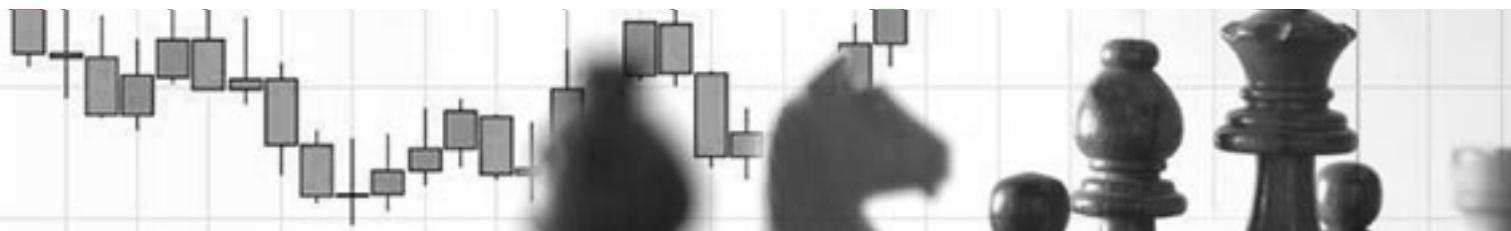


FOREX TRADING



STRATEGIES





Forex Trading Strategies

Editor: Harry Turner

Finance Analyst at IFCMarkets

*This book is property of IFCMarkets Corp.
Regulated Forex & CFD Broker since 2006.
All Property Rights Reserved.*



One of the most powerful means of winning a trade is the portfolio of Forex trading strategies applied by traders in different situations. Following a single system all the time is not enough for a successful trade. Each trader should know how to face up to all market conditions, which, however, is not so easy, and requires a deep study and understanding of economics.

In order to help you meet your educational needs and create your own portfolio of trading strategies, **IFC Markets** provides you both with reliable resources on trading and with complete information of all the popular and simple forex trading strategies applied by successful traders.

The trading strategies we represent are suitable for all traders who are novice in trade or want to improve their skills. All the strategies classified and explained below are for educational purposes and can be applied by each trader in a different way.

Contents

Trading Strategies Based on Forex Analysis 5

Forex Technical Analysis Strategies 6

Forex Trend Trading Strategy	7
Support and Resistance Trading Strategy	8
Forex Range Trading Strategy	9
Technical Indicators in Forex Trading Strategies	10
Forex Charts Trading Strategies	11
Forex Volume Trading Strategy	12
Multiple Time Frame Analysis Strategy	13

Forex Trading Strategy Based on Fundamental Analysis 14

Forex Trading Strategy Based on Market Sentiment 15

Forex Strategies Based on Trading Style 16

Forex Day Trading Strategies 17

Forex Scalping Strategy	18
Fading Trading Strategy	19
Daily Pivot Trading Strategy	20
Momentum Trading Strategy	21

Carry Trade Strategy 22

Forex Hedging Strategy 23

Portfolio / Basket Trading Strategy 24

Buy and Hold Strategy 25

Spread / Pair Trading Strategy 26

Swing Trading Strategy 27

Forex Strategies Based on Trading Order Types 28

Algorithmic Trading Strategies 29



Trading Strategies Based on Forex Analysis

Perhaps the major part of Forex trading strategies is based on the main types of Forex market analysis used to understand the market movement. These main analysis methods include technical analysis, fundamental analyses and market sentiment.

Each of the mentioned analysis methods is used in a certain way to identify the market trend and make reasonable predictions on future market behaviour. If in technical analysis traders mainly deal with different charts and technical tools to reveal the past, present and future state of currency prices, in fundamental analysis the importance is given to the macroeconomic and political factors which can directly influence the foreign exchange market. Quite a different approach to the market trend is provided by market sentiment, which is based on the attitude and opinions of traders. Below you can read about each analysis method in detail.

Trading Strategies Based on Forex Analysis

Forex Technical Analysis Strategies

Forex technical analysis is the study of market action primarily through the use of charts for the purpose of forecasting future price trends. Forex traders can develop strategies based on various technical analysis tools including market trend, volume, range, support and resistance levels, chart patterns and indicators, as well as conduct a Multiple Time Frame Analysis using different time-frame charts.

