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# Moving Ahead With Forex Trading

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# Moving Ahead With Forex Trading

## Defining Trading Trend and Ranges in Forex Trading

When you choose to start trading in the Forex market, which is often call the foreign exchange market, you will need to bone up on a little trading vocabulary. Learning specific terms and what they mean are essential before you even think about using real money to trade. You would never get into a pilot's seat and try to fly a plane without ever having taken flying lessons.

The same goes for foreign exchange market trading. You need to be fully aware of what you are doing. This is a market that is not quickly learned, so you should never assume that once you jump into it, you will learn as you go. While some people opt to do that, they typically end up losing an adequate sum of money because they were not as prepared as they should have been. Knowing the importance of trading trends and ranges in Forex trading is very important. If you are thinking of trading in the Forex market, be sure you know what these terms mean and their implications.

### **Trading Trend**

When price moves consistently in one direction in the Forex, a trend occurs. When the direction is higher, the trend is often called bullish. When the direction of the price is moving lower, the trend is often called bearish. These terms are relative of course. When you define a trend, you should always remember that price peaks and troughs are in the same direction. When you are dealing with a bearish trend, remember that price highs and lows are moving lower. Likewise when you are dealing with a bullish trend, they are moving higher.

Often when trends occur, it is possible to draw support lines under one that is moving higher (an uptrend). You can also often draw resistant lines above one that is moving lower (a downtrend). Once you see these lines break, it can be assumed that the trend is complete. At this point there is a possibility that the trend will begin to reverse. When it does reverse, you will need to know the pattern of what that entails.

### **Trend Reversal**

When you hear of a trend reversal, it simply means that the direction of market prices is changing. Often you will see trend reversals following a four-step pattern. Usually, this includes the market making a new high, the trend line being broken, the market making an intermediate low, and a new rally that does not match the first high. Many times you will see prices break the previous low however. You may come across terms such as Double, Triple Tops, and Bottoms, which are all trend reversal patterns. Head and shoulders patterns are also popular reversal patterns.

## **Trading Range**

The trading range is actually a sideways chart pattern. It is often used to represent a resting period before the original trend is resumed. You may see these when you are charting trends and should know what they imply.

Often trends are very important to investors. Those who engage in trend-following are people who look at major trends and make decisions in the direction of the trend. This can be a good strategy, but you must know a great deal about trends and the market in general in order to use this technique successfully.

Beginners are not usually very good at tracking trends and using trend-following techniques. One thing that you should also note is that some price movements are trendless. This means that they have no clear direction, which makes trend-following nearly impossible.

Remember, that in order to fully understand trends, you must be educated in the ways of the market and foreign exchange in general. Beginners should not rely heavily on foreign exchange market trend tracking. Once you get more experience you can begin looking into tracking more and more.

However, be aware that different things affect and influence the Forex. These influences can change what people expect trends to be. Therefore, you should be a seasoned trader in order to rely on the trends and ranges alone. Educate yourself on these terms and learn to recognize them in the actual market. After all, learning the terms is one thing and being able to see them in reality is different.

## **Do Forex Signals Really Pay Off for You?**

Many new traders are clueless when it comes to the Forex market. They know that they want to participate and learn, however they are not sure where to begin. Some companies are aware of this and try to lure these people into purchasing Forex signals. These companies claim that these Forex signals can really help the new traders to get a feel for what is going on in the market and for what works.

New traders often pay for these signals, thinking that they will profit from the information. Sometimes the traders do profit and sometimes they don't. There is a lot of controversy over Forex signals and whether they are worth the buck. Some experts feel they are not worth anything while other new traders seem to think they are. The fact is that each trader must decide these things by themselves.

If you are new to the Forex, and want to know more about Forex signals, check out this information below. You will be able to notice who you should use if you decide to pay for Forex signals, what precautions to take, and how to go about signing up. You will also learn what you can do instead if you choose not to pay for Forex signals.

## **Where You Get Them**

Many experts warn new traders against paying for Forex signals. Although it may seem like an attractive idea to newer traders, it can lead to trouble. First, a new trader would need to trust the person who was selling the signals. This in itself can be a difficult thing. Finding someone that you trust is unlikely. Experts agree that if someone is selling Forex signals for cash, then they are probably not great traders. Otherwise they would be making their living from the Forex market. Therefore, you probably should not purchase from them. If you did, the Forex signals would not likely pay off for you.

## **Free Trials & Audits**

If you decide that you really want to go ahead and purchase those Forex signals, there are few things you should think about. First, you should only work with those who give you a free trial. When it comes to legitimate businesses, they will be willing to allow you to test their information before committing to the full cost. If the business is not willing to do this, you should probably take your business elsewhere.

You also should think about getting audited results from the provider. This is a great way for you to feel better about working with the company and to get real results from their Forex signals. If a company is unwilling to give out this information, you should go elsewhere as well. If you are going to spend money on information that you hope will help you, and not hurt you, you should be working with someone who is willing to open up with real previous results. A company that believes in their information is easier to trust than one that seems to be hiding something.

