 - You should not turn four losing trades in a row into eight in a row. Turn off the screen when you're off and do something else. Sticking in while you are loosing is a silly thing.

Tip 24 - Never change your unit of trading unless under a plan of attained goals. It helps to have a plan for lessening size when your trading is cold or market volume is down.

Tip 25 - Sometimes, confidence is a very bad thing. Keep in mind that you really don‘t know anything unless you are a broker. Always expect the unexpected and know your position and exit your trade at once whenever you feel uneasy.

Tip 26 - The easiest way to break a streak of consecutive loses is keep away from trade for a day.

Tip 27 - Never stop trading when you‘re on a winning streak.

Tip 28 - Flexibility is an essential element of successful day trading. You should do your homework so as to understand the full potential for both sides of the market. This will enable you to make your trades on the basis of what the market is doing at the time of the trade.

Tip 29 - When the market goes up, you should say it aloud and when the market goes down, you want to say that aloud too. This way you will find how hard it is to say what is literally going on in front of you while your mind is full of preconceived notions.

Tip 30 - Never worry about a missed chance. There is always another one waiting for you.

Tip 31 - If you convert a scalp or day trade into a position trade that means you did not take in to account the risks involved in the trade properly.

Tip 32 - There is no meaning in looking for secrets in the market. You will only find matters that no one cares about.

Tip 33 - Asking for someone else‘s opinion is not advisable because they probably did not do as much homework as you did.

Tip 34 - Have you whined or got fidgety while reading this list? If your answer is “yes“, you have two apparent characteristics that you share with many other traders:

A. You have traded long enough to understand that it is YOU who make mistakes, and you try to overcome them.

B. You have become a part of the market and you can never leave It. You will always check the market and always want to continue being a part of It.

You need to trade with the trend in the case of small accounts ($ 25,000 and under). Many newcomers look for trades that flow in any direction. Although Forex trading permits bidirectional trading, trading with the trend improves your chances in the long run.

It is better to have at least two accounts, .i.e. one real account and the other a demo account. Do not stop learning even after trading real dollars begins. Continue the demo account and utilize it to test any alternative trades etc. You can shadow your real trades with identical ones in your demo account, but you have to widen your stops in the demo in an attempt to see whether you are being too conservative.

Since there are no leading indicators you have to stop looking for them. Many firms are minting money by selling software that predicts the future. But if those products really worked, they wouldn't be telling you about it.

It is good to examine daily charts because they assist you in timing your trades. Use the four-hour charts or one-hour charts that are available. When you are trading at 30- and 15-minute time increments, it takes a lot of dexterity.

Never trade the time frame that is offered and trade the pattern instead. Hesitation patterns, breakout patterns and reversal patterns show up a lot. Train yourself to look for the pattern in any time frame.

If you have sufficient money, trading two lots is safer than trading only one and trading three is safer than two etc. Technical analysis, money management and emotions play their roles a great deal in trading. One lot alone is not sufficient to determine these elements for deciding to enter or exit. Extreme trading is most conservative trading when you think about It. Trading at the extremes increases the chances that you have chosen the right way.

Thoroughly check the Big Five the euro/dollar, pound/dollar, dollar/yen, Swiss franc/dollar and euro/yen before deciding on taking a position in any one of them. There might be something apparent that you've missed. Adopt the Upside Down Rule. Suppose you can turn a chart upside down and it still looks the same, avoid it all at once.

Never keep count of your profits in your first 20 trades. Consider the percentage of wins instead. Once you learn to pick direction, profits can be enhanced by using variations in your stops and by means of multi-plot trading. This is the right time to get serious about your personal money management.

Important Rules in Forex Trading

In this section we will deal with some important rules that should never be violated in Forex trading. If you succeed in applying these rules strictly, you will be well on the way to becoming a flourishing trader. These rules can tremendously improve your chances of success if they are understood and implemented in the right spirit. These rules were learned through experience, applying trial-and-error method and they point to some inevitable mistakes that everyone makes when starting a business.

Implementing specific goals and objectives

For starting any business successfully, you must have some specific objectives and goals that form the basis of your venture. Even though the primary objective in business is financial gain, it is important to have other objectives that are not strictly money-related. In any business, reward and risk go hand in hand and we can‘t always expect to earn high profits without planning and preparing to face high risk. You must always have very specific objectives and goals and at the same time the following characteristics if they are going to help you.

- Always keep a positive attitude.
- Be naturalistic and achievable.
- Be worth the time and effort employed
- Be measurable according to the completion anti timeframe involved.