Technical analysis strategy is a crucial method of evaluating assets based on the analysis and statistics of past market action, such as past prices and past volume. The main goal of technical analysts is not the measuring of asset's underlying value, they attempt to use charts or other tools of technical analysis to determine patterns that will help to forecast future market activity. Their firm belief is that the future performance of markets can be indicated by the historical performance.



Trading Strategies Based on Forex Analysis

Forex Trend Trading Strategy

Trend represents one of the most essential concepts in technical analysis. All the technical analysis tools that an analyst uses have a single purpose: help to identify the market trend. The meaning of Forex trend is not so much different from its general meaning - it is nothing more than the direction in which the market moves. But more precisely, foreign exchange market does not move in a straight line, its moves are characterized by a series of zigzags which resemble successive waves with clear peaks and troughs or highs and lows, as they are often called.



As we mentioned above, forex trend is comprised of a series of highs and lows, and depending on the movement of those peaks and troughs one can understand the trend's type on the market.



Though most people think that foreign exchange market can be either upward or downward, actually there exist not two but three types of trends:

Uptrend
Downtrend
Sideways



Traders and investors confront three types of decisions: go long, i.e. to buy, go short, i.e. to sell, or stay aside, i.e. to do nothing. During any type of trend they should develop a specific strategy.

The buying strategy is preferable when the market goes up and conversely the selling strategy would be right when the market goes down. But when the market moves sideways the third option – to stay aside - will be the wisest decision.

Trading Strategies Based on Forex Analysis

Support and Resistance Trading Strategy

In order to completely understand the essence of support and resistance trading strategy you should firstly know what a horizontal level is. Actually, it is a price level indicating either a support or resistance in the market. The support and resistance in technical analysis are the terms for price lows and highs respectively. The term support indicates the area on the chart where the buying interest is significantly strong and surpasses the selling pressure. It is usually marked by previous troughs. Resistance level, contrary to the support level, represents an area on the chart where selling interest overcomes buying pressure. It is usually marked by previous peaks.



In order to develop a support and resistance strategy you should be well aware of how the trend is identified through these horizontal levels. Thus, for an uptrend to go on, each successive support level should be higher than the previous one, and each successive resistance level should be higher than the one preceding it.

In case this is not so, for instance, if the support level comes down to the previous trough, it may signify that the uptrend is coming to the end or at least it is turning into a sideways trend. It is likely that trend reversal from up to down will occur. The opposite situation takes place in a downtrend; the failure of each support level to move lower than the previous trough may again signal changes in the existing trend.

The concept behind support and resistance trading is still the same - buying a security when we expect it to increase in price and sell when expecting its price to go down. Thus, when the price falls to the support level, traders decide to buy creating demand and driving the price up. In the same way, when the price rises to a resistance level, traders decide to sell, creating a downward pressure and driving the price down.

Forex Range Trading Strategy

Range trading strategy, which is also called channel trading, is generally associated with the lack of market direction and it is used during the absence of a trend. Range trading identifies currency price movement in channels and the first task of this strategy is to find the range. This process can be carried out by connecting a series of highs and lows with a horizontal trendline. In other words, the trader should find the major support and resistance levels with the area in between known as "trading range".



In range trading it's quite easy to find the areas to take profit. You can buy at support and sell at resistance as long as the security hasn't broken out of the channel. Otherwise, if the breakout direction is not favorable for your position, you may undergo huge losses.

Range trading actually works in a market with just enough volatility due to which the price goes on wiggling in the channel without breaking out of the range. In the case the level of support and resistance breaks you should exit range-based positions. The most efficient way of managing this type of risk is the use of stop and limit orders as most traders do. They place stop limit orders when the currency price keeps dropping below the entry point and set the limit order to make profit when the security moves to the top of the range. In other words, while selling a range you should set limit orders down near the support level to take profit and while buying, you should place take profit orders at the previously defined resistance level.

Technical Indicators in Forex Trading Strategies

Technical indicators are calculations which are based on the price and volume of a security. They are used both to confirm the trend and the quality of chart patterns, and to help traders determine the buy and sell signals. The indicators can be applied separately to form buy and sell signals, as well as can be used together, in conjunction with chart patterns and price movement.

