

Title:

How Fundamental Analysis Increases Profits For Forex Traders

Word Count:

407

Summary:

The Foreign Exchange or Forex Market is potentially more profitable and easier to trade than the stock market, yet few people take the time to learn about Forex trading principles.

The good news, whether you are experienced in Forex trading, or if you're an equity trader looking at the Forex market for the first time, is that many of the techniques that are used when trading equities are equally as valuable when they are used in Forex trading. The principles of Fundamental...

Keywords:

Forex trading, Forex market, fundamental analysis

Article Body:

The Foreign Exchange or Forex Market is potentially more profitable and easier to trade than the stock market, yet few people take the time to learn about Forex trading principles.

The good news, whether you are experienced in Forex trading, or if you're an equity trader looking at the Forex market for the first time, is that many of the techniques that are used when trading equities are equally as valuable when they are used in Forex trading. The principles of Fundamental analysis are a good example, so let's take a closer look.

When you are trading in the equities market you use fundamental analysis techniques to determine the long-term value of a company and the likelihood that it will continue to generate returns that are in line with your investment goals.

When you are trading in the Forex market, you are attempting to predict long term currency trends utilizing basic financial data about the country pairs behind the currencies you are considering trading.

Many traders in the Forex market use Forex trading fundamental analysis techniques to predict long-term economic trends that will affect a currency pair

and believe that it is not a technique that suits short-term Forex traders. However, the dedicated Forex trading professional who keeps up-to-date on the data used to predict these long-term trends can also easily become adept at spotting "mini-trends" that become obvious when the collected data is analyzed.

The use of fundamental analysis in Forex trading requires you to analyze economic indicators such as Inflation Rate, Unemployment Rate, Interest Rates, Gross National Product (GNP), Retail Sales, Consumer Price Index (CPI), Non-Farm Payroll, and the sales of Durable Goods.

While all of these indicators are readily available, fundamental analysis in the Forex market also requires you to be aware of each country's political climate as well as world trends that could have a trickle-down effect such as changes in tourism to that particular region, trade embargos, threat of war, and the potential for economy-disrupting natural disasters to occur within the region.

While the process of performing technical analysis on a company is much easier than performing it on two separate countries, it is worth both the time as well as the effort to learn the techniques if you want to be "ahead of the pack" by being able to predict Forex market trends before most of the world's Forex trading investors wake up to an opportunity that you spotted long ago.