Title:
The secret currency technique that banks use to make billions

Word Count:
389

Summary:
“Who else wants to discover how the banks make billions using this currency secret, and why you should too!"

Keywords:
forex, forex trading, forex trading system, forex broker, currency trade, currency converter, currency exchange, currency trading, currency

Article Body:
Dear Friend,

The currency markets are the backbone of global economy and the banks are riding it like a bucking bronco. The banks don’t make their money from speculating or trading the currency markets they make their money from being the currency market. What I mean by the banks is being the market is that they will make money whether you win or lose on a trade. This happens because the banks make money from the pip spreads on the front end and are always in a hedged position when a currency transaction occurs. So it does not matter what the market ultimately the banks wins regardless. Well if the banks hedge there position to protect them selves, why don’t we as traders do the same.

Everyone has heard the term for every action there is a reaction, and every negative has a positive, and what goes up must come down; you get the picture. Well the same applies for the currency markets we refer to it as hedging using negative correlations, or simply one pair goes up when the other pair goes down and vice versa. It is very important for any one involved in the forex market to understand this basic concept of risk management. This technique is used all the time by banks, and especially major international corporations that do business in other currency besides the dollar. This is simply a logical choice when you are trading multiple currency pairs to ensure that your trading account does not get depleted very rapidly.

Negative as well as positive correlations exist between all currency pairs and are susceptible to change based on the a variety of factors, and of course monetary policy in that country being one of if not the biggest influence. A trader should check the currency pair correlation often to ensure that there has not been any major changes in the way currency pairs are affecting each other. This can be done in any number of ways; most forex trading software packages include the ability to view historical and daily currency prices which will allow you to determine a correlation between currency pairs. In closing I highly recommend if you trade currency you become familiar with Correlation Coefficient between currencies pairs so hedge your positions and limit your market exposure for maximum profit.