Technical analysis indicators can form buy and sell signals through crossovers and divergence. Crossovers are reflected when price moves through the moving average or when two different moving averages cross each other. Divergence happens when the price trend and the indicator trend move in opposite directions indicating that the direction of price trend is weakening.

They can be applied separately to form buy and sell signals, as well as can be used together, in conjunction with the market. However, not all of them are used widely by traders. The following indicators mentioned below are of utmost importance for analysts and at least one of them is used by each trader to develop his trading strategy:

- ▶ Moving Average
- ▶ Bollinger Bands
- ▶ Relative Strength Index (RSI)
- ▶ Stochastic Oscillator
- ▶ Moving Average Convergence/Divergence (MACD)
- ▶ RSI-Bars
- ▶ ADX
- ▶ Momentum

You can easily learn how to use each indicator and develop **trading strategies by indicators**.

Forex Charts Trading Strategies

In Forex technical analysis a chart is a graphical representation of price movements over a certain time frame. It can show security's price movement over a month or a year period. Depending on what information traders search for and what skills they master, they can use certain types of charts: the bar chart, the line chart, the candlestick chart and the point and figure chart.

Also they can develop a specific strategy using the following popular technical chart patterns:

- ▶ Triangles
- ▶ Flags
- ▶ Pennants
- ▶ The Wedge
- ▶ The Rectangle Pattern
- ▶ The Head and Shoulders Pattern
- ▶ Double Tops and Double Bottoms
- ▶ Triple Tops and Triple Bottoms

You can easily learn how to use charts and develop [trading strategies by chart patterns](#).

Forex Volume Trading Strategy

Volume shows the number of securities that are traded over a particular time. Higher volume indicates higher degree of intensity or pressure. Being one of the most important factors in trade it is always analyzed and estimated by chartists. In order to determine the upward or downward movement of the volume, they look at the trading volume bars usually presented at the bottom of the chart. Any price movement is of more significance if accompanied by a relatively high volume than if accompanied by a weak volume.

By viewing the trend and volume together, technicians use two different tools to measure the pressure. If prices are trending higher, it becomes obvious that there is more buying than selling pressure. If the volume starts to decrease during an uptrend, it signals that the upward trend is about to end.

As mentioned by Forex analyst Huzefa Hamid “volume is the gas in the tank of the trading machine”. Though most traders give preference only to technical charts and indicators to make trading decisions, volume is required to move the market. However, not all volume types may influence the trade, it's the volume of large amounts of money that is traded within the same day and greatly affects the market.



Multiple Time Frame Analysis Strategy

Using Multiple Time Frame Analysis suggests following a certain security price over different time frames.

Since a security price meanwhile moves through multiple time frames it's very useful for traders to analyze various time frames while determining the "trading circle" of the security. Through the Multiple Time Frame Analysis (MTFA) you can determine the trend both on smaller and bigger scales and identify the overall market trend. The whole process of MTFA starts with the exact identification of the market direction on higher time frames (long, short or intermediary) and analyzing it through lower time frames starting from a 5-minute chart.

Experienced trader Corey Rosenbloom believes that in multiple time frame analysis, monthly, weekly and daily charts should be used to assess when the trends are moving in the same direction. However, this may cause problems because time frames don't always align and different kind of trends take place on different time frames. According to him, the analysis of lower time frames gives more information.



Forex Trading Strategy Based on Fundamental Analysis

While technical analysis is focused on the study and past performance of market action, Forex fundamental analysis concentrates on the fundamental reasons that make an impact on the market direction.

The premise of Forex fundamental analysis is that macroeconomic indicators like economic growth rates, interest and unemployment rates, inflation, or important political issues can have an impact on financial markets and, therefore, can be used for making trading decisions.

Technicians do not find it necessary to know the reasons of market changes, but fundamentalists try to discover "why". The latter analyze macroeconomic data of a specific country or different countries to forecast the given country's currency behaviour in the nearest future. Based on certain events or calculations, they may decide to buy the currency in the hope that the latter will rise in value and they will be able to sell it at a higher price, or they will sell the currency to buy it later at a lower price.

