

Forex Trading

WHAT IS FOREX

The Foreign Exchange, also referred to as the "Forex" or "Spot FX" market, is the largest financial market in the world, with over \$1.2 trillion changing hands every single day. If you compare that to the \$25 billion a day volume that the New York Stock Exchange trades, you see how giant the Foreign Exchange really is. In fact it is three times larger than all of the US Equity and Treasury markets combined!

What is traded on the Foreign Exchange? The answer is money. Forex trading is where the currency of one nation is traded for that of another. Therefore, Forex trading is always traded in pairs. The most commonly traded currency pairs are traded against the US Dollar (USD). They are called 'the majors'. The major currency pairs are the Euro Dollar (EUR/USD); the British Pound (GBP/USD); the Japanese Yen (USD/JPY); and the Swiss Franc (USD/CHF). Because there is not a central exchange for the Forex market, these pairs and their crosses are traded over the telephone and online through a global network of banks, multinational corporations, importers and exporters, brokers and currency traders.

Traditionally, currency trading has been a 'professionals only' market available exclusively to banks and large institutions, however, because of the rise of the new E-economy, online Forex trading firms are now able to offer trading accounts to 'retail' traders like you and I. Now almost anyone with a computer and an Internet connection can trade currencies just like the world's largest banks do. There are now over 6 million trading accounts worldwide up from 1.7 million in 1997.

BENEFITS OF FOREX TRADING

There are many benefits and advantages to trading Forex. Here are just a few reasons why so many people are choosing this market as a business opportunity:

1.LEVERAGE: In Forex trading, a small margin deposit can control a much larger total contract value. Leverage gives the trader the ability to make extraordinary profits and at the same time keep risk capital to a minimum. Some Forex firms offer 200 to 1 leverage, which means that a \$50 dollar margin deposit would enable a trader to buy or sell \$10,000 worth of currencies. Similarly, with \$500 dollars, one could trade with \$100,000 dollars and so on.

2.LIQUIDITY: Because the Forex Market is so large, it is also extremely liquid. This means that with a click of a mouse you can instantaneously buy and sell at will. You are never 'stuck' in a trade. You can even set the online trading platform to automatically close your position at your desired profit level (limit order), and/or close a trade if a trade is going against you (stop order).

3.PROFIT IN BOTH 'RISING' AND 'FALLING' MARKETS: On the stock markets, you can only make money if shares are rising, but in economic recession and falling 'bear' markets, there is little chance of making big money. Forex is different. One of the most exciting advantages of FX trading is the ability to generate profits whether a currency pair is 'up' or 'down'. A trader can profit by taking a 'long' position, (buying the currency pair at one price and selling it later at a higher price), or a 'short' position, (selling the currency pair and buying it back at a lower price). For example, if you think the US dollar will increase in value vs. the Japanese Yen then you will buy Dollars and sell Yen (go long). If you think the Yen will increase in value against the Dollar then you will sell Dollars and buy yen (go short). As long as the trader picks the right direction, a potential for profit always exists.

4. 24HRS: From Sunday evening to Friday Afternoon EST the Forex market never sleeps. This is very desirable for those who want to trade on a part-time basis, because you can choose when you want to trade--morning, noon or night.

5. FREE 'DEMO' ACCOUNTS, NEWS, CHARTS AND ANALYSIS: Most Online Forex firms offer free 'Demo' accounts to practice trading, along with breaking Forex news and charting services. These are

very valuable resources for traders who would like to hone their trading skills with 'virtual' money before opening a live trading account.

6. *'MINI' TRADING*: One might think that getting started as a currency trader would cost a lot of money. The fact is, it doesn't. Online Forex Firms now offer 'mini' trading accounts with a minimum account deposit of only \$200-\$500 with no commission trading. This makes Forex much more accessible to the average individual, without large, start-up capital.

Forex Profit System Foundations:

Before we begin looking at the specifics of the FPS and how it works, let's look at 4 building blocks that I believe to be foundations to the Forex Profit System.

Foundation #1: I highly recommend that you follow 1 or maybe 2 major currency pairs.

It gets far too complicated to keep tabs on all four. I also recommend that traders choose one of the majors because the spread is the best and they are the most liquid. I personally follow only USD/CHF because it moves the most every day.

Foundation #2: Follow and understand the daily Forex News and Analysis of the professional currency analysts.

Even though this system is based solely on technical analysis of charts, it is important to get a birds-eye view of the currency markets and the news that affects the prices. It is also important that you know and understand what the key technical 'support' and 'resistance' levels are in the currency pair that you want to trade. Support is a predicted level to buy (where currency pair should move up on the charts), resistance is a predicted level to sell (where the currency pair should move down on the charts).

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