Title:
Trading Flexibility In The Forex Market

Word Count:
524

Summary:
The flexibility of the forex market allows traders to trade in small size, offering a third step after paper trading and simulated accounts before trading with real money and in full size.

Keywords:
forex, trade, trading, online trading

Article Body:
How does a trader test his/her strategies and abilities without paying (or paying too much) for his/her mistakes ?
I would say there are three possible answers.

One first answer, of course, is by paper trading. Paper trading means that you do not actually execute your orders, but you only "bookkeep" them, testing on paper what their results would be.

At the next level you can trade in a simulated account. This is similar to paper trading, as you are not trading with real money, but just testing the result of your strategies; on the other side with a simulated account you are really using you Broker platform so you are at the same time training yourself in dealing with order execution issues.
Simulated accounts are nowadays offered by many Brokers; in the Forex market it is common to get this feature.

Say you trade your strategy for some time with a simulated account, and everything goes fine; you would expect that real trading should go fine as well. Still, there is an issue you did not deal with: your emotions. These will come into the game only when you trade with your real money. Emotions can do a big difference. They often explain differencies in results between traders that can be absolutely comparable in terms of market know-how and strategy. Why ? because they often force you not to follow the rules of your trading plan. Emotions can make you a hard life in keeping the necessary discipline.

So, how to deal with the emotional issue of trading ? There are ways to learn also in this topic, of course, but in this case your own direct experience is more difficult to replace, in my opinion. However, the experience can be expensive, of course. A possible solution is to trade with real money, but in a very small size. This is always a good idea at the beginning. Start small, gain experience and then increase gradually your trading size.

So the third answer to our first question is: by trading small. You might object that, if the trading size is too small, your emotional involvement will also be small, so the aim of putting emotions into the game is missed. Partly, this is true. However, the difference between using real money and just playing with numbers is there. And the decision about how big the size should be, is just yours.

The forex market gives you big flexibiliy about your trading size.
First, because the minimum required to open an account can be really small, in the order of $300. Trading size of course can be small too. The Forex market offers you a great leverage possibility, but again, how much of it to use is something that only you can decide.
Second, because in the forex market it is common for Brokers not to charge a fix commission to trades. The cost of the trade is generally represented only by the bid-ask spread. This means that small trades are not penalized by fix commissions.
This flexibility can offer an advantage for traders who want to gain experience before moving forward.

Good trading,
Roberto Zarotti