The reason why fundamental analysts use so long timeframe is the following: the data they study are generated much more slowly than the price and volume data used by technical analysts.

Forex Trading Strategy Based on Market Sentiment

Market sentiment is defined by investors' attitude towards the financial market or a particular security. What people feel and how this makes them behave in Forex market is the concept behind market sentiment.

The importance of understanding the opinions of a group of people on a specific topic cannot be underestimated. For each purpose sentiment analysis can offer insight that is valuable and helps to make right decisions.

All traders have their own opinions about the market movement, and their thoughts and opinions which are directly reflected in their transactions help to form the overall sentiment of the market.

The market by itself is a very complex network made up of a number of individuals whose positions actually represent the sentiment of the market. However, you alone cannot make the market move to your favor; as a trader you have your opinion and expectations from the market but if you think that Euro will go up, and others do not think so, you cannot do anything about it.

Herein, the market sentiment is considered bullish if investors anticipate an upward price movement, while if investors expect the price to go down, the market sentiment is said to be bearish. The strategy of following Forex market sentiment serves as a good means of predicting the market movement and is of high importance for contrarian investors, who aim to trade in the opposite direction of the market sentiment. Thus, if the prevailing market sentiment is bullish (all the traders buy), a contrarian investor would sell.



Forex Strategies Based on Trading Style

Forex trading strategies can be developed by following popular trading styles which are day trading, carry trade, buy and hold strategy, hedging, portfolio trading, spread trading, swing trading, order trading and algorithmic trading.

Using and developing trading strategies mostly depends on understanding your strengths and weaknesses. In order to be successful in trade you should find the best way of trading that suits your personality. There is no fixed “right” way of trading; the right way for others may not work for you. Below you can read about each trading style and define your own.

Forex Day Trading Strategies

Day trading strategy represents the act of buying and selling a security within the same day, which means that a day trader cannot hold any trading position overnight.

Day trading strategies include scalping, fading, daily pivots and momentum trading. In case of performing day trading you can carry out several trades within a day but should liquidate all the trading positions before the market closure.

An important factor to remember in day trading is that the longer you hold the positions, the higher your risk of losing will be. Depending on the trading style you choose, the price target may change. Below you can learn about the most widely used day trading strategies.



Forex Scalping Strategy

Forex scalping is a day trading strategy which is based on quick and short transactions and is used to make many profits on minor price changes. This type of traders, called as scalpers, can implement up to 2 hundreds trades within a day believing that minor price moves are much easier to follow than large ones.

The main objective of following this strategy is to buy /sell a lot of securities at the bid /ask price and in a short time sell/buy them at a higher/lower price to make a profit.



There are particular factors essential for Forex scalping. These are liquidity, volatility, time frame and risk management. Market liquidity has an influence on how traders perform scalping. Some of them prefer trading on a more liquid market so that they can easily move in and out of large positions, while others may prefer trading in a less liquid market that has larger bid-ask spreads.

As far as it refers to volatility, scalpers like rather stable products, for them not to worry about sudden price changes. If a security price is stable, scalpers can profit even by setting orders on the same bid and ask, making thousands of trades. The time frame in scalping strategy is significantly short and traders try to profit from such small market moves that are even difficult to see on a one minute chart.

Together with making hundreds of small profits during a day, scalpers at the same time can sustain hundreds of small losses. Therefore, they should develop a strict risk management to avoid unexpected losses.

Fading Trading Strategy

Fading in the terms of forex trading means trading against the trend. If the trend goes up, fading traders will sell expecting the price to drop and in the same way they will buy if the price rises. Herein, this strategy supposes selling the security when its price is rising and buying when the price is falling, or as called “fading”.

It is referred as a contrarian day trading strategy which is used to trade against the prevailing trend. Unlike other types of trading which main target is to follow the prevailing trend, fading trading requires to take a position that goes counter to the primary trend.

The main assumptions on which fading strategy is based are:

- ▶ Securities are overbought
- ▶ Early buyers are ready to take profits
- ▶ Current buyers may appear at risk



Although “Fading the market” can be very risky and requires high risk tolerance, it can be extremely profitable. To carry out Fading strategy two limit orders can be placed at the specified prices- a buy limit order should be set below the current price and a sell limit order should be set above it. Fading strategy is extremely risky since it means trading against the prevailing market trend. However, it can be advantageous as well - fade traders can make profit from any price reversal because after a sharp rise or decline the currency it is expected to show some reversals. Thus, if used properly, fading strategy can be a very profitable way of trading. Its followers are believed to be risk takers who follow risk management rules and try to get out of each trade with profit.