## **What Else You Can Do**

If you're new to the system and you really want some help getting started, apply for a free account from a Forex broker. These accounts don't allow you to trade with real money, but they are perfect for those who wish to learn a little about the Forex market. You can use these demo accounts to learn the rules of the Forex as well as to gain a little insight on trading and research.

There are many brokers who offer these accounts in hope that once you learn about the Forex, you will open a traditional account through them. Once you do decide to open a traditional Forex account, be sure to start with a small deposit until you get everything underway. When you start small, you won't be as afraid to make moves because you will know that you have little to lose.

You should also remember that trading via the demo account and trading with a traditional account is a lot different psychologically. There is something that makes people take more risks when using "phony money". So, just beware of these things and behave accordingly when trading at first.

## **Forecasting Forex Trading: What This Means for You**

For those who trade using the Forex, or foreign currency exchange, knowing how to forecast the Forex can make the difference between trading successfully and losing money. When you begin learning about Forex trading, it is vital that you understand how to forecast the Forex trading market.

There are two major methods that are used when forecasting the Forex. Each system is used to understand how the Forex works and how the fluctuations in the market can affect traders and currency rates. The two methods that are most often used are called technical analysis and fundamental analysis. Both methods differ in their own ways, but each one can help the Forex trader understand how the rates are affecting the currency trade. Most of the time, experienced traders and brokers know each method and use a mixture of the two to trade on the Forex.

The first method used in forecasting foreign currency exchange is called technical analysis. This method uses predictions by looking at trends in charts and graphs from past Forex market happenings. This system is based on solid events that have actually taken place in the Forex in the past. Many experience Forex traders and brokers rely on this system because it follows actual trends and can be quite reliable.

When looking at the technical analysis in the Forex, there are three basic principles that are used to make projections. These principles are based on the market action in relation to current events, trends in price movements and past Forex history. When the market action is looked at, everything from supply and demand, current politics and the current state of the market are taken into consideration. It is usually agreed that the actual price of the Forex is a direct reflection of current events.

The trends in price movement are another factor when using technical analysis. This means that there are patterns in the market behavior that have been known to be a contributing factor in the Forex. These patterns are usually repeating over time and can often be a consistent factor when forecasting the Forex market.

Another factor that is taken into consideration when forecasting the Forex is history. There are definite patterns in the market and these are usually reliable factors. There are several charts that are taken into consideration when forecasting the Forex market using technical analysis. The five categories that are look at include indicators, number theory, waves, gaps and trends.

Most of these can be quite complicated for those who are inexperienced using the Forex. Most professional Forex brokers understand these charts and have the ability to offer their clients well-informed advice about Forex trading.

Another way that experienced brokers and traders in the Forex use to forecast the trends is called fundamental analysis. This method is used to forecast the future of price movements based on events that have not taken place yet. This can range from political changes, environmental factors and even natural disasters. Important factors and statistics are used to predict how it will affect supply and demand and the rates of the Forex. Most of the time, this method is not a reliable factor on its own, but is used in conjunction with technical analysis to form opinion about the changes in the Forex market.

When fundamental analysis is used to forecast the Forex, it is important to remember that this method only focuses on what should happen in a certain market based on current events. Unlike technical analysis, it does not look at trends or the history of the market to make a forecast. It looks at current supply and demand, seasonal cycles, weather and the current state of the government all over the world.

For those interesting in being involved with Forex trading, a basic understanding of how the system works is essential. Understanding both forecasting systems and how they can predict the market trends will help Forex traders be successful with their trading. Most experienced traders and brokers involved with the Forex use a system of both technical and fundamental information when making decisions about the Forex market. When used together, they can provide the trader with invaluable information about where the currency trends are headed.

### **How to Recognize Patterns in Forex Trading Markets**

Forex works by making transactions in foreign currencies that are not centered on an exchange like the New York Stock Exchange (NYSE) instead; they take place world wide through telecommunications. The forex trade is open 24 hours a day beginning on Sundays in the afternoon until Friday afternoon. There are dealers to quote all the major currencies in nearly every time zone through out the world.

After the investor decides on what currency to purchase, the transaction is made through one of those dealers. Some of these dealers can even be found online. It's very common for investors to speculate currency prices by obtaining a credit line, as small as \$500, to greatly increase the potential profits and losses. The term for this is "marginal trading."

The term marginal trading is used for trading with a borrowed capital. Many traders find marginal trading appealing because forex investments can be made without using a real money supply. This method allows investors to invest more money with fewer costs for transfer and to open a bigger position with a small capital.

When trading in the forex market, it's best to develop a pattern of recognition in order to become a successful trader. The forex markets often display a specific pattern that repeats over time across assorted time scales. Forex traders can develop an expertise by acquiring the information around the patterns and then discovering how to recognize these patterns for what they are.

