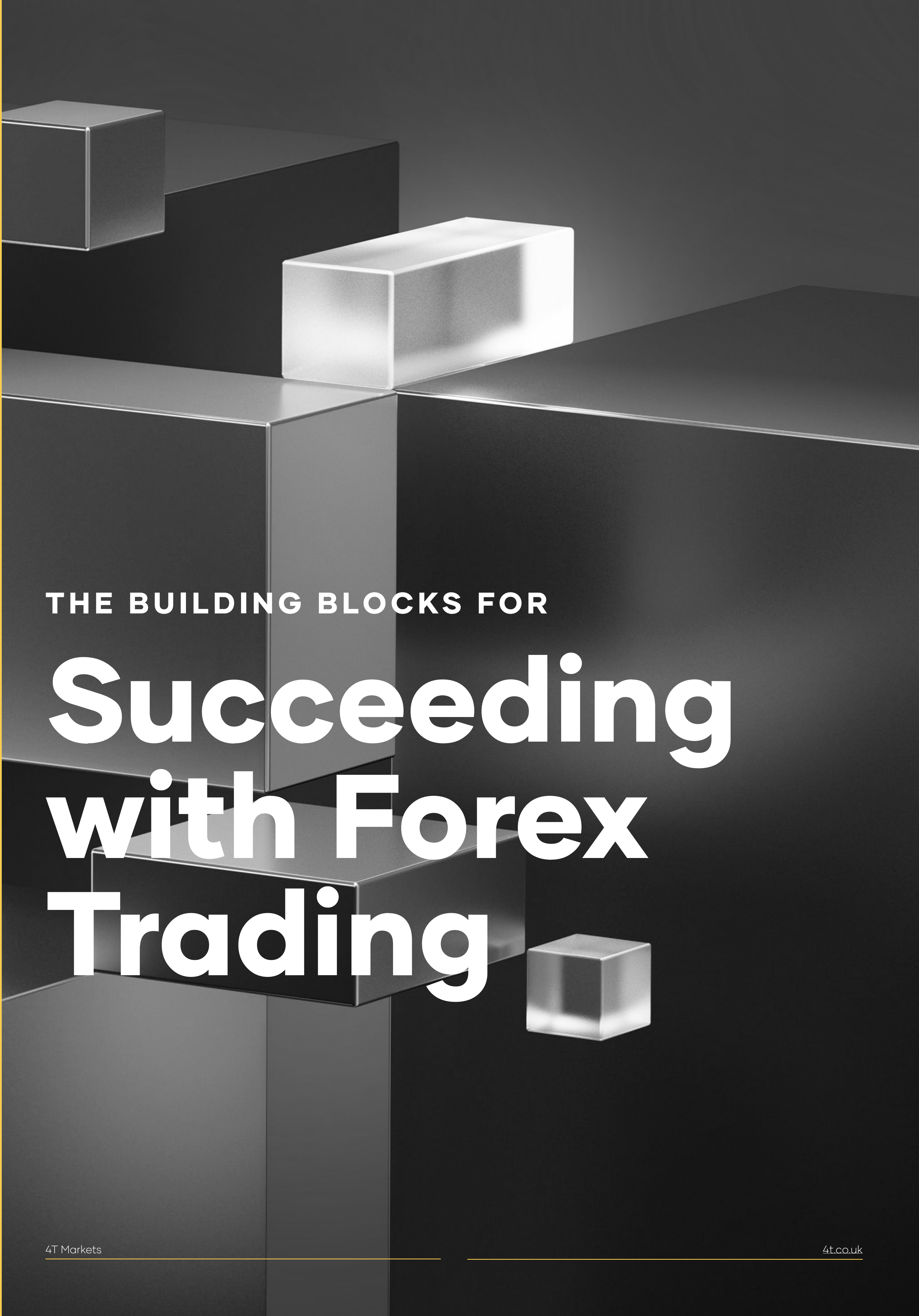

THE BUILDING BLOCKS FOR

Succeeding with Forex Trading

Important Notice

Trading in foreign exchange involves substantial risk and may not be suitable for all investors.
The use of leverage increases the potential for losses. Prior to engaging in foreign exchange trading, carefully assess your investment goals, level of experience, and risk tolerance.
There is a possibility that you may lose some or all of your initial investment; therefore, it is crucial not to invest funds that you cannot afford to lose. Take the time to educate yourself about the risks associated with foreign exchange trading and consult with an independent financial or tax advisor if you have any concerns.