Daily Pivot Trading Strategy

Pivot Trading aims to gain a profit from the currency's daily volatility. In its basic sense the pivot point is defined as a turning point. It is considered a technical indicator derived by calculating the numerical average of the high, low and closing prices of currency pairs.

The main concept of this strategy is to buy at the lowest price of the day and sell at the highest price of the day.

In mid-1990s a professional trader and analyst Thomas Aspray published weekly and daily pivot levels for the cash forex markets to his institutional clients. As he mentions, at that time the pivot weekly levels were not available in technical analysis programs and the formula was not widely used either.

But in 2004 the book by John Person, "Complete Guide to Technical Trading Tactics: How to Profit Using Pivot Points, Candlesticks & Other Indicators" revealed that pivot points had been in use for over 20 years till that time. In the last years it was even more surprising for Thomas to discover the secret of quarterly pivot point analysis, again due to John Person.

Currently the basic formulae of calculating pivot points are available and are widely used by traders. Moreover, pivot points calculator can be easily found on the Internet.
For the current trading session the pivot point is calculated as:

$$\begin{aligned} P &= (H + L + C)/3 \\ \text{Pivot Point} &= (\text{Previous High} + \text{Previous Low} + \text{Previous Close}) / 3 \end{aligned}$$

The basis of daily pivots is to determine the support and resistance levels on the chart and identify the entry and exit points. This can be done by the following formulae:

$$\begin{aligned} R1 &= (P \times 2) - L \\ S1 &= (P \times 2) - H \\ R2 &= P + (H - L) = P + (R1 - S1) \\ S2 &= P - (H - L) = P - (R1 - S1) \end{aligned}$$

where:

P - Pivot Point

L - Previous Low

H - Previous High

R1 - Resistance Level 1

S1 - Support Level 1

R2 - Resistance Level 2

S2 - Support Level 2

Momentum Trading Strategy

Momentum trading is actually based on finding the strongest security which is also likely to trade higher. It is based on the concept that the existing trend is likely to continue rather than reverse.

A trader following this strategy is likely to buy a currency which has shown an upward trend and sell a currency which has shown a downtrend. Thus, unlike daily pivots traders, who buy low and sell high, momentum traders buy high and sell higher.

Momentum traders use different technical indicators, like MACD, RSI, momentum oscillator to determine the currency price movement and decide what position to take. They also consider news and heavy volume to make right trading decisions. Momentum trading requires subscribing to news services and monitoring price alerts to continue making profit.

According to a well known financial analyst Larry Light, momentum strategies can help investors beat the market and avoid crashes, when coupled with trend-following, which focuses only on stocks that are gaining.



Carry Trade Strategy

Carry trade is a strategy through which a trader borrows a currency in a low interest country, converts it into a currency in a high interest rate country and invests it in high grade debt securities of that country.

Investors who follow this strategy borrow money at a low interest rate to invest in a security that is expected to provide higher return.

Carry trade allows to make a profit from the non-volatile and stable market, since here it rather matters the difference between the interest rates of currencies; the higher the difference, the greater the profit. While deciding what currencies to trade by this strategy you should consider the expected changes in the interest rates of particular currencies.

The principle is simple- buy a currency whose interest rate is expected to go up and sell the currency whose interest rate is expected to go down.

However, this does not mean that the price changes between the currencies are absolutely unimportant. Thus, you can invest in a currency because of its high interest rate, but if the currency price drops and you close the trade, you may find that even though you have profited from the interest rate you have also lost from the trade because of the difference in the buy/sell price. Therefore, carry trade is mostly suitable for trendless or sideways market, when the price movement is expected to remain the same for some time.



Forex Hedging Strategy

Hedging is generally understood as a strategy which protects investors from occurrence of events which can cause certain losses.

The idea behind currency hedging is to buy a currency and sell another in the hope that the losses on one trade will be offset by the profits made on another trade. This strategy works most efficiently when the currencies are negatively correlated.

