

FOREX TRADING

SECRETS



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Wrapping Up

Foreword

Basically the forex is a simultaneous transaction, where one currency is traded for another in real time. This is basically a very large market entity that is based on very liquid financials, and does not really function in the traditional terms. The transactions are all done electronically or over the telephone. Get all the info you need here.

Forex Trading Secrets

Chapter 1:

Forex / Currency Basics

Synopsis

Basically banks, insurance companies, large corporations and financial institutions are the players in the forex market exchange. However of late, individual investors either working for themselves or for a small group also seem to make quite an impact on the forex trading platform. All these transactions are done through the buying and selling exercise which is done according to real time market rates available.

The Basics

The value of each currency involved in the transaction is expressed in terms of the other paired one. This enables the investor to actually view the value as it is depicted through the exchange.

There are usually only two currencies involved in each transaction where one is bought and the other is sold according to the agreed market dictated rate. The base currency is considered the first currency in the pairing and the investor's account is denominated as this currency. The second currency in the pairing is depicted as the terms currency.

The transactions can be done by placing orders through dealer intervention or they can also be done without dealer intervention but through automation execution. This would mean that there are some softwares available where the investor can set it up to function on his or her behalf rather than opting to use the services of an individual who would also charge the corresponding commissions for such actions. However there have been documented cases of the software chosen not being able to function as it was designed to due to external disruptions thus creating eventual losses instead of profits.

Chapter 2:

Markets The Forex Taps Into

Synopsis

Being the type of market that has the highest trading volume at any given time encourages the further participation of the various different countries. The high volume and liquidity makes the currency market a very attractive and viable platform for investment. The forex trading is also open to all such as traders, banking institutions, trading companies, financial and non financial institutions, companies and governments.

The Markets

One of the markets the forex often taps into is the tourists industry where the exchange of money is needed in order for the visiting tourists to make purchases and also cover all expenses during the stay at the foreign destination.

Therefore the exchange of currency would be processed via a currency broker and the said transaction would become part of the currency market. As this form of currency trading is not really suitable or viable for professional traders there are other forms of currency trading that are used for these types of transactions. And these would include currency futures markets and forex markets.

The forex markets exist for most of the major market currencies where the exchange of rates is between the two countries all of which is done in a twenty four circle, globally.

All of this is done directly as opposed to trading in contracts. Futures markets are currency futures provided by an exchange. This would mean that there is a centralized controlling system that keeps tabs on the pricing which is the same no matter where the trader is trading from globally.

In the past the forex has been used for negative reason of causing problems in other countries financials. This has brought quite a few economies to their lowest thus there are new legislations in place to

prevent such conditions from reoccurring. There are also controls and “pegs” on currencies to curb such detrimental speculations.

Chapter 3:

Exchange Rate Regime And Exchange Rate Flexibility

Synopsis

The flexible exchange rate system is where the exchange rate is decided and maintained on platforms that dictate the permanent fixed ration or the completely flexible ratio.

However this has different implication for the extent in which the relevant authorities are willing to participate in based on the foreign exchange market stability. The degree of flexibility dictates the category in which the transaction bodies determine which would include currency unions, dollarized regimens and currency boards.

The conventional currency pegs are also designed to be under fixed rates. The managed and independent “floats” are considered flexible regimens and are exposed to time inconsistency problems and exchange rates that are rather volatile even at best in different degrees.

The Rates

The exchange rate regime is basically how a country manages their currency issues in connection to that of other currencies and the foreign exchange market. The monetary policy designed and adopted is generally dependant on the factors that are also dictated to by the monetary policy in place. Actively playing a part in keeping the rates fairly stable by having a pegged float, the central bank is able to keep the rates from deviating too much, either high or low.

Over time some countries have opted to shift away from the fixed rate regime and move towards a more flexible rate which is mainly based on the supply and demand of the said currency. However too much volatility in the global markets can cause challenges for countries adopting this over time, as shown in the globalization platform that can amplify the costs of incorporating inappropriate policies which results in trading losses.

Most governing bodies are not trying to determine which policy works best and is to their advantage in relation to the global sentiments. Many are considering the decision to make the transition from fixed to floating currencies.

Chapter 4:

Fixed Exchange Rate Measured Against Floating Exchange Rate

Synopsis

Making the right choice between the two options will dramatically dictate the survival of the currency stability and the trading platforms tagged to the movements caused by the said currencies. Therefore most governing powers are constantly exploring the suitability of the adoption of either of these two fairly opposing styles of currency rates.

Fixed and Floating

The smaller and more open the particular country's economy, the more apparent choice would be that of the fixed exchange rate.

This is mainly dictated to by the fact that a lot of the stability issues for trading are connected in some way to the dependency on exports and imports.

Here the best regime choice would be based on the ideally stabilizers for the macroeconomic performance that will help to minimize the fluctuation on output, consumption and domestic pricing levels or other variables. However in most countries the usage of both styles is incorporated in varying degrees of flexibility.

The usage of the fixed exchange rate would be preferable if the country's economy is faced with challenges that are mostly monetarily connected.

The flexible rate is preferable if the fluctuations apparent condition is volatile and is usually caused by other issues such as changes in the demands for the domestic goods, exports and imports.

There are some quarters that are of the opinion that having a fixed regime where the adoption of the pegged exchange rate is in place would ensure the inflation rates are kept low or at the very least controllable.

However this is not a complete ideal situation to be in, particularly if there is a need to increase borrowing as the interest rates can pressure the exchange rate pegged due to the fixed regime.

A floating rate however provides room to maneuver around a lot of these problems. However it also contributes in some ways to the rise in inflation but for the governing body this constitutes the possibility of increasing the tax revenues.

Chapter 5:

Who Are The Participants In The Market

Synopsis

As in any platform, there are always a variety of players involved in the correlation of its makeup. The same concept applies to the workings within the participants of the forex markets.

The following is a breakdown of some of the more prominent participants usually featured within this platform:.

The Participants

Hedger or hedge fund managers – being one of the primary participants in the forex trading platform this participation in the currency exchange market consists of businesses and other organizations that actively participate in the international trading arena.

Charging performance fees these entities are designed to minimize the exposure to unwanted business risks while at the same time creating profits from its investments which consists of futures, derivative and swap contracts.

Banks are the other players on this platform and they function mainly as investment entities for the country. The style used contributes to the huge disparity between the bid and asking prices in this sector thus attributing to the majority turnover and speculative trading scenario.

Commercial companies are also important participants in the forex market, though as comparatively smaller players however none the less just as important in ensuring the long term trading flows, which is pivotal to the currency's exchange rates.

The central bank of a country – this entity is crucial to the smooth functioning of the entire financial engine as it controls the money supply, interest rates and inflation of the country. Ideally having considerable amounts of foreign exchange reserves it can ensure the

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