Advisory Notice

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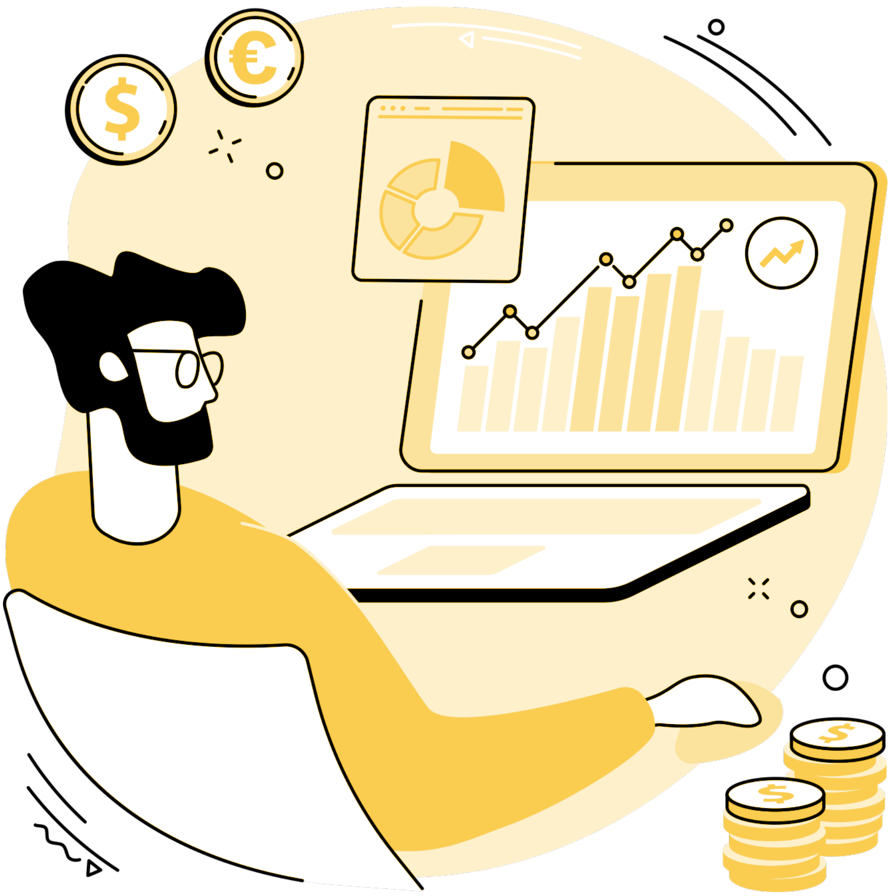
LESSON

01

The Basics of Forex Trading

Content



LESSON

01

The Basics of Forex Trading

01.1.
What is Forex trading?

Forex trading or currency exchange as it relates to individual retail investors and investors refers to the trading of international currencies against one another in a worldwide, decentralized financial market that operates throughout the day, apart from weekends.

01.2.
How Does One Profit from Forex Trading?

The prices of currencies in the foreign exchange market often fluctuate; that is, rise and fall. As such, the profit potential comes from these changes in currency prices.

Like any other business, you must be properly prepared. The most important preparation you must do for your trading business is get the proper training.

01.3.
How Does One Start Trading Currencies?

You will have to register with a Forex brokerage firm and then deposit the amount you want to use in your trading account. Once you have completed the depositing process, you are ready to begin trading.

Since there are many trading arenas a person can choose to start trading in, making a proper choice through careful evaluation is necessary.

01.4. Advantages of Online Forex Trading

Simplicity

Online Forex trading has low barriers to entry, making it easily accessible to all traders with internet access. Traders can access the market 24 hours a day, from their desktop and mobile device.

Flexibility

With online trading, you are not limited to one market. You can trade Forex, indices and commodities. It's all available to you within the style of trading you choose to adopt.

Transparency

With online trading, there are no surprises. Since you have full control to monitor your trading status, you know how much you can lose and how much you can make. This let's you trade with ease and in a relaxed mode, which is the way you should always be when trading money.

01.5. How are Currencies Traded in the Forex Market?

In the currency market, currencies are traded in pairs. It is important to note that a currency pair is made up of the base currency and the quote currency or the counter currency.
For example, the quotation EUR/USD, EUR is the base currency whereas the USD is the quote currency. The currency pair points out the amount of the quote currency needed to buy one unit of the base currency. As an example, if EUR/USD is trading at 1.3900, then it means that you'll need 1.3900 dollars to purchase 1 euro.
Thus, the quote currency is what gives your profits or losses for each transaction you engage in while trading in the foreign exchange market.

01.6. So, what are PIPS?

Pips are the units of calculation used by Forex traders to calculate the profit or loss from the trades they make. If you look at any currency quote starting from the left and count 4 places, then the 4th place is the PIPs value in a quote. For example, when a currency pair moves from a value of 1.4022 to 1.4026, then it has moved by 4 PIPs. And, when a PIP has a value of $10, then the profit is $40. To calculate the value of PIPS, traders usually use the following PIPS formula:
The asking price for the currency trade
Divided by 1 PIP
Multiplied by the value of the trade
The result of this gives the value of the number of PIPS gained or lost in a trade.