Let's use an analogy of a medical student who is learning how to diagnose a disease, for instance, pneumonia. Every disease is defined by a distinct set of symptoms. By running the right tests and making ethical observations of the patient in question, the medical student will be able to collect all the information needed to recognize that the disease is indeed pneumonia. A medical student can never become an expert doctor until he has seen a number of patients, thus gaining practice in putting the pieces of the puzzle together rapidly and correctly.

The brightest illustration of gaining the trading expertise is through pattern recognition and the large literature on technical analysis. Many of the technical analysis books look like the books

that are carried around by medical students. They attempt to combine market symptoms into identifiable patterns that are aimed to help the trader diagnose the market.

Some of these patterns may be chart patterns, while others may be based on identifying cycles and configurations, and so on. Like the medical student turned doctor, each technical analyst must cultivate a level of expertise by recognizing the various markets and by learning how to identify the patterns.

Notice how the pattern recognition and research answers lead to very dissimilar approaches to the training of forex market traders. The traders tend to learn how to improve their trading by doing their research by learning how to use more sophisticated tools, collect more data, expose the best predictors, and so on. However, from a pattern recognition advantage point, being successful at trading will not come from conducting more research.

Instead, gaining the knowledge directly from the experts and through a great deal of practice will lead to the solid development of competence. The research viewpoint fundamentally treats trading as a type of science. Like scientists, we gain our knowledge by unveiling new observations and pattern recognition through a perspective that treats trading as a functioning activity. We gain our expertise through our mentors and by constantly practicing the trades.

It would seem that this type of expertise could be acquired by learning pattern recognition from other experienced traders and then attaining the experience well enough to identify them on your own. Traditionally, this is how it's done, but because pattern recognition normally entails a dependable measure of judgment, it makes it very hard to establish outside efficacy once it leaves the hands of the experts.

Simply put, an expert trader may be able to utilize more information in trading than he can actually verbalize. Expert traders often describe their work in terms of monetary value and unpredictability patterns, but it may be the way that the patterns are used that makes all the difference between novice and expertise. Although the experts may be able to distinguish patterns in their work, it remains unclear if their greatness lies in the patterns themselves.

## **Mind Games: The Psychology of Forex Market Trading**

When it comes to trading on the Forex market, winning is a matter of the mind rather than mind over matter. Any trader who's been in the game for any length of time will tell you that psychology has a lot to do with both your own performance on the trading floor and with the way that the market is moving. Playing a winning hand depends on knowing your own mind – and understanding the way that psychology moves the market.

Studying the psychology of the market is nothing new. It doesn't take a genius to understand that any arena that rides and falls on decisions made by people is going to be heavily influenced by the minds of people. Few people take into account all the various levels of mind games that motivate the market, though. If you keep your eye on the way that psychology influences others – including the mass psychology of the people that use the currency on a daily basis – but neglect to know what moves you, you're going to end up hurting your own position.

The best Forex coaches will tell you that before you can really become a successful trader, you have to know yourself and the triggers that influence you. Knowing those will help you overcome them or use them. Are you saying 'Huh?' about now? Believe me, I understand. I felt the same way the first time that someone tried to explain how the mind games we play with ourselves influence the trades and decisions that we make. Let me break it down into more manageable pieces for you.

Anything involving winning or losing large sums of money becomes emotionally charged.

All right. You've heard that playing the market is a mathematical game. Plug in the right numbers, make the right calculations and you'll come out ahead. So why is it that so many traders end up on the losing end of the market? After all, everyone has access to the same numbers, the same data, the same info – if it's math, there's only one right answer, right?

The answer lies in interpretation. The numbers don't lie, but your mind does. Your hopes and fears can make you see things that just aren't there. When you invest in a currency, you're investing more than just money – you make an emotional investment. Being 'right' becomes important. Being 'wrong' doesn't just cost you money when you let yourself be ruled by your emotions – it costs you pride. Why else would you let a loser ride in the hope that it will bounce back? It's that little thing inside your head that says, "I KNOW I'm right on this, dammit!"

Bottom line: You can't keep emotions out of the picture, but you can learn not to let them control your decisions.

To most people, being right is more important than making money.

Here's the deal. The way to make real money in the forex market is to cut your losses short and let your winners ride. In order to do that, you have GOT to accept that some of your trades are going to lose, cut them loose and move on to another trade. You've got to accept that picking a loser is NOT an indication of your self-worth, it's not a reflection on who you are. It's simply a loss, and the best way to deal with it is to stop losing money by moving on – and really move on. Moving on means you don't keep a running total of how many losses you've had – that's the way to paralyze yourself. This brings us to the next point:

Losing traders see loss as failure. Winning traders see loss as learning.

Not too long ago, my twelve-year old son told me that before Thomas Edison invented a working light bulb, he invented 100 light bulbs that didn't work. But he didn't give up – because he knew that creating a source of light from electricity was possible. He believed in his overall theory – so when one design didn't work, he simply knew that he'd eliminated one possibility. Keep eliminating possibilities long enough, and you'll eventually find the possibility that works.

