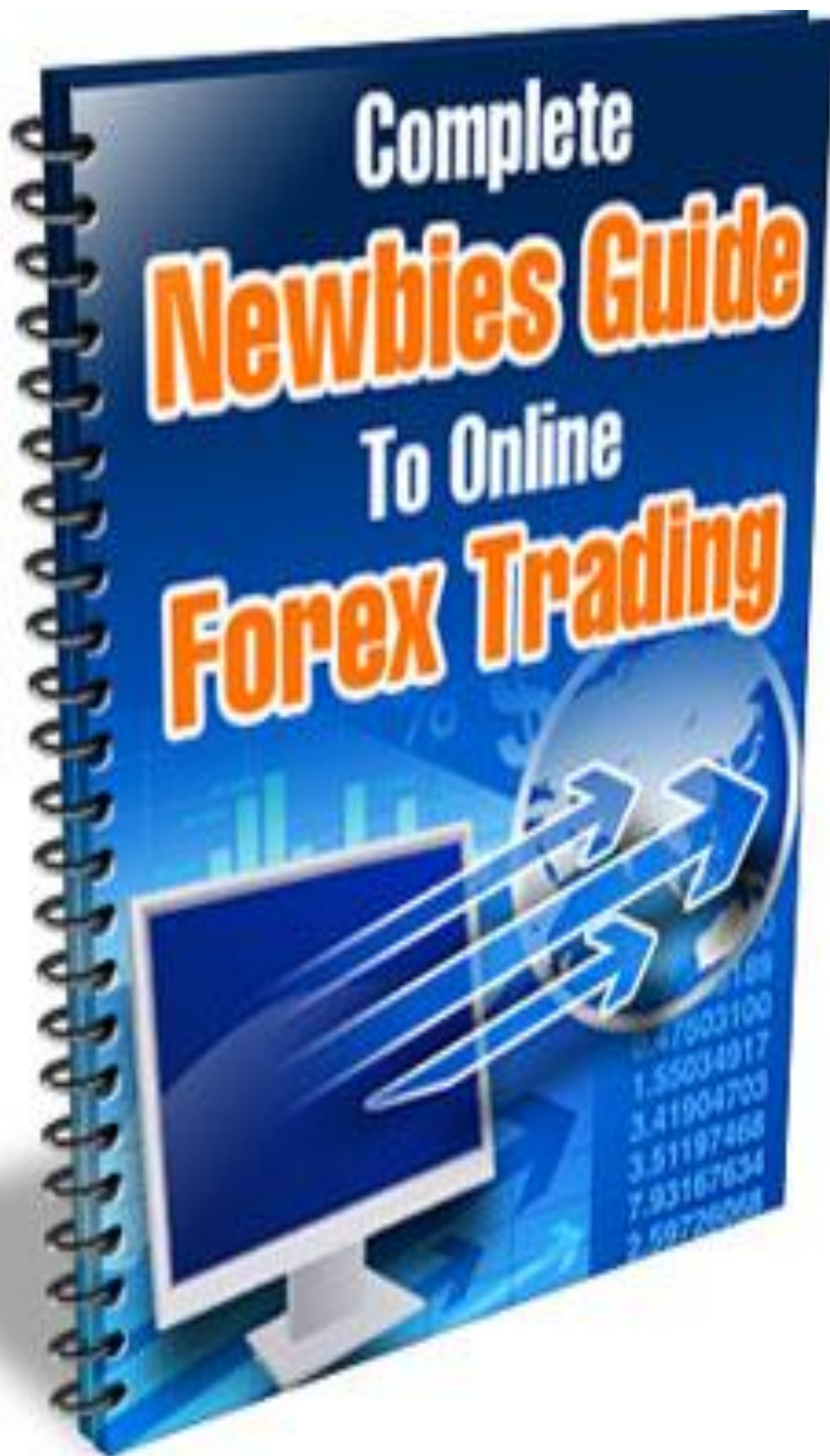

Complete
Newbies Guide
To Online
Forex Trading

Welcome

Thank you for downloading **The Complete Newbies Guide To Online Forex Trading!**
I hope you will find real value in this report.

If you are new to Forex trading, but not to stock investing, then this guide should help you to get a feel for the differences between trading on the foreign exchange market versus trading on the traditional Stock market.

If you are new to investing in general, then this guide can open your eyes to a world you never knew existed, while not overwhelming you with too much complicated financial jargon.

There are a lot factors unique to the Forex market which make it a very exciting, fast-paced alternative to traditional investing:

- The market runs 24 hours a day, but it depends what times are best to trade.
- The market is affected by world events and news more so than others
- There are no commissions to be paid out on your trades
- Extremely high-liquidity
- 100:1 Leverage (move $100,000 in currency using only $1,000 of your own money!)

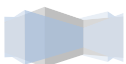
These factors alone make Forex a fun and intellectually stimulating challenge. If you love to watch the news, keep up with politics and piece together all of the ways that the 'powers that be' influence the global economy, then you will *really* love the foreign exchange market.

In order to be a good trader, you must learn to see how events in one part of the world create ripples that affect the economies of nations all the way on the other side. It is truly a study in the interrelatedness of us all.

If you want to know more about what are quality trading times for the Forex, you should check out the link below:

http://www.forexmarkethours.com

My hope is that you will be truly excited about Forex after reading this report, and come away with enough knowledge and confidence to pursue additional education on the subject if you so choose.



Introduction

What Is The Forex Market All About?

The term **'Forex'** is short-hand for '**foreign exchange**.' The Forex Market = The Foreign Exchange Market.

What are being exchanged on this market are *not* stocks or bonds, but **currencies** (monies) from around the world.

In other words, the Forex market is *the* place where U.S. dollars, Euros, Yen and other major currencies are bought and sold. It represents the largest financial market in the world by volume.

The origins of the foreign exchange market date back to 1944, when The United Nations Monetary Fund convened in Bretton Woods, New Hampshire to devise a plan for stabilizing the world economy.

The British Pound had been, up until World War II, the monetary unit of choice when comparing the relative value of foreign currencies. However, Hitler's regime managed to devalue the Pound by way of a massive counterfeiting scheme. Something had to be done quickly in order to avert a worldwide economic depression.

Out of this meeting came the **Bretton Woods Accord.** This new policy implemented the Gold Standard, tying the value the U.S. Dollar to the price of one ounce of gold ($35.00 per ounce at the time). It was further agreed that the Dollar would replace the British Pound as the benchmark "currency of exchange".

All other currencies were aligned to the Dollar, and a 'fixed exchange rate" of +/- 1% was established.

In other words, a foreign currency could fluctuate up to a maximum of 1% higher or lower than the Dollar. Any fluctuations beyond this limit required that the 'offending' nation's central bank step in to correct the imbalance.

The Bretton Woods accord remained in effect until 1971, when it was determined that the U.S. dollar could no longer hold steady relative to gold. At this time, the 'fixed exchange rate' model was abandoned in favor of the 'floating exchange rate' we still use today.

Note: If any of these terms are unclear or confusing, don't worry. We'll look at them more closely when we get into the nuts and bolts of Forex.

The important thing to understand right now is that Forex trading among private investors is still relatively new. The market once operated almost exclusively between government

(central) banks and commercial banks until advances in communication, such as the Internet and PC banking, allowed speculators easier access to the market.

The Forex Market today represents the largest and most 'liquid' of all markets in the world. The daily 'turnover' of trade volume, speaking in U.S. dollar terms, is on the order of *trillions.*

The major players involved in these trades are:

- ✓ Banks
- ✓ Governments
- ✓ Speculators
- ✓ Corporations
- ✓ Other, related financial markets and institutions (e.g., brokers)

Now, one of the first things you must understand is that these institutions are NOT all on a level playing field with one another.

Unlike the stock markets, the Forex market is divided into restricted levels of access.

In other words, not all Forex traders have equal access to the same prices. The bid price and asking price (also known as the “spread”) between currencies is in part determined by the *size and volume* of the trade.

The more money a trading entity can put on the line, the better the 'spread'.

As you might surmise, the central and world banking institutions (the 'inter-bank' market) are at the top of the tier. They are followed next by governments and large financial institutions or corporations.

A Typical 'Top 10' List of Currency Traders By Volume:

Deutsche Bank - 19.30%

UBS AG - 14.85%

Citi - 9.00%

Royal Bank of Scotland - 8.90%

Barclays Capital - 8.80%

Bank of America - 5.29%

HSBC - 4.36%

Goldman Sachs - 4.14%

JPMorgan - 3.33 %

Morgan Stanley - 2.86%

These are the '800 pound gorillas' of the foreign exchange market. They turn serious profits even on the most razor-thin of margins due to the amount of currency they can move on even one trade.

How Do Individual Traders Fit In On The Forex Market?

The short answer to this question is: they *don't*. Not on their own. Individual traders like you and I are known as “Retail Traders”, and must go through **retail brokerage firms** in order to buy and sell currencies on the foreign exchange market.

You should know up front that online retail trading by individuals (represented by online retail brokers) is still in its infancy. Prior to the Internet, and subsequent availability of real-time market data, it was virtually impossible for the average person to get involved in the foreign exchange market with any degree of success.

Today, however, you can buy and sell currencies at the click of a button, in much the same way as you buy and sell stocks. Everything has been automated and linked up electronically.

In the interest of full disclosure, you should also know that Forex trading is not as straight-forward as trading stocks on the stock exchange. There are many, many variables to take into consideration when it comes to determining fluctuations in currency values. There is a lot of 'jargon' to learn, and a fair share of complex concepts which must be mastered.

Unfortunately, there are unscrupulous companies out there who take advantage of this 'learning curve', and attempt to scam would-be retail traders. Forex opportunity scams are still prevalent - some estimates place the number as high as 90%.

Therefore, it is imperative that you learn the basics of Forex before you get involved with any 'advanced' training courses, trading systems or online brokers!

While a full crash course on Forex is beyond the scope of this report, you *will* learn the basics here. I can't make you an expert, but I can give you the knowledge you need to make an informed decision about whether to get involved - and whether the retail broker you're dealing with is on the up and up.

What Will 'The Complete Newbies Guide To Online Forex Trading' Teach Me?

This guide will teach you the absolute basics of Forex. You'll learn the fundamental concepts and terms involved in an average trade, as well as...

- ✓ How currency values are determined
- ✓ How and why currency values are relative
- ✓ Why currency is traded in 'pairs', and what that means
- ✓ The difference between the 'bid price' and the 'ask price' of a currency
- ✓ The relationship between 'Pips', 'Lot Sizes' and 'Spreads', and what each of those means
- ✓ What your broker means by 'leverage', 'usable margin' and 'margin calls'
- ✓ Factors affecting currency valuations
- ✓ Where to get more information

What Will 'The Complete Newbies Guide To Online Forex Trading' NOT Teach Me?

Forex trading is such a complex topic that it would be impossible to cover all aspects of it in a short report. Even some of the basics are too complex to dive into completely here.

So, you should be aware of the limitations of this guide:

1) We will not cover the trade of precious metals, futures or derivatives.

2) We will not cover the use of technical tools or 'charting' programs used in spotting patterns.

3) Advanced vocabulary and concepts are not covered

4) This is not a 'how to get rich quick' report!

Again, my goal here is to give you the 'big picture' so that you can get a feel for what Forex is all about, and decide whether investing on this market makes sense as a part of your long-term financial strategy.

Where Can I Find More Information?

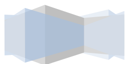
There is a wealth of great, free information online at sites such as:

http://www.fxstreet.com/

http://www.investorpedia.com/

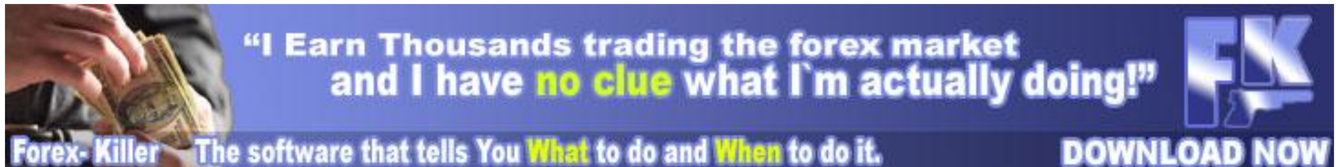
http://www.forextrading.com/

However, I also recommend investing in at least one training course. There are a number of excellent courses available online that will take you by the hand, and guide you step-by-step through your first trade.



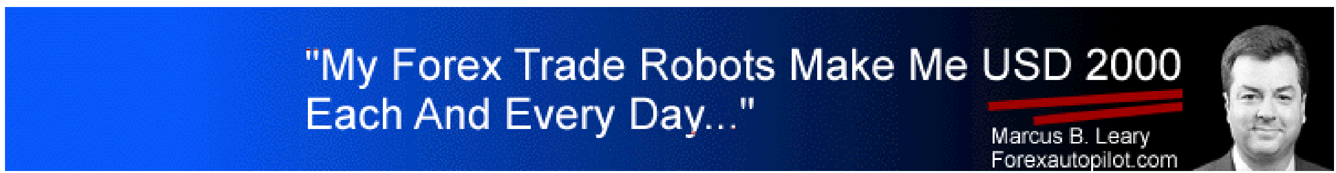
Some Highly Recommended Forex Resources

Forex Killer



http://www.flashthemoolah.com/forexkiller

Forex Autopilot



http://www.flashthemoolah.com/forexautopilot

Easy Forex

http://www.flashthemoolah.com/easyforex

Forex 101: Basic Concepts and Terms

We have quite a lot to cover here, and I want to make sure the information is presented in a way that helps you absorb it quickly, while still getting a solid, 'big picture' view of how Forex works for individual retail traders.

Therefore, I'm going to use a 'building-block' approach - starting from the simplest example of currency exchange that most people are familiar with - then moving one step at a time to paint a picture of a single retail trade.

So, let's begin with the transaction most people are familiar with - that of **exchanging one currency for another when traveling overseas**.

Imagine that you're going on a trip to France. You have $1,000 U.S. dollars to spend on food, transportation, souvenirs and tours. You're a smart traveler, though, so you don't want to carry all of that $1,000 as cash in either currency.

Instead, you put $500 into traveler's checks for safe keeping, and convert the remaining $500 into Euros (the Franc was replaced by the Euro at the formation of the European Union, of which France is a member).

On the actual day that you go to get your money converted, the **foreign exchange rate** is set at **1 US Dollar = 0.68679 Euro**. This rate is the **official, interbank rate** for strict cash-to-cash conversions.

After you do the math, you see that your $500 in U.S. Dollars turns into a mere $343.397 Euro. Ouch! You've just taken a hit to the tune of $156.60 right off the bat in term of buying power, even though you haven't spent a cent.

What happened?

What's happened is that the Euro was stronger than the Dollar at the time you made the exchange. Your Dollar wasn't worth as much as the Euro. Therefore, you could not purchase 500 Euro with 500 Dollars.

Keep in mind, however, that this wouldn't necessarily limit your buying power. How much you have to spend while in France depends on the cost of living. For example, if the equivalent of a $15 meal in the U.S. is only $12 in France, you may save enough to offset the hit you took on the exchange rate.

Now, remember that you're a smart traveler. You keep up with the financial markets, and check the exchange rate each day of your trip. On the third day, you notice that the Dollar is continuing to weaken against the Euro.

You decide to go ahead and cash out your traveler's checks before things get any worse, at

a rate of **1 US Dollar = 0.67679 Euro**. This gives you $338.395 additional Euro.

By the time your trip ends, you've spent most of the $343.39 you came with, but still have the $333.39 you converted from traveler's checks. Let's say you've got an even 400 Euro with you on the trip home, just to make things easy.

You put the money away when you get home, and keep watching the market. A few weeks go by.

Suddenly, the news reports that a major mid-east oil deal has rallied and strengthened the Dollar, bringing the exchange rate to: **1 US Dollar = 0.72679 Euro**. Bingo! It's time to dig those 400 Euros out of the sock drawer, and go buy back your Dollars.

After the exchange is done, you have $550.36. Don't forget - you started off with $1,000 and lost $156.60 of it right off the bat, leaving you with the equivalent of $843.40. You spent $449.64 of that on your trip, so you should technically only have 393.76 left.

You don't, though. You have $550.36 because the Euros you came home with *bought back more dollars* than you originally held.

This represents the simplest profit on an exchange of currencies, as well as the most elemental idea behind the Forex concept: **buy low and sell high**.

Now, while this example is representative, it is not entirely *accurate*. Real trades on the Forex market are often *much* more complex than this for anyone who wants to turn a serious profit.

Gains are made by trading far larger amounts of money, on far slimmer margins - and by exchanging multiple currencies at a time.

Concept #1: Exchange Rates

As you saw from the example above, the **exchange rate** can be defined as the price of one currency in relation to another.

A **fixed exchange rate**, like the one established in 1944 by the Bretton Woods Accord, is an official rate set by monetary authorities (and sometimes governments).

Fixed rates are typically set to a pre-determined value (e.g., the price of an ounce of gold), and allowed only slight fluctuation.

A **floating exchange rate** is what is in effect on the foreign exchange market today. This type of rate is not set to any outside reference point.

Rather, the rate is determined by the market forces of supply and demand.

Although our earlier example used just two currencies, the Dollar and the Euro, it is

Thank You for previewing this eBook

You can read the full version of this eBook in different formats:

- HTML (Free /Available to everyone)
- PDF / TXT (Available to V.I.P. members. Free Standard members can access up to 5 PDF/TXT eBooks per month each month)
- Epub & Mobipocket (Exclusive to V.I.P. members)

To download this full book, simply select the format you desire below