01.7. What is Bidirectional Trading?

In the foreign exchange market, there are always two currencies being traded. One currency is bought while the other is simultaneously being sold. For one currency to rise in value, then the other currency must fall in value.
As a result, either the base currency or the quote currency will always be rising in value, which means there is always the possibility to profit.

If the base currency is falling in value, then it means that the quote currency is strengthening.
Thus, bidirectional trading in the Forex market enables you to place trades regardless of the direction of the market.

01.8. Leverage

Leverage is a common practice in currency trading, and allows traders to greatly magnify the speed and impact of the trades they place. Leverage is what makes Forex a highly volatile activity.

It is of essence to note that leverage is a double-edged sword. This means that you can magnify both the profits potential and loss potential of your trades. For example, if a trader opens a trade with a margin of $50 and a leverage of 25 times, then it means that the actual trade value will be 50x25 or $1,250. If the trader records a gain, the profit will be 25 times greater than it would otherwise have been. On the other hand, if the trader experiences a loss, then the loss will be 25 times more than it would otherwise have been.

Because leverage can have such a dramatic impact on your trading, it is very important to set clear limits and targets for your trades in order to reduce the risk of a meltdown in your account.

01.9.
Margin Trade Example

Let’s say you want to open a trade on EUR/USD. You think the market will rise and the EUR will strengthen, so you decide to buy EUR/USD. The rate is 1.4000 and you are willing to invest $100 from your account.

You decide on a leverage of 25 times. Thus, the amount of the trade will be $2500. Your margin is 4% which means that if the value of the pair drops by 4% then your account would become zero. On MT4 your position however is set to close once you reach 50% of maximum margin then your positions would be reduced to bring you within margin.

If the market was to go up as you expected, the gain of 1% would be $25 USD and closing the trade would realise this gain.

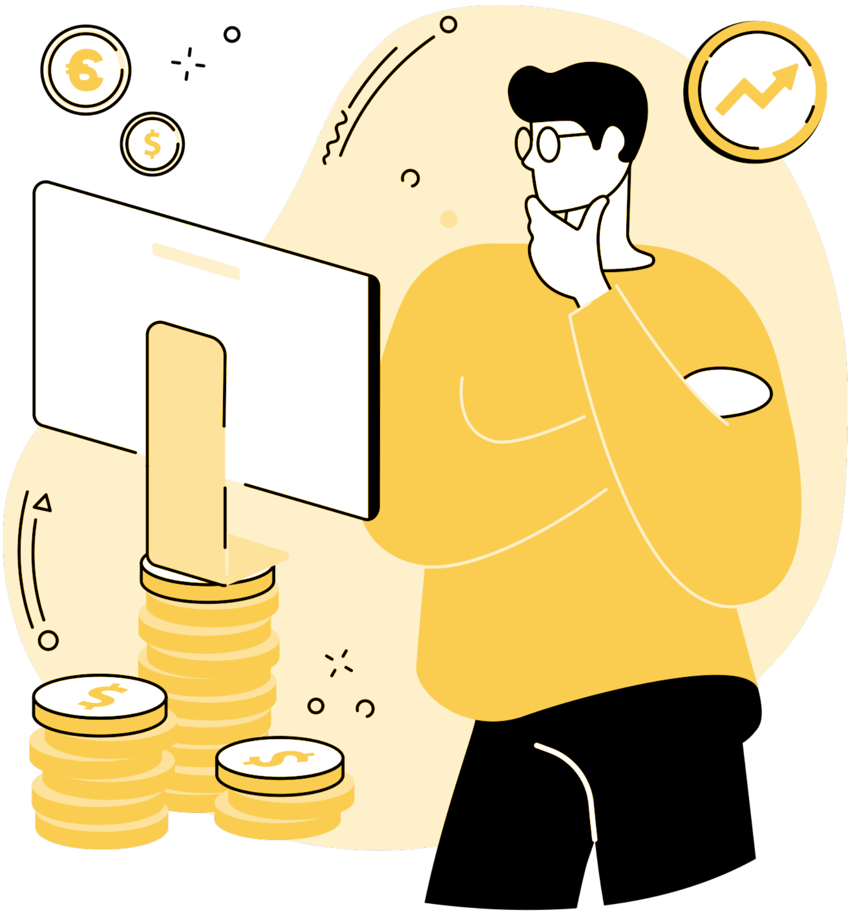
Please be aware that in the above example your position of $2500 would be $2500/1.4000 so your actual position in EURUSD would be 1785 EUR

LESSON

02

Market Analysis

Content



LESSON

02

Market Analysis

In this lesson, we focus on the specialized domain of Market Analysis tailored explicitly for Forex traders. Here, you will learn the principles of fundamental and technical analysis essential for successful trading.