Winning traders see loss in the same way. They haven't failed – they've learned something new about the way that they and the market work.

Winning traders can look at the big picture while playing in the small arena.

Suppose I told you that last year, I made 75 trades that lost money, and 25 that made money. In the eyes of most people, that would make me a pretty poor trader. I'm wrong 75% of the time. But what if I told you that my average loss was \$1000, but my average profit on a winning trade was \$10,000? That means that I lost \$75,000 on trades – but I made \$250,000, making my overall profit \$175,000. It's a pretty clear numbers game – but how do you keep on trading when you're losing in trade after trade? Simple – just remember that one trade does not make or break a trader. Focus on the trade at hand, follow the triggers that you've set up – but define yourself by what really matters – the overall record.

### **Time line for Daily Forex Trading: When are the Optimum Moments?**

In today's foreign exchange market, investors and traders can literally trade currencies worldwide 24 hours a day, in any trading zone. The top three currency trading is among the currency dealers in London, Japan and New York. These currencies are being traded 24 hours a day and the only time that currencies stop trading is on Friday when Japan closes its doors. There is a one day window after Japan closes before Europe steps in on Monday morning to open for business.

Companies that sell and buy foreign currencies as part of their business, like independent brokers and currency dealers, only make up a small portion of the foreign exchange currency trading. With a majority of trading come from banks, brokerages and investment companies. As even more currency traders become aware of the foreign exchange markets potentiality for earning and raising capital, the forex market will continue to develop and grow at a steady pace. The forex market reaches an average daily turnover of 30 times higher than any other U.S. market.

Along with the drive for supply and demand, the forex market presses on as the enormous scope for profit potential among the currency dealers is steadily rising. The forex market also uses the free floating system that is considered more practical for today's foreign exchange market which can experience a change in the currency rates at an estimated 4.8 seconds. After developing from connective financial centers to one unified market, the forex market is taking on a prodigious role in the country's economy.

Having expanded worldwide, the forex market is reflecting the constant growth of all international trades and their countries. When you consider the size of the foreign exchange market, it would be important to understand that any transactions that are made with a future trading broker or an independent broker, can lead to more transactions. This can be due to the brokerage businesses as they work to readjust their positions.

In order to be an effective day trader, you must understand your overall portfolio and its sensitivity to market unpredictability. This is especially important when trading foreign exchange currencies, because these currencies are priced in pairs and no single pair will trade completely independently of others. Once you gain an understanding of these correlations and how they can change, then you can use them to your advantage to control your portfolio's exposure.

## **Correlations Defined**

There is a reason for the interdependence of foreign currency pairs, for instance, if you were trading the British pound (GBP) against the Japanese yen (JPY) or GBP/JPY pair, then you're trading a type of derivative of the USD/JPY and GBP/USD pairs. Therefore, the GBP/JPY must be slightly correlated to one or both of the other currency pairs. Even so, the interdependence amongst these currencies will stem from more than the fact that they are in pairs.

While there are some currencies that will move one right behind the other; the other currency pairs can move in different directions that often result in a more complex force. In the financial world, correlation is the statistical measure of a relationship between two securities.

Then there is the correlation coefficient that ranges between -1 and +1. The correlation of +1 indicates that two currency pairs can move in the same direction nearly 100% of the time. While the correlations of -1 indicates that two currency pairs are likely to move in the opposite direction 100% of the time. If the correlation is zero, this indicates that the relationships between the currency pairs will be completely at random.

Yet, it's clear that correlations are not always stable. Correlations do change, as the global economic system and other various factors can change on a daily basis, making the ability to follow the shift in correlations very important. The correlations of today may not be in line with the long term correlations between any two currency pairs.

This is why it's suggested to take a look at the past six months trailing correlation to provide a more clear perspective on the average relationship between the two currency pairs. This change comes from a variety of reasons, with the most common including a currency pair's predisposition to commodity prices, the diverging monetary policies and unique political and economic circumstances.

## **Trading and Intervention: Ways This Moves the Forex Market**

When trading on the foreign currency exchange market or the Forex using trading and intervention techniques can offer traders benefits. When traders look to intervention as a means of seeing where the Forex is heading, it can indicate that some currencies should be higher or lower depending on what is going on in that country.

Intervention of the Forex is not unusual. When there is a large tragedy or debt in a country, the value of that nation's currency will drop. There was a time when the budget deficit of the United States caused the value of the dollar to decline very rapidly in relation to the Japanese yen. This caused the Japanese yen to rise very quickly. When this happens, brokers and Forex traders can forecast, or speculate that an intervention is likely. Intervention makes the value of a currency to either rise or fall depending on how the government wants it to move, even if it is short term.

When experienced brokers and Forex traders understand when intervention is likely, it creates the opportunity for the trader to profit by acting quickly. Using intervention as a means of

trading on the Forex means that a trader must be up to date on current events from around the world and must be able to act upon the trends very quickly. In addition, it can be very risky to trade on intervention trends and there is the potential for the trader to lose a large amount of capital in a very short amount of time.

In order to completely understand the foreign exchange market and the way currency moves, it is necessary to understand economics from around the world. The Forex solely revolves around currency and their value in relation to each other. The value of the currency plays a huge role in both domestic and global economics.

Intervention is also directly related to the value of the currency and to the central banks. Currency obtains the value by supply and demand and by the government, or the central bank. When a currency is subjected to being valued it is called floating. When a government sets the rates of the currency, it is called fixing. This means that a country's currency is compared against another major currency, usually the U. S. dollar.

Intervention in the Forex usually happens during times of economic instability. Since currencies are always traded in pairs, then a large and significant movement of the rates in one direction or the other will directly impact the other. Any time a nation experiences instability due to inflation, speculation, disasters or growing national debt, the other country will feel the effects as well. Most of the time, the results of this are not felt immediately, but over a long period of time. This time lapse allows the government or central banks to act accordingly and gives them time to intervene if necessary.

When looking at charts of the way the foreign currency market performs, interventions are usually noticeable on graphs and charts. The intervention may not be made public, but an experienced trader can look at these graphs over a period of time and tell when a government has chosen to intervene with the currency rates.

Knowing when an intervention is going to occur is not always easy. It may be very difficult for the untrained trader to know when this is going to happen. However, for those who have experience trading on the Forex, predicting an intervention can be as easy as looking at certain indicators. Usually, interventions occur when the same price levels as occur as previous interventions.

This is not always true since some central banks choose not to intervene, but it is a good indicator most of the time. Another indicator of when the Forex undergoes intervention is when there are verbal clues. A government might talk about intervening, but it might not happen for a long time. Other times, interventions will happen with no warning.

When trading on the Forex, it is a good idea to make decisions that are informed and will benefit you. If you are inexperienced with trading on the foreign currency exchange, look for a good broker that is backed by a well-known financial institution.

## **Interpreting How Interest Rates Drive the Foreign Exchange Markets**

The foreign exchange market, sometimes known as the Forex market, is one that is affected by several things. The market itself is becoming one of the most popular forms of trading today. It once was reserved for the richest of the rich, however today with lower minimums; this is a market that draws people from all financial levels. The attractive thing about this market is both its leverage and its liquidity. Many people with a grand background in the Forex system can take very little money and turn it into a lot using the foreign exchange market. However, when you have expertise in the foreign exchange market, you must also be aware of things that affect it. Being aware of these things is part of making logical and rational decisions of trading.

Interest rates are something that drives the foreign exchange market. While currency prices are what the market is all about, interest rates have a direct affect on those prices. Therefore, to be able to understand the current foreign exchange market, one must understand the current conditions of each individual interest rate. While economic and political conditions are also among the things that greatly affect the Forex, there is nothing that affects it more than interest rates.

Something to remember is that money often follows interest rates. When the interest rates raise, investors will want to capitalize high returns and you will see money flowing into the country. When one country's interest rates rise, their currency is seen as being stronger than other currencies. This happens because investors seek more of that currency to profit more. Otherwise, it is seen as a good thing when interest rates rise and a bad thing when they fall.

Government participation in the Forex is not an uncommon action. Sometimes governments will flood the foreign exchange market with their own domestic currency. This action may seem foolish to someone who knows nothing about the foreign exchange market, however to those who know it well, it makes perfect sense. When governments flood the Forex with their own domestic currency, they are attempting to lower the price.

When they buy their own domestic currency, they are attempting to raise the price. One might know this strategy as Central Bank intervention. Governments do this to help their overall economy. This is a type of action that keeps the foreign exchange market strong and steady. When you have extremely large players making appearances to keep everything as fair as possible, you create an attractive market.

While interest rates can drive the market for a short time, the nature of the foreign exchange market makes it difficult for them to drive it for a long period of time. The design of the market, with it being large in size and volume, restricts interest rates from having complete control over the system.

Many times however, experts try to figure out when interest rates will rise or fall. The most common thing they do in order to keep up with rates is to pay attention to economic inflation indicators. Sometimes investors and experts will also listen to speeches from politicians and other influential people. They can pick apart clues in order to make a guess before the announcements are made. Most of the time, there is a little advance notice before interest rates move.

As you can see, the influences of interest rates on the foreign exchange market are strong. They can help determine which countries' currencies are the strongest. This of course is relative to all other currencies in the market at the time. When you think about the rise and fall of interest rates, you can remember that when interest rates fall, it is typically a good thing for investors and for domestic currency.

When rates fall, it is not such a great thing. When rates stay low for an extended period of time, the market may seem a little dull, however the great thing about the foreign exchange market is that when government gets involved, which it usually does at these down times, there is hope for improvement. So, if you are beginning to learn about the foreign exchange market, don't forget to pay attention to the rise and fall of interest rates around you in order to make the best investment decisions possible.

