

Title:

Choosing a Forex Third Party Signal Provider

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716

Summary:

When choosing a third party signal provider for your forex account you need to be carefull. Here are a few tips and things to look for when making your decision.

Keywords:

forex, fx, trading, third party signal, autotrading, trading systems, automated trading

Article Body:

With the growing popularity and easy access to the foreign exchange (ForEx) market, more and more people are drawn to it as their financial vehicle of choice. Along with this popularity come all the extras. This includes all kinds of software, trading systems for sale, books, videos, and third party signal party providers. Today I'm going to touch on a few points when seeking out a third party forex signal provider.

Before we get into choosing a provider we need to have a good understanding of what a third party signal provider is. A signal provider is a trader or analyst that generates trades that in turn get placed on your account. You can have several signal providers trading your forex account or just one.

Like anything else, all third party signal providers are not created equal. At first glance a trader may look like a home run. That same trader may well end up completely torpedoing your entire account in one afternoon. To help make sure this doesn't happen we'll set down a few guidelines. These guidelines will give us something to look for when choosing our third party signal provider.

1. The first thing I look at is weather the trader is a winner or a loser. This may seem obvious to nearly everyone, but I often see losing signal providers with 50-100 people trading their signals.

2. The next thing I look at is how long they have been a winner. If a trader has been winning for a week that means nothing to me. I recommend that you

don't trade any signal provider with less than a few months of results to show you. Any one can place a few good trades one week and get lucky. If you are going to be trading this trader's signals they need to be established.

3. Look at the max draw down. This is the largest peak to trough draw down in equity that the trader has historically had. Some traders refuse to take a loss. This causes them to hold on to losing trades forever or until they turn to a winner. Turning a loser into a winner sounds great, but it will eat up a huge chunk of margin and may never turn around. If it doesn't turn in your direction, you will have your entire account destroyed by a trader that could have taken a 30 pip loss but held on until it was an 800 pip loss.

4. The first three are easy to look at. They will be displayed right on the main screen of signal providers to choose from. Once you get a few signal providers you are thinking of using, its time to dive a bit deeper into their history.

a. Look at their actual trades. Do they have a good win rate because they have opened a ton of trades all at the same time on the same currency pair? They may have 20 winners in a row. This looks great, but if you look a bit deeper you will see that its really only 1 winning trade places 20 times. Not as impressive is it?

b. Look at their draw down on individual trades. Do they let a trade go 300 pips against them and then close it out when it hits 5 pips of profit? This is a trader who lets their losses run out of control and cuts their winning trades short. It's not a trader that you want in control of your money.

c. Do they add to losing positions? A trader who constantly adds to losing positions hoping it will turn for them is not someone you want trading your account.

5. Choose a signal provider that suits you. Some traders may provide larger returns over time, but take bigger risks leading to bigger draw downs. This might be OK with you. If you are more conservative and cannot stomach large drops in equity you probably should choose a more conservative trader.

These are just a few things to look for when choosing a third party signal provider to trade your forex account. You should always trade a demo account before opening a live account with real money. Remember it's your account. In the end you choose the signal providers, and you are responsible for what happens.