Thus, you should buy a second security aside from the one you already own in order to hedge it once it moves in an unexpected direction. This strategy, unlike most trading strategies already discussed, is not used to make a profit; it rather aims to reduce the risk and uncertainty.

It is considered a certain type of strategy whose sole purpose is to mitigate the risk and enhance the winning possibilities.

As an example we can take some currency pairs and try to create a hedge. Let's say that at a specific time frame the US dollar is strong, and some currency pairs including USD show different values. Like, GBP/USD is down by 0.60%, JPY/USD is down by 0.75% and EUR/USD is down by 0.30%. As a directional trade we had better take the EUR/USD pair which is down the least and therefore shows that if the market direction changes, it will go higher more than the other pairs.

After buying the EUR/USD pair we need to choose a currency pair that can serve as a hedge. Again we should look at the currency values and choose the one which shows the most comparative weakness. In our example it was JPY, and EUR/JPY would be a good choice. Thus, we can hedge our trade buying EUR/USD and selling EUR/JPY.

What is more important to note in currency hedging is that risk reduction always means profit reduction, herein, hedging strategy does not guarantee huge profits, rather it can hedge your investment and help you escape losses or at least reduce its extent. However, if developed properly, currency hedging strategy can result in profits for both trades.

Portfolio / Basket Trading Strategy

Portfolio trading, which can also be called basket trading, is based on the combination of different assets belonging to different financial markets (Forex, stock, futures, etc.).

The concept behind portfolio trading is diversification, one of the most popular means of risk reduction. By a smart asset allocation traders protect themselves from market volatility, reduce the risk extent and keep the profit balance.

It's very important to create a diversified portfolio to reach your trading goal. Otherwise, this kind of strategy will be aimless.

You should compile your portfolio with such securities (currencies, stocks, commodities, indices) which are not strictly correlated, meaning that their returns do not move up and down in a perfect unison. By mixing up different assets in your portfolio which are in negative correlation, with one security's price going up and the other's going down you can keep the portfolio's balance, hence preserving your profit and reducing the risk.

Currently IFC Markets offers a new method, called GeWorko Method, which makes it even much easier for you to perform portfolio trading. The method provides numerous opportunities for traders to take the highest profit from trade. By Geworko Method you can create portfolios starting from only two assets up to hundreds of different financial instruments, open both long and short positions within a portfolio, view the assets' price history stretching up to 40 years, create your own PCIs, use a wide variety of market analysis tools, apply different trading strategies and constantly optimize and rebalance your portfolio. In other words, GeWorko Method seems the integrity of all trading opportunities and strategies, through which you can organize your trade in the way you desire, develop the strategy you want and what is the most important, stay safe from sudden and tragic losses.

Buy and Hold Strategy

Buy and hold strategy is a type of investment and trading when a trader buys the security and holds it for a long time.

A trader who employs buy and hold investment strategy is not interested in short-term price movements and technical indicators. Actually, this strategy is mostly used by stock traders; however some Forex traders also use it, referring to it as a particular method of passive investment. They commonly rely on fundamental analysis rather than technical charts and indicators. This already depends on the type of investor to decide how to apply this strategy.



A passive investor would watch the fundamental factors, like inflation and unemployment rates of the country whose currency he has invested in, or would rely on the analysis of the company whose stock he owns, considering that company's growth strategy, the quality of its products, etc. For an active investor it would be more effective to apply technical analysis or other mathematical measures to decide whether to buy or sell.

Spread / Pair Trading Strategy

Pair trading (spread trading) is the simultaneous buying and selling of two financial instruments related to each other. The difference of the price changes of these two instruments makes the trading profit or loss.

By this strategy traders meanwhile open two equal and directly opposite positions which can compensate each other keeping the trading balance.

Spread trading can be of two types: intra-market and inter-commodity spreads. In the first case traders can open long and short positions on the same underlying asset, while in the second case they can open long and short positions on different market assets which are related to each other, like gold and silver.

In spread trading it's important to see how related the securities are and not to predict the market movement. It is important to find related trading instruments with a noticeable price gap to keep the positive balance between risk and reward.