### **The Ins and Outs of Trying Out a Forex Demo Account**

Trying out a forex demo account is a method used by literally thousands of potential forex traders and investors to determine if forex trading is truly for them. With a demo account, an interested person can go online and see exactly how an account would work. They are able to do the forex equivalent of the war games generals play in the Pentagon.

Without investing and risking any real money the investor can pretend to have money in an account and make buys and sells the same way it would be done in reality. The software used for these demo accounts is very realistic, and generally a person is able to see at the end of the day if they would have lost or gained money if the transactions had been real.

It would work very simply. Let's say an investor pretends to have a margin account with ten thousand dollars in it. He looks closely at the currency markets and believes that the dollar will go up in value against the yen. The demo account allows him to buy at a ten to one margin, so he buys (in the program) one hundred thousand dollars of dollars and sells one hundred thousand dollars of yen. There will be a spread, or difference, which amounts to the pretend profit.

Why would a person want to use one of these pretend demo accounts? The reason is found to be because it is always much safer to learn how to do this sort of thing without having actual money at risk. The same principle applies when kids in driver's education classes sit in demonstrator modules that resemble real autos. They are able to practice driving without taking risk. They maintain their safety while they build their skills, knowledge and confidence. Pilots follow this idea also by using flight simulators.

You would never think of flying an airplane unless sufficient time had been spent in a flight simulator first. The same holds true for forex trading. Spending time with a demo account allows the potential trader to gain skills and learn the ins and outs of the game and the market place. A person is then able to see if they truly have the instincts necessary for the market and have sufficient knowledge to "play with the big boys."

Most brokerage companies involved in forex trading have such demo accounts available, sometimes free and sometimes for a small fee. Even if a fee is paid, it is usually worth it because a forex trader can parlay his skills and knowledge into vast profits after spending some time practicing with the forex demo account. Generally checking with a broker can get a demo account set up quickly.

A trader with an interest in setting up a forex demo account can also go online and find a vast array of companies ready, willing and able to help the student trader set up an account and enhance skills. Learning what you are doing is always smart, no matter what game you are playing, and forex trading can certainly be seen as an advanced financial game.

John Jackson is an example of a person who benefited from a forex demo account. After months of study of the forex market, Jackson was convinced that he could make a go of it as a day trader in the forex market. His wife however wasn't convinced and was a little less risk inclined. Jackson went to a brokerage company online that he felt good about and trusted.

He set up a demo forex account and began to make trades as though he were using real money. After several days, on paper, Jackson had made a consistent profit. As he learned and as his confidence increased he became even more anxious to open a real forex account and invest his money. His wife also saw how on paper he had made a nice profit and relaxed, taking away her objections. Today Jackson and his family do very well financially through forex trading, and his wife is confident that he will continue to do so. By using a demo account he was able to learn enough to go foreword and open a true account and is an active trader today.

### **Pivot Points in Forex: What They Are and How to Use Them**

You may hear that one of the handier tools in a forex trader's toolbox is a pivot point calculator. Pivot points are one of the commonly used triggers for trading systems. If you're new to the forex market, though, you may be foggy on exactly what pivot points are and what they can mean to your trading.

In a nutshell, pivot points are exactly what they sound like – the point at which the market is expected to turn – if it's been going down, a pivot point is the value at which it will reverse the trend and begin to climb. If it's been rising, then the pivot point is where the sentiment of the traders will turn and begin a downward trend. Obviously, being able to predict major movements in the money market is a valuable skill, since it hints at the where the market is moving and whether or not this is the time to trade or stick.

Pivot point trading is an especially popular method of mapping out a trading strategy. It was originally used by floor traders in the stock market who liked it because it allowed them to gauge where the market was heading with just a few simple bits of information and calculations. By knowing the high, low, opening and closing points from the previous day, they could calculate a point at which the market had 'turned' to head upward or downward. Pivot points can help predict where the market is going – and coupled with the resistance and support points, give you an idea how far in that direction it will go.

There are a number of ways to calculate the pivot points for the day, but the most common – and easiest – is to average the opening, closing and high points for the last day's trading. There are other pivot points that can be calculated from those numbers as well. Before we talk about how to calculate them and what they mean, let's define a few terms:

Pivot point: the point where the market reverses a current trend

Resistance: A high point in a market chart that recurs regularly. Generally, it's the point where the market (or currency) will begin a downturn

Support: A low point in the market chart that recurs regularly. Generally, it's the point where the market (or currency) will begin to climb back up.

Traditionally, support and resistance points are difficult to break through. Most of the time as the numbers approach that level; there will be a slight rebound in the other direction. An interesting phenomenon is that once a resistance or support point is broken, it tends to switch sides – a broken resistance will often become a support for prices on the other side of the line.

The most common calculation for arriving at a pivot point is:

Pivot:  $(\text{High} + \text{Close} + \text{Low})/3$

Resistance:  $2 * \text{Pivot} - \text{Low}$

Support:  $2 * \text{Pivot} - \text{High}$

USD/EUR Date:02/03/06 14:40 O=0.83174 H=0.83188 L=0.83167 C=0.83188

Given this data for Feb 3, 2006, the pivot points for Feb 4, 2006 would look like this:

Pivot: 0.83180

Resistance: 0.83193

Support: 0.83172

Those numbers give me some points on which to base my strategy for the day. If the market opens above the pivot point, it's a bull market, and most advisors would go for long trades, since the direction of the market is up. If it opens below pivot, it's time to favor short trades and quick sales.

There are two common sales strategies using pivot, resistance and support points.

Breakout Trade: When a currency pair breaks through a resistance or support point, there's usually a surge of activity around it. Buy if the charts show a break through a resistance, sell if the rate drops below a support point.

Pullback Trade: When the exchange rate drops back from a high, most traders will buy, based

on other information that's available. It's a tricky move, though, since the pullback could just be a temporary pause in the upward momentum, or the beginning of a downward rebound.

Using pivot points to inform your strategy in day trading is a complex subject. You'll find a great deal written about it by various gurus and experts. These basics can help you understand what you're reading from them.

## **What Forex Quotes Can Do For Your Trading Moves**

Trading in the Forex market should not be a spur of the moment decision. You should research and evaluate every move you make to be a successful trader. When you are trying to evaluate what trading moves you should make, it is often necessary to look at Forex quotes to help you decide what to do. Although this may seem simple enough, many new traders have no idea how to even read a Forex quote.

Before you make your first trade, be sure that you are informed on how to read and use Forex quotes. If you are not educated on the matter, you will likely lose money because of lack of knowledge on the subjects pertaining to the Forex market.

### **Reading a Foreign Exchange Quote**

When you first look at a foreign exchange quote, or Forex quote, you will likely be a little confused. It can be very confusing however once you learn how to read the Forex quote; you will gain a lot about the system itself. The first letters listed are the abbreviation for the first currency in the quote. This currency is considered the base currency.

The value of this currency is always 1, unless otherwise noted. You may see things such as USD/JPY, USD/CHF, and USD/CAD. When you see these currencies with numbers behind them, such as USD/JPY 112.01, it means that one US dollar is equal to 112.01 Japanese yen. When the base unit and the quote rises, it means the dollar has gotten stronger and the other currency has weakened.

There are several exceptions to this rule however. When dealing with the British pound (GBP), the Australian dollar (AUD), and the Euro (EUR), things are a bit different. You may see something that looks like GBP/USD 1.6366. This means that one British pound equals 1.6366 US dollars. When you are dealing with these situations, remember that when you see the quote rising, the US dollar is weakening. A higher quote typically means the first currency (the base currency) is getting stronger. When the quote is lowering, the base currency is getting weaker.

### **Where to Learn More**

Trying to decipher what Forex quotes mean can be challenging. Quotes can really help you decide what's going on in the market and help you make trading decisions. However, you really need to know more about quotes than just how to read them. You should learn different trends that are seen via Forex quotes and be able to apply them to the market today. When you can

easily do this, you will find it easy to use the foreign exchange market to make profits.

If you are interested in learning more about how to read and use Forex quotes, there are several things you can do. You can first decide to learn on your own. When you decide this, you should visit reputable websites in order to conduct your studying. You can also get new books on the subject and read on what the quotes mean and how they can help you.

Many people love to engage in self-study because it gives them freedom. When you are learning on your own, you can do it at your own pace. You can go through things as quickly or as slowly as you need to and really soak up information you need. Self-study can be done during lunch breaks or late at night. Some people would rather have a more traditional approach to learning however.

Forex markets are a large part of the curriculum at most business schools today. If there is a business school in your area, you may want to contact them about taking a course on the subject. If you are someone who has the time to spare, taking a course with others interested in learning is a great idea. The class may cost more than a book you can buy, but hands-on-learning is often the best form of education.

You will likely learn about markets, trading, strategy, and more. So, if you are interested in learning with a group, a course is likely the best option for you. When you become more educated on the subject, you will be able to see exactly why knowing all about Forex quotes can be important in successful trading.

### **How to Use a Relative Strength Analysis in Forex Trading**

The relative strength analysis is a technical report that allows investors and brokers to make informed decisions about trading on the Forex. The Forex, also known as the FX or foreign exchange market is the most liquid of all markets in the world. Over two trillion dollars changes hands everyday through the foreign exchange market. There are many factors that affect both the stock market and the foreign exchange market.

When investors and brokers look at the relative strength analysis, they are getting a picture of how the trends in the Forex should go. This analysis allows brokers to see current trends in the foreign exchange market and allows them to know if they are interested in buying or selling currency at any given time. This can help an investor or financial institution make educated decisions on which markets are gaining and which ones are losing.

There are many factors that affect the exchange rate in the Forex. These factors can include political events, governmental policies, inflation, and current trends in the importing and exporting business, consumer opinions and even natural disasters all over the world. The relative strength analysis looks at all of these factors. The past trends in the Forex are also taken into consideration, but are not the only thing that is looked at when forecasting this type of market.