02.1. Technical Analysis

To succeed as a Forex trader, it is essential you undertake a detailed analysis of the market before placing any trades on the trading platform.
Analysis of the market involves forecasting the market behavior to identify the best places to enter and exit trades.
Technical analysis is a strategy of forecasting future market movements by studying historical price patterns and trends in the foreign exchange market. Whereas technical analysts may use various tools and theories in attempting to predict correctly market moves, the most common instrument used by all is the chart.

There are three main principles in technical analysis:

A. Market action is the king

Followers of technical analysis hold that all the fundamental conditions that could affect the behavior of a currency are already reflected in the price movements.

B. The market movement follow trends

Technical analysts hold that the rise and fall of currency prices in the foreign exchange market occurs in an orderly manner, which is both systematic and easy to forecast. The three major types of trends are upwards, downwards or sidewaysprice movements.

C. History tends to repeat itself

The movement of currency prices in the foreign exchange market has been tracked for several years. And, a lot of studies have revealed a number of repetitive patterns that often appear on charts. Therefore, technical analysts believe that patterns that appeared in the past are likely to appear in the future.

02.2. Fundamental Analysis

Fundamental analysis is a type of market analysis that involves examining the economic, social and political factors and their influence on the value of currencies. Traders using fundamental analysis as the basis for making informed decisions on when and how to trade currencies believe that the value of a currency in the Forex market is reflected by its macroeconomic condition. This means that a currency of a country with a strong economy will have a higher value than a currency of a country of with a weak economy.

It is important to mention that economic news as well as important political events have the power to trigger big movements in the Forex market. As such, by analyzing them, you can better understand how the market is likely to move in the future.
When examining economic data on an Economic Calendar, you should study the previous results and forecast results, and then compare them with the actual results. Movements in the market happen when there is a difference between market expectations – based on the previous and forecast results – and the actual result.

Here is a description of some of the key economic data that often cause movements in the Forex market:

Interest rates

Interest rates are regarded as possibly the most significant mover of currency prices in the foreign exchange market. It is of essence to note that each currency has a daily interest rate determined by the nation's central bank.
Lower interest rates can cause the value of a nation's currency to weaken and higher interest rates can cause the value of the currency to strengthen. If a central bank of a country makes its interest rates to be high, this would increase the yield of holding the currency; therefore, the currency would become more attractive to hold as weighed against its counterparts. As a result, its value would rise.
Conversely, if a central bank of a country decreases the interest rates of a country, then this would make the currency less attractive to hold. As a result, its value would come down.

Growth indicators

Growth indicators exhibit the status of the economy of a country. If the indicators are positive or increasing, it usually suggests good overall economic condition of the country. Naturally, this would attract foreign investors and make the value of its currency to appreciate.
Some of the growth indicators closely monitored by currency traders include Gross Domestic Product (GDP), Gross National Product (GNP), Consumer Price Index (CPI), construction indexes, capital expenditure, and government spending.

Inflation rates

Inflation alludes to the general increase in the prices of goods and services within a certain territory over a specific time period. Inflation indicators like PPI (Producer Price Index) in a country are usually employed as a means of measuring its underlying economic growth. As such, central banks normally have checks and balances to ensure inflation rates do not go out of control.
A country with a high rate of inflation has a low purchasing power and thus a poorly performing currency. To increase the strength of such a currency, the government may decide to raise the country's interest rates.

Employment indicators

Employment reports provide a sign of how the economy of a country is performing. If the number of individuals getting jobs in a country is increasing on a regular basis, then it means that the economy is expanding. Conversely, if there is no remarkable growth in a country's employment rate, then it indicates that its economy is not performing as expected and can cause its currency to also weaken.
For instance, the Non-Farm Payrolls report, which is an employment report released on a monthly basis from the U.S., plays a vital role in determining the strength of currencies in the foreign exchange market.

Balance of trade reports

Balance of Trade (BOT) means the difference between the imports and the exports of a country. If a country has more exports than imports, then this usually translates to it having a strong currency. The opposite is also true.

02.3.
How Does One Trade News and Events?

Trading the markets based on important news events is a popular fundamental trading strategy that is practiced by several traders around the world. News traders attempt to anticipate how the market will react to events and time the biggest movements.
Fundamental traders watch for surprising news that differs from the market expectations and can result in substantial price changes. It is of essence to note that news results can have a surprising impact on the market, so fundamental traders need to beware of this. Worth mentioning, key economic news releases from the world's largest economies often trigger price movements in the currency market. And, following the most important news releases with the greatest market impact is one fundamental strategy for trading the Forex market.
Therefore, you should learn which releases to look out for, when they are due out, and how to trade based on the observed results. This trading style requires considerable research, but allows well-informed traders to reap significant rewards. It is important to remember that market movements based on news events can only last for a few minutes, so watching news as it occurs is crucial to this strategy's success. And, you should beware of a contrary market impact when trading key events in the marketplace.

LESSON

03

The Psychology of Trading

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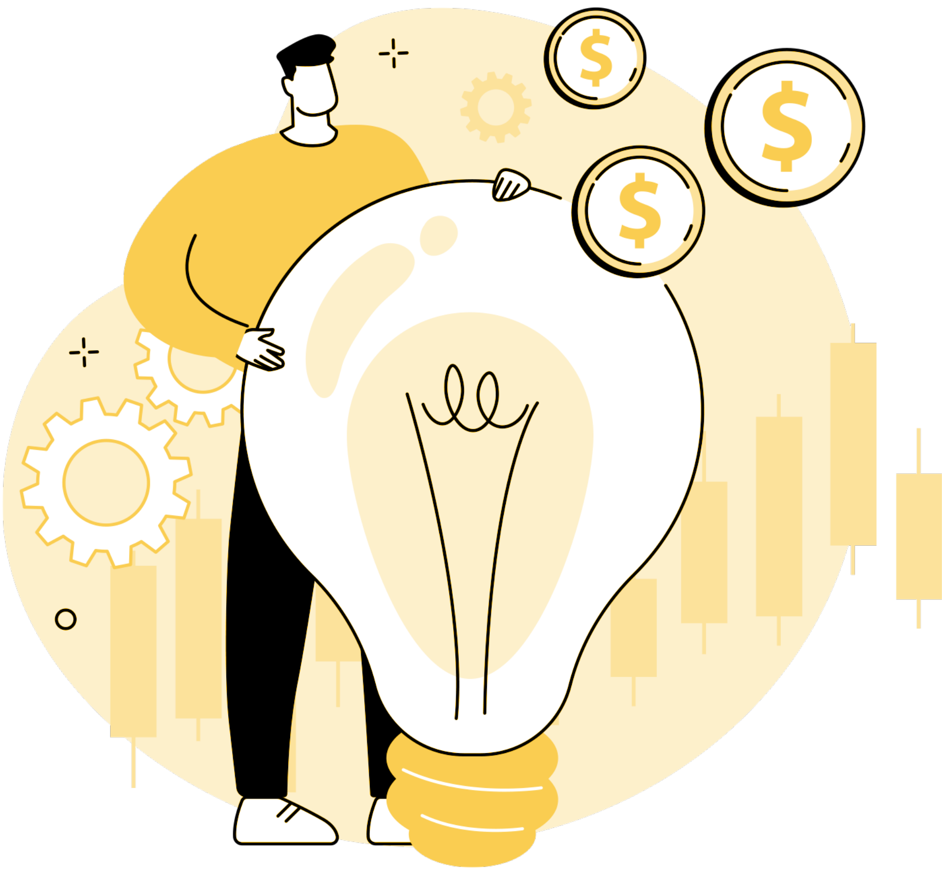


LESSON

03

The Psychology of Trading

03.1.
Fear of Loss

Fear is what often gets in the way of successful trading. That's why understanding and controlling your fears is so important. So, how do you stop your fears from controlling your trading? The answer lies in developing a trading plan. As the old adage goes "Failing to plan is planning to fail", your plan is what will help you in navigating the Forex waters. As such, your plan should clearly set your trading goals and identify the price levels and strategies you'll focus on. If you don't yet feel like you know enough to plan in this way, then you might want to focus on practice trading for some time or seek out more traders' education before starting to trade on a real account.

How to overcome fear of loss?

Success as a trader requires overcoming your fears and developing confidence to learn from your mistakes. You will need to believe in your ability to make more money that what you lose. Further, you should always stick to your trading strategy.

03.2.
Greed

Most traders know what it feels like to hold on to a trade for too long, and see significant profits go

down the drain due to this. When this happens, it's often the trader's greed that's to blame. Greed changes the way you think and act, and can cause you to make mistakes in the market, which can cost you dearly.
A lot of new traders imagine that it's possible to earn returns of 100 or 1000 times their initial investments from just a few days of trading. Add a high leverage rate into the mix and you have a sure fire recipe for disaster – courtesy of greed. It is important to note that success in Forex trading requires determination, hard work, and discipline.
However, greedy traders always think that this business is not based on any rules and they end up placing trades without proper analysis. placing trades without proper analysis, resulting in excessive losses.

How to overcome greed when trading Forex?

Your decision to invest in the markets should be based on rational analysis.

- Since trading is not gambling, you should never treat it like it.
- Remember that there are a lot of opportunities in the markets, but you'll only be able to exploit them if you can learn to control emotions like greed.
- After all, when you think you've spotted an opportunity, shouldn't you go all in? Actually, the answer is NO.
- Don't risk your account in a single trade – it's the classic mistake of an inexperienced trader and it means letting your greed control you.
- Always remember that the market can go against you.
- Dance to the tune of the market, do not dance at your own tunes

03.3.
Position Management

In Forex trading, position management involves controlling how you invest and the amount of money you allocate for entering each trade in the market. As a trader, your position management strategy is crucial for successful trading. It's of essence to note that you may not be able to control the markets, but you can control how you invest and the amount of risk which you take.

Your money management strategy should answer these two key questions:
- How much money should I risk on any single trade?
- What size of trades should I be making?

Position Management Solutions

As a trader, your first goal should be to preserve your capital. If you can stay in the market long enough to achieve some big wins, then it should cover the costs of your losing trades and deliver you some good returns on your investment.
And, you can only achieve this through having a good money management strategy. Most experienced traders never risk more than 2% of their trading capital on any single trade. Thus, with a $10,000 account, that means your maximum potential loss should be $200 dollars on any single trade.

03.4.
Risk Management

It's no secret that you can't control the direction of the market, or the extent of its swings and movements. But there is one way in which every trader can achieve real control over their trading – and that's through proper money management.
Money management is a set of rules and guidelines designed to help you keep risk at a level where you're comfortable.

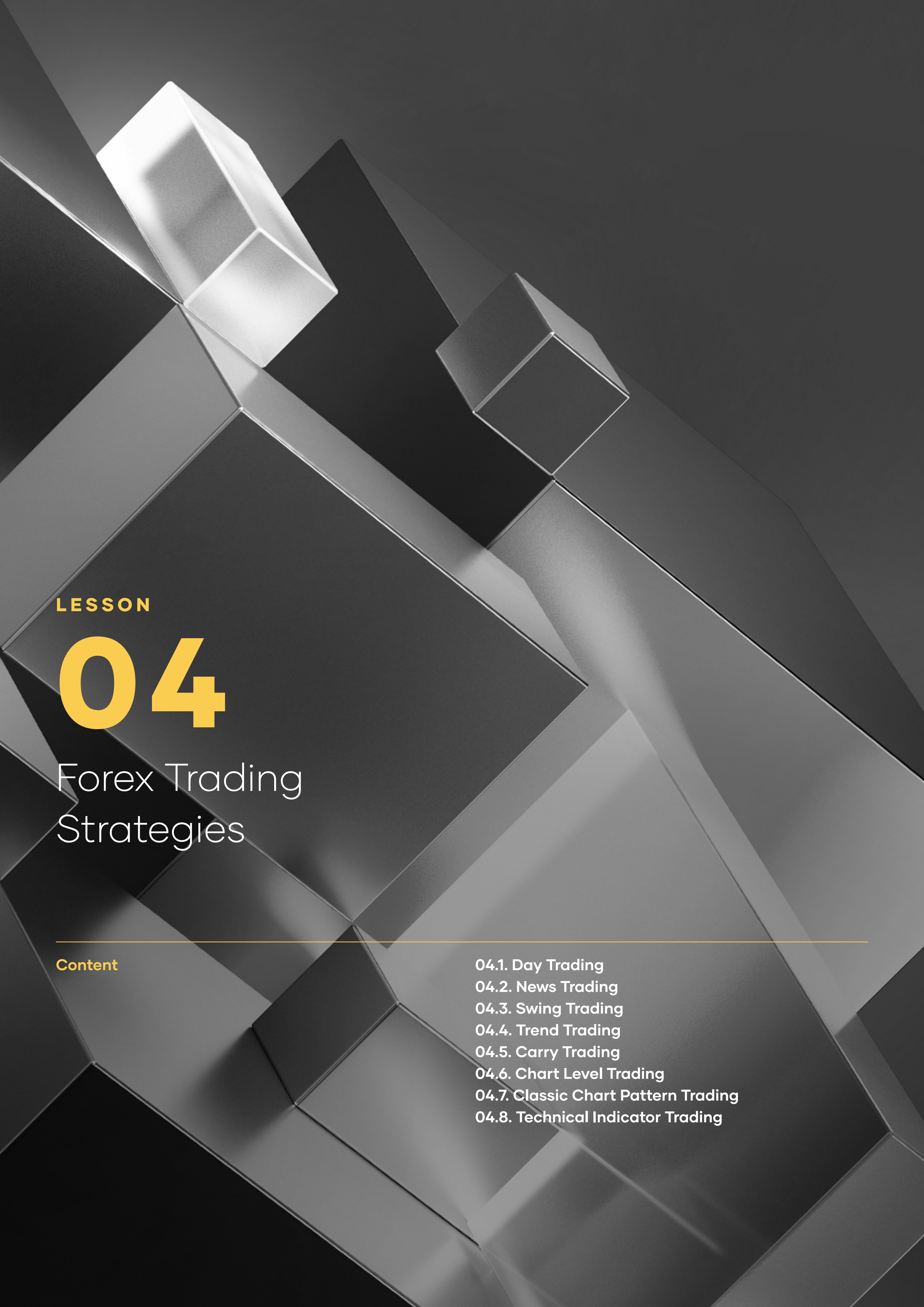
Effective money management asks, then answers these three key questions:
- What should my risk-reward ratio be?
- Is the right amount of risk for me to accept per trade?
- How much risk should I take across my account?

These questions sound simple, but getting them right is the key to your success as a trader.

Risk Management Solutions

The risk-reward ratio helps traders determine the level of risk in a trade. It shows how much a trader is risking versus the potential reward they can make if the trade becomes a success. So, how do you calculate the risk-reward ratio?

It's simple:
The "Stop Loss" displays your risk, and the "Take Profit" displays your potential reward. So, if on a specific trade your stop loss is set at $100 and your take profit is set at $200, then the risk-reward ratio is 100:200 or 1:2. The larger your risk-reward ratio, the more easily you'll be able to absorb losses through time.



LESSON

04

Forex Trading Strategies

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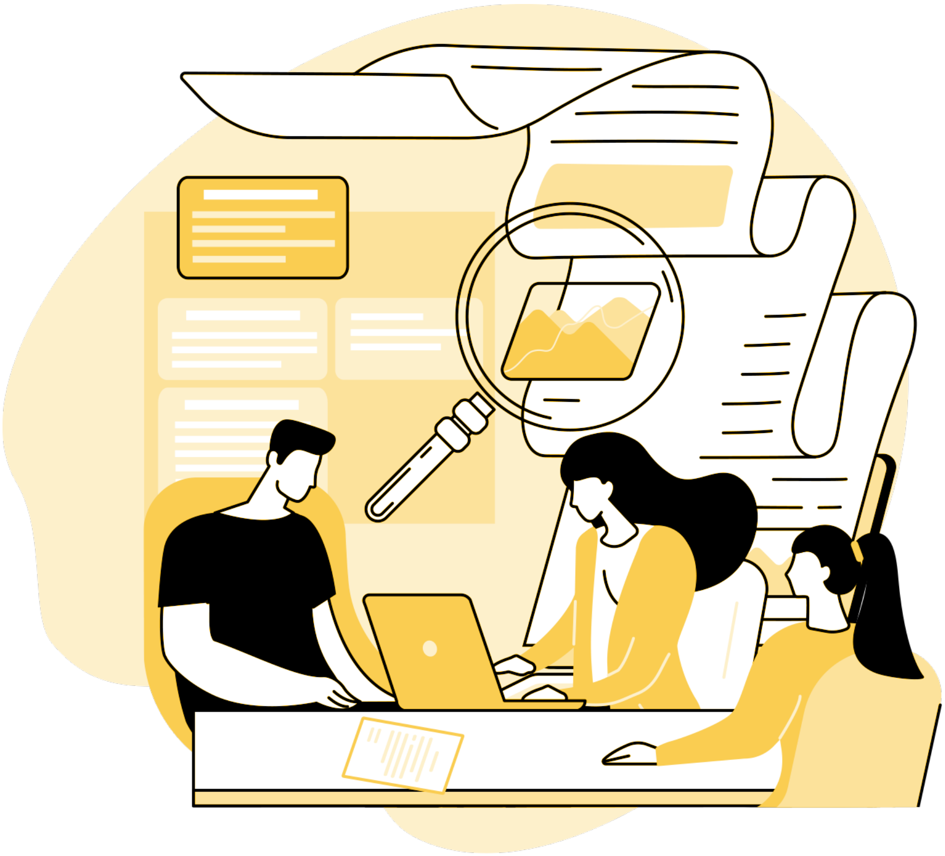

LESSON

04

Forex Trading Strategies

04.1. Day Trading

Day trading strategies encompass all trading styles that involve closing out all trading positions before the end of the trading day. Day traders usually have a very short term time horizon and take only intraday positions aiming for a fast profit. Day trading allows Forex traders to avoid taking overnight risk where their portfolio is exposed to unmonitored exchange rate movements that occur when they are asleep or inattentive to the market.

Scalping is an example of a day trading strategy whereby a Forex trader might attempt to buy on or near the market bid and then quickly sell out the position at or near the offer side to gain a few pips.

04.2. News Trading

News trading strategies involve trading Forex based on the release of important news events or economic data. News trading is usually a very short term trading strategy where traders try to predict how the Forex market will react to the observed news event. When the outcome differs substantially from the Forex market's consensus expectations, the result is often a sharp exchange rate movement that can provide news traders with a quick profit.

Popular economic releases to trade include: employment, inflation, growth and retail sales data, as well as central bank interest rate decisions. Remember that the observed impact of news can sometimes be counter-intuitive, depending on what outcome the market was expecting.

04.3. Swing Trading

Swing trading strategies typically attempt to profit from both trends and counter-trend corrections by taking positions that follow the momentum of the market. Swing trading can be performed in all time frames, although it is most commonly used as a short to medium term trading strategy that may involve taking overnight positions. Swing traders usually employ a combination of technical indicators that asses the market's momentum and trend to help them trade and provide trading signals for taking and then reversing their trading positions. Popular swing trading momentum indicators include the Relative Strength Index or RSI. Popular trend indicators include moving averages and Wilder's Average Directional Movement Indicator (ADX).

04.4. Trend Trading

Trend trading involves first identifying and then following an established directional market movement or trend. Trend trading can be performed over any time frame, but it is typically a longer term trading strategy where traders routinely take overnight positions. A trend trader will usually identify trending chart patterns like channels and/or employ one or more technical indicators to assess the strength of the market's trend and provide trading signals for entering and exiting trend trading positions. Popular trend indicators include moving averages and the MACD. Wilder's Average Directional Movement Index (ADX) can also be used to gauge the strength of a trend. A trend trader will look for a good time to buy in an up trend or to sell in a down trend. They will usually hold no position in a flat or ranging market.

04.5. Carry Trading

Carry trading involves buying a higher interest rate currency and selling a lower interest rate currency to capture the interest rate differential existing between them. Carry traders typically take leveraged positions that they hold over a long term time frame. Ideally, a carry trader would expect the higher interest rate currency to appreciate relative to the lower interest rate currency over the trade's projected time frame to generate even more profits. An example of carry trading might involve buying the Australian Dollar and simultaneously selling the Japanese Yen for a period of six months or more in order to capture the positive interest rate differential.

04.6. Chart Level Trading

Chart level trading involves pursuing exchange rate charts to identify significant levels of support and resistance. Support and resistance levels are usually an indicator of underlying human psychology that prompts a significant market reversal at a particular exchange rate. They often occur near round numbers. Chart level traders typically attempt to sell ahead of resistance and buy above support. They often place their stops just beyond the chart level in case it breaks.

04.7. Classic Chart Pattern Trading

Classic chart pattern trading involves perusing exchange rate charts for chart patterns that have reliable outcomes and then trading the appropriate range or breakout signals as they arise. Classic reversal chart patterns that indicate the market may be changing direction include Head and Shoulder Tops and Bottoms, Double and Triple Tops and Bottoms, and Saucer Tops and Bottoms. Classic continuation chart patterns include Flags and Pennants, where the market pauses briefly after a substantial move before breaking out to make another move in the same direction. Classic consolidation patterns include triangles, wedges and ranges where the market trades between established converging or flat parallel lines before breaking out. The primary classic trending pattern is the Channel, which consists of a set of sloping parallel trend lines between which the market trades as it moves in either an upwards or downwards direction.

04.8. Technical Indicator Trading

Technical indicator trading involves computing one or more indicators that provide trading signals which can be used to forecast and profit from exchange rate movements. Technical analysis offers traders a variety of indicators computed mathematically from market observables like price, volume and open interest that can be used alone or in combination to devise a technical indicator trading strategy.

Popular technical indicators used in trading strategies include moving averages, the Moving Average Convergence Divergence or MACD oscillator, Bollinger Bands, the Average Directional Movement Index or ADX, the Relative Strength Index or RSI, William's Alligator indicator, Stochastic, and On Balance Volume. Technical indicators provide traders with a more objective way to determine market direction and timing for entering and existing positions.

Conclusion

Proper training is important for achieving success as a Forex trader. Without the right preparation and expertise, a trader's possibilities of succeeding may be substantially reduced. This e-book, The Building Blocks for Succeeding with Forex Trading, was created by traders and for traders with the aim of equipping traders with the right skills of trading currencies.
It is important that you learn at your own pace and take time to familiarize yourself with the foreign exchange market. Only then should you consider entering trades in the market. Whether you are an investor who want to learn Forex trading for the first time or someone who just wants to give Forex trading a try, then take the first steps with this easy-to-follow e-book.