If you know what you are trying to achieve in your trading, and when you will achieve it, the whole if your hard work will be more focused on meeting your objectives. This will help you to pay your attention only to things you really want to achieve. This will also show you a way to effectively measure the success and advancement of your trading strategy. Generally traders who have well-defined objectives will be much more successful than those who do not have such goals.

Discipline and consistency

For realizing the full potential of your trading systems, it is very essential that you adjust every stop, take every trading entry and close out every trade when your predefined trading system says you should. This helps you to achieve sufficient confidence in your trading system‘s efficient and reliable technology and the steadfast discipline to stick to your trading plan no matter what happens. If you have a pre-defined plan for each and every situation you are likely to face as part of your trading venture, you will have a positive assumption about being consistent and disciplined. For making your plan successful, you must include the following items in it.

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

- What you will do if your broker, telephone, trading computer, Internet connection, power etc. fail to be of any real use.
- What you are planning to do if for some reason you are unable to trade.
- What will be your strategy if you lose a certain percentage of your account.
- What you will do if all the markets are closed anti you are unable to get out of your current positions.

If you fall to answer all these scenarios, you cannot nurture a positive and beneficial mental attitude to trading and if you lose money you will not know if it is because your plan is not complete, you didn't abide by your plan or your systems do not work.

Let your winning streak run

When we get a profit-making trade going, our natural concern of losing the unrealized cash starts and we really want to dose it out now and depart while we are ahead. Most trading in reality consists of long periods of small winners and losers, followed by a few huge successes that make the difference between overall profitableness and simply breaking even or even losing thanks to the trading costs like slippage, spread and commissions.

It is your power to let the huge winners become huge. This power influences your overall performance during the season. Letting your winning streak run is undoubtedly the key to being a successful trader although it is easier said than done. In other words, you have to be prepared to give up a comparatively large portion of a winning trade's open profit. As a matter of fact, we should be able to increase the effect of a winner and widen stops rather than making attempts to figure out how tight our stops can be to get the best profit.

It is vital that your management rules lead you to large winning trades and these rules are pre-defined and comprehended before you place the trade in the first place. This results in your strict adherence to your rules when you do get the big winner.

Cut short your losses

Just like profitableness comes from a few large winning trades, capital preservation is possible by avoiding the few large losses that you are likely to suffer each year. Set a maximum loss point before entering the trade so that you know in advance just about how much money you are risking on this position. Set the exit price that warns you that your trade is a losing one and you should exit before it worsens any further. Sticking to this rule will save you from the nasty trades that go against your position until you loose more than what many winning trades can pay off.

If you are in a losing position that has reached your maximum loss point, you should just get out at once. You cannot expect the situation to turn around for it isn‘t commonsense. There is no meaning in risking money on a trade that has already proved itself to be a loser when you could just dose it out and move on. In case you decide not to risk any more money on such a trade, you will be in a much better position financially and mentally compared to holding on to your position and hoping for a complete turnaround.

Never add to a losing trade

It is an important trade management rule that you should never add to a losing trade. Among trades, there are winners and losers. If a trade is a loser, the possibility of it turning right around and becoming a winner are too remote and you should not risk more money on It. If it is in fact a winner disguised as a loser, it is wise to wait until it appears to be a winner for adding to it further.

If you follow it, you will find that nearly each time the trade ends up hitting your stop loss and does not change direction. There are times when the trade turns around before it hits your stop and becomes a winner and you can consider yourself very fortunate if It does. On the other hand, you can count yourself unlucky if the trade bits your stop loss and then turns around and becomes a winner. In any event, It 15 not at all worth adding to a loser, in the hope that it will eventually be a winner. The chances of success are just too low to risk more money in addition to the initial risk.

Never take to much

Risking too much of capital on a single trade is one of the most terrible mistakes that any trader can commit. It is for sure that if you lose all your capital, you are out of the field indefinitely. There is a meaningful saying in poker that going all-in works every time but once.

The same applies to Forex trading in that if you risk all of your account on every trade, it only takes one loser to wipe you out and it is only a question of time.

Generally, you should risk only 1-301o of the available capital shared to a system on any individual trade. This calculation is done using the size and, the difference between our entry price and our maximum stop price, and the amount of capital that is allotted to the system.

If these things are combined, you can assure yourself never to loose all of your trading capital. Actually, the chances of us hitting the maximum drawdown for the year are very bw. The size of all trades you make should almost seem painless to your future. If you are concerned about the size of a trade then It is too big for you and you should use a lower-amount forthwith. Remember that longevity 15 the key to making money by trading in any trading market. Trading slowly and steadily over a long period with minimal risk is better than trading rapidly with too much risk.

Positive expectancy trading System

If what you have is a positive expectancy trading system, the only factors that will determine how much money you will make every year are, the amount of capital you allot to the system, the number of trades the system makes and how accurately you utilize the trading signals.

If you are doubtful whether your trading system is positive expectancy, it is not practicable for you to 90 ahead with it in the first place. Calculation of expectancy is done 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. While systems that have negative expectancy will lose money, those with positive expectancy will make money most of the time.

Eminent traders only trade systems when the likelihood of success are in their favor so that they are aware that earning money is the final outcome of correctly applying the System and not just a chance.

Minimize all of your trading business costs:

If your trading system offers you only marginal profitability, trading implementation costs like spread, commission and slippage can be the difference between profit and loss. Since technology has made It possible to avail the services of modern electronic brokers and fully-automated trade processing and execution systems, it is definitely worth the effort in looking for a very cheap way to implement your trading scheme.

By carefully choosing the right broker, you can dramatically lower high commission, wide spreads and large amounts of slippage. Paying too much for trade execution is a way to lose money, which in fact you can wisely avoid.

Be well studied

For successfully competing at the highest level in the trading business, you must be well studied about what you are doing. Being well-studied means that you have exhaustively researched and effectively tested your trading strategies and know why your trading system succeeded in the past and is still going good.

It means that you are well versed in all the technology and ideas that your system requires in order to function with accuracy. It means being aware of your goals and objectives and how trading will help to fulfil them. It means understanding yourself and the way your personality will influence your results.

For succeeding as a Foreign Exchange trader, you certainly require to be an expert who knows how the dots are all connected, when it is broken and how it can be improved. This takes dedication, hard work and more commitment.

Dealing with Losses

A basic rule of Forex trading is to make your losses as little as possible. With minor losses, you can survive those times when the market moves against your interests, and be well placed for when the trend turns around. The one established method to accomplish the goal of making your losses small is setting your maximum loss well before you open a Forex trading position.

The maximum loss is the highest amount of capital that you are comfortable losing on any single trade. If your maximum loss is set as a little portion of your Forex trading effort, a few losses won‘t prevent you from trading for any particular period. Unlike majority of the Forex traders who lose money because they haven‘t applied smart money management schemes to their trading system, you will be safe with this money management technique.

For example, if 1 had a trading float of $2000, and 1 started trading with $200 a trade, it would be sensible for me to suffer three losses continuously. This would bring down my Forex trading capital to $800. It would then be decided that they are going to bet $400 on the following trade for the reason that they think they have a better chance of winning after having lost three times in a row. If that trader did bet $200 on the following trade since they thought they were going to win, their capital could be cut down to $500 dollars. The possibilities of making money now, are in effect nil, as 1 would need to make lSO% on the succeeding trade just to break even. If the maximum loss had been decided, and stuck to, they would not be in this state.

In this case, the reason for failure was that the trader risked too much money, and didn‘t employ good money management. The idea here is to make our losses as little as possible while also ensuring 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 scheme, that will always be possible

Conclusion

Investing in Forex is one of the best investment options available. Although risk is certainly involved, there is a tremendous opportunity to gain huge profits relative to the initial capital invested. Currency trading supports trade between nations in today‘s worldwide marketplace. The major participants of the Forex market buy and sell in single deals that often run in to millions of dollars. On the other hand, smaller participants like individual brokers and brokerage houses trade in single deals that comprise of as little as one hundred thousand dollars.

Nowadays individual traders have the opportunity to join the Forex market, provided they take time to learn everything they should know of the currency markets and have some capital to invest. You can prosper in Forex trading by earning a very good income from your venture when you do lt online. As pointed out earlier, you cannot trade on your own and will require a broker who will allow you to open an account online and start trading with anywhere between $ 250 and $ 1,000.

The greatest advantage of Forex trading is that it is the most liquid market that is free from paper works and commission payments which we consider as difficulties associated with other forms of trading. However, Forex is highly a technical market that should be tried only after learning the basic principles that make up currency trading and attaining competence in the application of some of the Forex trading tods

With a little time and effort you can very easily acquire enough knowledge of the Forex markets to start earning money online and off, and sooner or later, you will be delighted at how quickly you became a master in the field.

Don‘t Take Chances...

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