The relative strength analysis compares all foreign currency and the exchange rates every day.

The report will then be sorted by their strength rating and ranked according to the previous week's rating. This report relies on at least 45 weeks of data so that sustained growth can be seen with ease. Using this analysis promises to be one of the most valuable tools of forecasting the trends in the Forex. In addition, it can show the rating of stocks and rate them into which ones are the strongest. The stock market has a direct relation to the foreign exchange market because it reflects current trends in buying and selling, which will increase or decrease the value of currency.

The current trend in predicting the trends in the Forex is to use not only the relative strength analysis, but to also look at other factors such as the stock market barometers and economic factors. When investors and brokers look into all of these factors when forecasting the Forex, it makes for a highly reliable means of predicting trends. This can be the vital difference between making money and losing money on the foreign exchange market.

It is generally agreed that for a currency trader, it is important to understand how the methods and tools are used in both the Forex and the stock market. All currencies are different and the currency rate reflects the value of one currency in relation to another. When there is a noticeable change in the value of currency, one or both values will be affected. Using these methods of comparing the relative strength analysis to the Forex can offer currency traders with an opportunity to better forecast their trades.

There are several benefits to using the relative strength analysis when attempting to forecast the Forex. When an investor looks at the relative strength of a certain stock, it affects the foreign exchange rate. One with a strong relative strength is ideal, but the value on these will not be low. Investors can look at a stock that is increasing in values and use the relative strength to measure whether or not this particular stock is moving up because it has a history of increasing or if it has a sustained high value. Stocks with a good relative strength over a constant, steady time period are good performers in the Forex market.

When using the relative strength analysis in relation to the foreign currency exchange, it is possible to tell which markets are performing well and which ones are not. The key is finding the markets and currency that are moving up on the ranking scale. It is important to remember that like stocks, the Forex is affected by a variety of factors. The relative strength analysis can help investors find which ones are good investments. This report is based mostly on a stock's closing price and the relative strength analysis is based on gains and losses. The report can calculate the market report for any period in time.

### **What Drives Traders to Forex Markets**

With the Forex market being the biggest financial market on the globe, it is no wonder millions of people are drawn to it. When it comes to investing, currency trading is where it's at right now. It is one of the fastest growing investment forms to date. It is important to note however that although the Forex is called a "market" by name, it is not a traditional "market".

All trading is done over the telephone or via computers. There is no central location for the trading in any country. It is actually a cash inter-bank or inter-dealer system formed in 1971.

This was the time when floating exchange rates came about. The Forex is huge today, with over 3.5 trillion levels exchanged each day. It is clearly one of the most popular forms of trading worldwide.

### **Availability**

One of the best features of the Forex market is that it never closes. This is a system that takes place all day long, every day of the year. There are people in every country that are waiting to trade. You could wake up at 2 in the morning, no matter where you are, and expect to find trading occurring in full force. The availability of the market is something that is very appealing to some people. When dealing with foreign currency, there is no other way.

The market must remain open for 24 hours because of the time differences and such. Traders capitalize on the wide range of trading time and appreciate that aspect of the Forex. With other markets that close daily, there is sometimes a sense of anxiety about what may or may not happen overnight. This is not an issue with the Forex market.

### **Excitement**

Along with its never ending trading, the Forex is attractive to many traders because of the excitement it can bring. Trading is something that can be very exciting and the Forex offers never ending excitement for those willing to partake. The Forex market is so large--with \$1.5 to \$3.5 trillion dollars per day--it allows nearly perfect liquidity. The size alone makes this market a joy ride for traders. If you are looking for endless excitement, you will be glad to know that you can certainly find it in the Forex market.

Unlike the other markets, the Forex is great because you can enjoy that excitement all day long. You won't have to deal with the anxieties that occur with other markets after closing time. You can know that no matter what, the Forex will be open and you will be able to deal with business as needed. This adds a fun element to trading with the Forex, which can be removed by stress in other markets.

### **It's For Everyone**

In previous times, the market was only for the rich. One had to typically place at least a \$1million cash deposit down with the bank to even begin trading. This made it difficult for anyone but rich people to trade. Today however, the Forex is open to smaller scaled traders as well. Most of the traders are actually doing so from home. Lower margin requirements are very attractive to the smaller traders.

They allow them to participate with the larger traders on the same scale, but at a more equal position. With the Internet thriving year after year, home based traders can get in with the larger traders via their computer, which was not always the case. Before, only large traders could even access the Forex at any level. Today, the Forex is for everyone.

As you can see, the Forex market is one that offers excitement, availability, and opportunity. These three reasons are what draw millions of people to the Forex each day. It is something that once you try it, you will not want to stop. The opportunities are endless, which is why the

Forex is a popular topic in business schools today. If you are interested in learning this market, check with your local college to see if there are any classes offered about the topic. You will need to be aware of the rules and regulations before you begin trading. Once you have the information you need, jump on in and start trading right away!

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