Title:
Is FOREX trading Right For You?

Word Count:
623

Summary:
This article discusses the advantages and disadvantages of trading the FOREX market so you can evaluate if the risks are worth the rewards.

Keywords:
forex,fx,foreign exchange,markets,commodities,trading,day trading,investing,trading systems,currency trading,currency exchange

Article Body:
FOREX is the abbreviated termed used to describe the world's largest foreign currency exchange market where of 1.5 Trillion dollars is traded on a daily basis. This more than 100 times the trading volume that occurs on the NYSE, and is fast becoming the hot spot for individual investors. A market that was once only accessible to large corporations and government entities is now available to individual investors with online trading accounts. Despite the hype and excitement around this market, is it right for you?

ACCESSIBILITY. Unlike most investment markets that open and close with the ring of a bell, the FOREX market is open 24 hours a day, six days a week. Trades can be made anytime the market is open from your home computer through the major trading centers located Sydney, Tokyo, London, Frankfurt and New York. Because of this you can act instantly upon news that may affect the market.

LIQUIDITY. Because of the high volumes that are being traded in this worldwide marketplace, there will always be a buyer or seller available for your trade. The trades occur in the "spot" market so your position closes immediately, avoiding the risks sudden market swings. The liquidity also helps insure price stability and lower spreads.

VOLATILITY. The FOREX market is always moving. Because of the liquidity of the market, you can make money when the market is moving up, down or even sideways. Volatility in other markets is oftentimes equated to risk or loss, but in the FOREX market volatility equates to profit potential.

MARGIN. Trading on margin means that you can buy or sell assets greater than the value of your account. You may be able to trade on margin in other investment accounts, but nothing like you can do in the FOREX market. Because currency exchange rates generally only fluctuate 1-2% daily, you can leverage your investment dollar for greater returns. The most common margin is 50:1, but you can find some trading accounts that will up to 200:1 margin. For example, if your risk capital is $10,000, you could control $500,000 to $1,000,000 in currency contracts. This type of leverage gives you the potential to make profits very quickly, but you can also lose your money just as fast. It is recommended to have a disciplined investment plan that does not put all of your capital at risk and is followed by stop losses to protect your returns.

PROFIT POTENTIAL. You do not need a large amount of investment capital to get started in this market. However, it is suggested that whatever capital you begin with is money that you can afford to lose. With FOREX mini-accounts, you can get started for as little as $300. With some discipline and a proven trading plan, you could realistically turn your $300 investment into thousands of dollars within a few weeks or few months. Without a trading plan, you could be out of the market within days.

PAPER TRADING. Most investment companies will set you up with a free paper trading account so you can practice your trading plan for 60 to 90 days before you begin actual trading. It is much better to lose money on paper that it is suffer a real loss to your own pocketbook. Once you have proven your trading plan you can open up a margin account and begin actual trading. FOREX is often traded without commissions (the profits are in the spread), making it an attractive investment opportunity for those who want to trade on a more frequent basis.

As you can see, the risks or disadvantages perceived in other markets actually become the profits and advantages of the FOREX market. As always, with any investment, one should proceed with caution, having an established trading plan and risking only money that they can afford to lose.