Swing Trading Strategy

Swing trading is the strategy by which traders hold the asset within one to several days waiting to make a profit from price changes or so called “swings”.

A swing trading position is actually held longer than a day trading position and shorter than a buy-and-hold trading position, which can be held even for years.

Swing traders use a set of mathematically based rules to eliminate the emotional aspect of trading and make an intensive analysis. They can create a trading system using both technical and fundamental analyses to determine the buy and sell points. If in some strategies market trend is not of primary importance, in swing trade it's the first factor to consider.



The followers of this strategy trade with the primary trend of the chart and believe in the “Trend is your friend” concept. If the currency is in an uptrend swing traders go long, that is, buy it. But if the currency is in a downtrend, they go short- sell the currency. Often the trend is not clear-cut, it is sideways-neither bullish, nor bearish. In such cases the currency price moves in a predictable pattern between support and resistance levels. The swing trading opportunity here will be the opening of a long position near the support level and opening a short position near the resistance level.



Forex Strategies Based on Trading Order Types

Order trading helps traders to enter or exit a position at the most suitable moment by using different orders including market orders, pending orders, limit orders, stop orders, stop loss orders and OCO orders.

Currently, advanced trading platforms provide various types of orders in trading which are not simply "buy button" and "sell button". Each type of trading order can represent a specific strategy. It's important to know when and how to trade and which order to use in a given situation in order to develop the right order strategy.

The most popular Forex orders that a trader can apply in his trade are:

- ▶ Market orders - a market order is placed to instruct the trader to buy or to sell at the best price available. The entry interfaces of market order usually have only "buy" and "sell" options which make it quick and easy to use.
- ▶ Pending Orders – pending orders which are usually available in six types allow traders to buy or sell securities at a previously specified price. The pending orders-buy limit, sell limit, buy stop, sell stop, buy stop limit and sell stop limit- are placed to execute a trade once the price reaches the specified level.
- ▶ Limit Orders- a limit order instructs the trader to buy or sell the asset at a specified price. This means that first of all the trader should specify the desired buy and sell prices. The buy limit order instructs him to buy at the specified price or lower. And the sell limit order instructs to sell at the specified price or even higher. Once the price reaches the specified price, the limit order will be filled.
- ▶ Stop orders-a sell stop order or stop buy order is executed after the stop level, the specified price level, has been reached. The buy stop order is placed above the market and the sell stop order is set below the market.
- ▶ Stop loss orders - a stop loss order is set to limit the risk of trade. It is placed at the specified price level beyond which a trader doesn't want or is not ready to risk his money. For a long position you should set the stop loss order below the entry point which will protect you against market drops. Whereas, for a short position place the order above the trade entry to be protected against market rises.
- ▶ OCO – OCO (one-cancels-the-other) represents a combination of two pending orders which are placed to open a position at prices different from the current market price. If one of them is executed the other will automatically be canceled.



Algorithmic Trading Strategies

Algorithmic trading, also known as automated Forex trading, is a particular way of trading based on a computer program which helps to determine whether to buy or sell the currency pair at a specific time frame.

This kind of computer program works by a set of signals derived from technical analysis. Traders program their trade by instructing the software what signals to search for and how to interpret them. High-grade platforms include complementary platforms which give an opportunity of algorithmic trading. Such advanced platforms through which traders can perform algorithmic trading are NetTradeX and MetaTrader 4.

NetTradeX trading platform besides its main functions, provides automated trading by NetTradeX Advisors. The latter is a secondary platform which contributes to automated trading and enhances the main platform's functionality by the NTL+ (NetTradeX Language). This secondary platform also allows to perform basic trading operations in a "manual" mode, like opening and closing positions, placing orders and using technical analysis tools.

MetaTrader 4 trading platform also gives a possibility to execute algorithmic trading through an integrated program language MQL4. On this platform traders can create automatic trading robots, called Advisors, and their own indicators. All the functions of creating advisors, including debugging, testing, optimization and program compilation are performed and activated in MT4 Meta-Editor.

The Forex trading strategy by robots and programs is developed mainly to avoid the emotional component of trade, as it is thought that the psychological aspect prevents to trade reasonably and mostly has a negative impact on trade.



Follow us:

