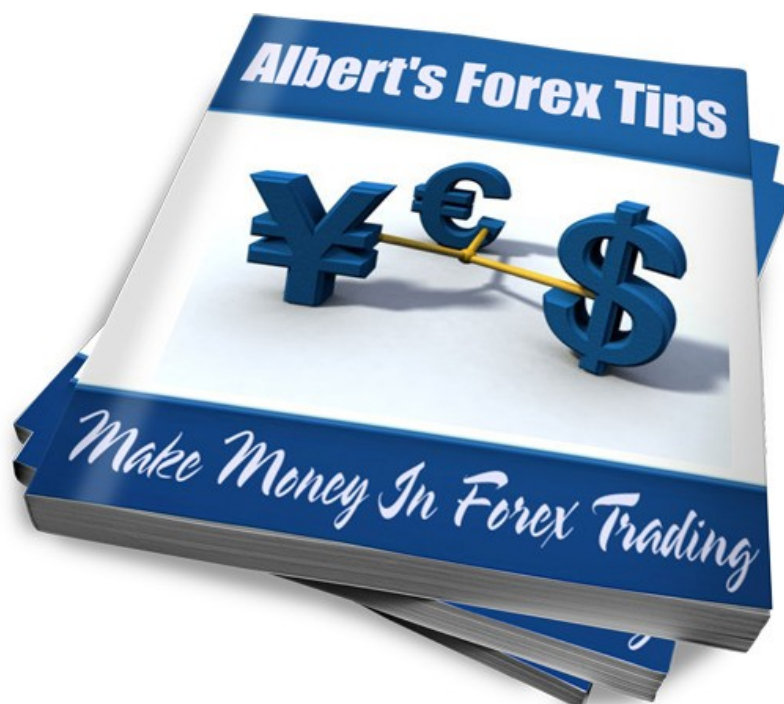


Albert's Forex Tips

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Currency Trading: An Introduction to Forex

Simply put, Forex is the business of buying and selling money. Within your local area you can see how prevalent this business has become. From the malls, the streets, and around the commercial district areas, you can find these small booths that carry the label: Foreign Exchange. In places that never sleep such as the casinos and other entertainment hubs, foreign exchange trading can also be found.

Currency trading and Forex are two terms that mean the same thing and involve similar practices, which are the buying and selling of their main product: money. They are both over-the-counter markets that are trading money. Hence, they may fairly be used interchangeably.

What is forex?

Forex means Foreign Exchange and it is also known as FX. In Forex trading, you are buying one kind of currency while selling another kind at the same time. This means that you are exchanging your money for the one that you are purchasing. The basic rule is that every currency has its corresponding value in another currency. Currency exchange rate is the term used for the value of a certain currency that is being exchanged for another.

In the Forex business, the different currencies are dealt with in pairs, such as Euro to US Dollar or US Dollar to the British Pound. Although this kind of trade can be said to be one of the largest and widest trading market in the world, you would be surprised to note that it is an unregulated kind of industry. More than \$1.9 trillion are being traded every single day, as trading is being conducted throughout the entire twenty-four hours.

Foreign currency trading is the market that has the highest financial liquidity. The most common traders in this business are the banks, central banks of every country, investors in big

financial institutions, currency speculators, governments, corporations, the small retail investors, and other financial institutions.

Like all the other corporations and business entities around the globe, Forex has also been growing and developing over time. Today, trading of currencies has become simpler and easier because of online forex currency trading. Buying and selling currencies can even be conducted through your computer.

There are at least three possible markets for a currency trader: the spot market, the forward market, and the futures market. In the spot market, the currencies are bought and sold based on the current price, while in the forward and futures market, contracts are involved regarding the exchange and their terms and conditions are set forth by the contracting parties.

The purpose of foreign exchange trading

The currency trading system is not as complicated as it sounds. You only have to know the basics of the trade and understand the fundamentals of currency movements. Basically, the exchange rates fluctuate from time to time. This is caused by some economic factors, such as inflation, movements in industrial production, and certain geopolitical events. These are just some of the common aspects in the financial market that greatly influence buying and selling of currencies.

The Forex market is the one responsible for the determination of the exchange rates of the different currencies.

Forex currency trading facilitates the conversion of one currency to another. This is the main purpose of foreign exchange to give aid to international trading and investment. If an investor or a certain entity has the right kind of money, business transactions become easier to pursue and to bring to a close.

There are over a hundred currencies in the world. Some are tradable while others are not. From among all these moneys, a few of them are referred to as the Major Currencies. They are the Dollar of the United States, the Euro of the European Union members, the Yen of Japan, the Pound of Great Britain, the Franc of Switzerland, the Dollar of Canada, the Dollar of Australia, and the Dollar of New Zealand. In the Forex world, the currencies are indicated in three letters: the first two letters represents the country of origin of the currency and the last letter designates the name of the currency. To illustrate: the Great Britain Pound is identified as GBP.

Foreign exchange trading is not for everyone

Foreign exchange may be a simple business, but it involves some different level of risk. This makes this kind of business not suitable for everyone. It involves a substantial amount of investment and you may lose at a certain point. Financial advisers would always warn: do not invest money which you cannot afford to lose. If hesitation sets in, you may need to back off before you start losing those hard-earned funds that are already in your hands. They may just be gone without you having enjoyed the same. Think of foreign exchange scams.

Foreign exchange trading is a constantly growing industry. It may be the right marketplace for you or it may not be. If you have the heart for it, it is not as difficult to engage in this kind of business. But if you have even an iota of doubt, then this may not be the right one for you. So be sure to tread carefully.

What Is Currency Trading In The Forex Market

Forex or more specifically known as foreign exchange trading is a complex but profitable venture. This is because of the fact that the forex market is actually less volatile and more predictable than the stock market, which can crash due to economic mistakes.

Simply put, this activity forwards the concept of currency trading, which means that the players within the industry are able to purchase currencies such as notes and other forms of denomination in exchange of another.

The way by which the system works is that the currencies are always quoted in pairs (Euro and the US Dollar, the Ringgit and the Rupiah) with the exchange rates fluctuating based on basic economic factors such as inflation, economy, and geopolitical relations. The value of the currency is then judged given the current political and economic condition of a particular country.

Take a look at the EUR/USD rate for example. The rate and ratio speculates the number of US dollars that every Euro can purchase. If you think that the currency of the European Union will be stronger and will increase its value against its American counterpart, the best strategy is to buy Euros with US Dollars. In the event that the exchange rate rises, you can sell the Euros back to the market with the profit being the difference between the rate you sell and the rate by which you purchased the currency. The forex is perhaps the biggest financial market on the planet given that the average amount of money that a daily trading volume gets is more or less \$3.2 trillion, which is significantly higher than the New York Exchange which only has an average of \$55 billion.

As mentioned above forex trading is an activity that is less risky than trading investment bonds and stocks. It does not mean, though, that there are no risks involved when it comes to trading. You can ask any of the markets forex brokers and he will tell you that it involves a lot of strategic planning, as well as being friends with the right people. And, by the term right people, it involves people who can provide you insider news within the market such as potential economic failures or successes. This means that you will have to do trading, buying, and selling currencies with the highest level of precision possible. Otherwise, you will end up paying for something with a market value that is significantly lower than what you have purchased it for.

For example, this year's strongest currencies in the forex are the Australian Dollar and the Chinese Yuan. So, for people who have bought Australia's currency last year, the value of what they bought has increased by this time. The Yuan is a different case, though, as the Chinese government refuses to trade currencies given their strategy of artificially floating it. As of the moment, there are a lot of governmental efforts to make China open up its economy to the west

As an industry, the system revolves around the principle that you have to learn from the mistakes of others given that you cannot afford to commit any of them yourself. This is the reason why the forex market is considered to be one of the most expensive markets in the world. The reason behind this statement is that what you have to deal with in this industry is actually not individual people, but governments, central banks, corporations, and other big institutions.

Furthermore, the environment that surrounds this activity is actually so intense that people who miscalculate the value of a particular currency in just a single instance can actually lose big amounts of money in the end. Before you go on experimenting with strategies and markets, you should know that the forex is not for everyone. As a matter of fact, it is not for people who are weak in the heart and low in cash, considering all the risks that come with it.

So, if you plan on engaging the forex trading market, think of how much you are willing to invest and at the same time, think of strategies to cushion the losses, assuming that you experience any. Furthermore, you will have to remember that a lot of firms actually do not charge commissions but you will have to pay the bid or ask spreads. Compared to the stock market which only engages in business at certain hours, you will be glad to know that forex activities is available 24/7. There is also an online forex extension of the market for the ordinary person who would want

to experience the intensity of the activity. At the end of it all, the forex while seemingly complicated, can be simplified given the right amount of information which will define the kind of strategy that you will take.

The Currency Trading Basics You Must Know Before You Start in Forex

Some think of Forex or foreign exchange market as a risky grown-up game that promises big rewards and devastating losses at the same time. There is something about currency trading that triggers an adrenaline rush in markets, even if it means sitting for long hours while waiting for the right time to make a move. When it's about forex trading, it's all about the timing. That's why traders keep themselves focused and updated constantly. There are many strategies to employ but based on analysis forex strategies will only work when employed at the right time.

The reason why successful forex traders are where they are right now is because they're closely following trends. The minute you stay out of the loop, your chances of earning goes down. It doesn't matter if the trends are falling or rising. The important thing is to stay tuned to the trends so that you know what move to make next. Watching the trends will let you determine what strategy to employ to your advantage.

Forex is like gambling. Rewards are high when the risks are high. That's why people are always enticed to shell out all the cash. But when things turn sour, you have to pay the price and expect a lot of losses. Taking risks in Forex trading is always a calculated activity. The rule of thumb is to spend only the money you can afford to lose. Modesty is important at the start. You will learn to be aggressive later on, so don't worry. Modesty is required here because trends quickly change. They can rise as quickly as they fall. Don't put all your funds in one place. That way, you still have funds to invest when things don't go well on the first try. You have to know your limits. Your limit is your stop loss order.

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Your stop loss limit order is the order you buy that's nothing more than the price limit you have specified. This is important because this will give you control as a trader. It will give the trader a sense of discipline and good money management tactics. For your next trade, you can use up to 2% of your balance from the previous trade. You can exceed 2% but don't even think of going beyond 5%. Beginners should always protect their trading capital if they want to go far in trading.

A popular approach in this type of industry is to buy low and sell high. This is the strategy employed by those who take the long position. When you take the long position, you expect the market prices to increase. Those who take the short position, on the other hand, anticipate the market prices to go down. Their approach is to sell high and buy low. The second approach is selling high then buying low. A forex trader who opts for this strategy will take a short position. This approach is favored in times of decreasing market prices.

There are risks in both the long position and the short position. Forex traders who take the low position when prices are trending down will incur losses. Meanwhile, a trader who takes a short position will incur losses (unlimited, in fact). This is riskier than the long position because prices are supposed to increase theoretically. That's why stock traders are only allowed to sell short on an uptick or a zero-plus tick. This will prevent some scheming minds from bringing down the stock price.

One term that you should learn is 1 pip forex. A pip, or percentage in point, is the smallest price growth in currency trading. Always remember that in the trading market, prices go down and up starting with the fourth decimal point. The only currency that doesn't follow this principle is the Japanese Yen (JPY). JPY is quoted to the second decimal point.

Many of you may have questions about automated forex. It promises to make trading easy for busy people but will it reap the

same benefits? You can modify the settings of automated forex trading software - also known as forex robots - so it can do the trading while the real trader is away.

Unfortunately, nothing will replace the prowess of the human brain when it comes to trading. The robot won't make the same calculated judgments that humans do. Remember that trends are always changing rapidly. The robot will not be able to keep up with these changes. Programmers have yet to release a software that is as accurate as possible. In the end, you will still have to monitor the software closely. Strangers to Forex can try their hand in trading but they should remember not to risk all their funds at once. They shouldn't be fooled by the advertising that promises huge gains. The gains will only be huge if the brains behind it are smart enough.

Is Forex Investment Safe? The Pros and Cons.

Forex trading is more or less a game of hit-and-miss. But, of course, you want to make as many hits as possible for you. As trends can be fickle, it is very important then that you have a plan as you enter the world of Forex. But is trading really for you? You should know first and foremost what foreign exchange is all about.

What it is

The Forex system is a system for trading that involves clients hedging against or speculating upon changes happening in the exchange rates of two sets of currencies. For instance, you can speculate on the activity of the EUR/USD market so you can take advantage of the profits arising from capturing the moment wherein the Euro appreciates against the US Dollar.

The pros

There is very minimum capital involved in Forex so it is an attractive system for more people compared to other kinds of trading. You don't need a lot and you can even set up a dummy account for you to practice on so you don't actually spend your funds as you are still learning the ropes of foreign exchange. It also doesn't hurt that while minimum capital is involved, fairly huge profits are still possible. This sets the foreign exchange system apart from other kinds of trading then in that the rewards are not proportional to the risks involved. Can't understand what Forex is all about? Don't worry. You don't actually have to do it yourself in order to take advantage of the rewards as you can enlist the help of a Forex trader to do the trading for you. And should you decide to give it a try and do trading yourself, there are Forex software available in the market to help you out as well.

The cons

While there is minimum capital involved, reaping the rewards may not come as easily as losses are pegged at about 80% of the time you do Forex trading. You need a plan in order to make the most of the foreign exchange market but you can't really make a lot of plans when it comes to foreign exchange trading as it involves a short-term market. Foreign exchange rates fluctuate all the time so it will be very hard to take advantage of a certain situation for a long time. If you're one who thrives on stability and long-term planning, then joining the Forex market might not be the best idea for you.

Making a decision

As with anything, you should take into consideration the pros and cons of taking part in the foreign exchange market in order to determine whether or not this kind of investment practice is suitable for you. Different people have different needs and interests so what could be attractive for you in trading might not be so much with others. And the same is true for others as well. Take note of the above mentioned pros and cons then assess how

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