

## CASHFOREX PORTFOLIO

CashForex Portfolio- Earn Big Profits In Forex Trading

# PRACTICAL RULE TO SUCCESSFUL FOREX TRADING

Forex is still a little like the “wild west”, so there’s naturally a lot of confusion and misinformation out there.

In this special book, CASHFOREX PORTFOLIO I’m going to cover many tactics and Strategies used by successful Forex traders all over the world.

But unfortunately, only about 5 to 10 percent of all Forex traders are actually aware of this information.

I would strongly suggest you **print** out this book and **read it more** than once.

What you are about to read is more valuable to you than what you will find in many trading courses that you’d have to **pay** for.

**THIS IS A HUGE SUCCESS CURRENCY TRADING BOOK.**



Take Your Time To Read Through It,

Wishing You A Happy Trading Experience Ahead.  
Dani Oh

Best 14Days Forex Success Mentor

Helping You Financially

# PUBLICATION

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## **CashForex Portfolio- Earn Big Profits In Forex Trading**

Originally published by Dani Oh.

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Second print © 2014 Techno Graph. Bergamo Italy

Via Alfieri, 3 -24127 Bergamo, 035-454-8011

[www.techgraph.it](http://www.techgraph.it)

Library of congress cataloging- in-publication data has been applied for

ISBN: 891630000

# DEDICATION

This financial book is dedicated with the greatest love and affection from my heart to Armstrong Osas, to my wonderful family, friends and loved ones for their love, support and encouragement during the writing, production and publication of this financial book.

To my friends in the financial world who has giving their best in breaking every limitation that faces humanity.

And most importantly to my God for giving me everything life has to offer- financial, knowledge, wisdom and greater ability to do his work.

I'm so grateful to you God!

# ACKNOWLEDGEMENTS

I am so privileged to say a very big thank you to my God for his divine grace and wisdom, for me to be who I am made to be to my world.

To my brothers and sisters (Sunday, Ugochukwu, Chinyere, Christiana, Uche, Oluchi, Prince Omelogu And Jirehnissi Sirvania who has given so much in seeing the publication of this financial book, I love you all.

Dani Oh

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# **Find A Mentor In Everything You Attempt To Do In Your Life Before You Set Out To Do It**

Now, you might be saying to yourself, “Why would a mentor be willing to help me? After all, I might end up being his competition in the future.” Frankly, if they are worried about that, you need to go find another mentor. After all, truly successful people do not fear competition. They know that their greatest competition is not outside the walls of their business, but rather inside the walls of their business. Being a mentor myself, I am very qualified to answer that question with the following answers:

1. Greatness lies not in trying to be somebody, but rather trying to help somebody.
2. A mentor can potentially turn every person who comes along into a future mentor. We can all learn something from one another.
3. Mentors are kind to everyone because they understand how hard life's Battles are they understand that everyone is fighting a difficult battle.
4. Mentors know that what they have done for themselves alone dies with them. What they have done, and continue to do for others in this world, and how they help these people in their struggles as they fight their battles in this world, remains and becomes immortal.
5. Finally, successful people make a living by what they get, but they make a life by what they give.

# Success In Life Is Not A Fantasy; It Is A Formula

Successful people who can become your mentor have discovered a formula that works in their area of expertise.

Their daily focus is to be disciplined to that formula. Mentors have learned how to think accurately from their past experiences of trial and error.

They are very clear on how to separate facts from mere information.

They have learned which facts are important and which facts are unimportant for their continued success.

Mentors have already made the mistakes and are skilled in not repeating them. They are a brain you can pick, an ear to bend, and a person who can push you in the right direction.

They are someone whose hindsight can work hugely to your advantage in creating your foresight. The greatest reward in choosing a mentor is the fact that you get to learn from their mistakes rather than making them yourself.

If you were to ask a true mentor, "What is the first step in learning and finding the fastest, most productive way of doing something and the truth of how things work?" I expect they would answer by saying, "The first step is to talk less, listen more and stay humble." If you were to ask them about the second step, they would say, "Talk less, listen more and stay humble." Chances are they would even respond the same about the third step.

Good mentors know what works and what doesn't.

Furthermore, they don't think they know everything so they humble themselves in order to learn from others. A true mentor will not allow you to dig holes with a shovel. Instead, they will introduce you to a backhoe. You will make a big mistake in your financial life if you start something new and refuse to find a mentor.



# **Excitement And Logic May Get You From Point A To Point B, But A Mentor Will Take You Where You Need To Go**

Think for a second, think of the most successful person you know.

Do they have two arms and two legs?

Do they have two eyes and a mouth?

Do they need to eat when they get hungry and sleep when they get tired, just like you do?

Of course they do.

Then what is the difference between yourself and them?

It is their skills, their knowledge, their disciplines and their talent of repetitive patterns of thought, feeling, and action. Trust me, you will achieve success much faster if you can find a mentor and make an effort to learn from them.

## **Not Finding A Mentor Can Dramatically Hold You Back From Achieving What You Want Out Of Life**

A mentor is a person you look up to.

They are a person you respect.

They are a person you want to be like.

They are a person that is an expert in the area you want to sharpen your skills in. If you want to be a better father, go find another father that you admire. A father that makes you say to yourself "Boy I would like to be a father to my children just like that!"

Do three things: get to know them, study them, and do exactly what they do.

Do the same thing if you want to be a good spouse, a good friend and even a good trader. Finding a mentor in your life is like acquiring a map to a gold mine.

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Rather than going up to the mountain kicking over rocks, wasting time for who knows how long, looking for that vein that leads to the mother lode you buy a map that specifically shows you where the beginning vein is that lead to the mother lode which accelerates your potential immediately.

This is the power of a Forex mentor.

Think of a child that is learning to walk or talk. If they became embarrassed every time they wobble or fall down, or say something incorrectly and their parents giggle, they might never learn. Children are not afraid of making mistakes. In fact, part of learning requires you to make mistakes. We can all learn a lesson from children, in this regard, and learn to be more fearless.

**Never Forget:** Strong people make as many mistakes as weak people. The difference is that strong people admit their mistakes, laugh at them, learn from them, create systems to avoid making them again and move on.

That is how they become stronger. Most people beat themselves up emotionally when they make a mistake. Some people are so embarrassed about their mistakes that they go and hide thinking the whole world just saw what they did, when in fact, the rest of the world is not watching because they too are absorbed in their own mistakes and insecurities.

The fact is just about all of life most important lessons can only be learned from making a mistake. We need to learn to appreciate our mistakes for the lessons they teach us and for the disciplines they force us to implement.

You Must Take Chances. You must take a lot of them and not be afraid to make mistakes along the way. Because, honestly, no matter where you end up and with whom or what, it always ends up just the way it should be. Your mistakes make you who you are. You learn and grow with each choice you make. And, with every wrong turn you make, where down the road you end up having to make a U-turn, you own that mistake and it places you in a position to do the thing you are attempting to do more intelligently. Every attempt you make to achieve anything great is worth it. Things don't go wrong and break your heart so you can become disappointed, resentful or bitter and give up.

These things happen to test you, to see what you are made of, to break you down, and then build you up so you can be all that you were intended to be. Automobile companies test cars by crashing them over and over again, from all angles, at various speeds, with all kinds of weather conditions. This is all done to ensure that the finished product is built as durable as it can be. When you go to bed at night, remember that tomorrow will always be a new day, enabling

you to start it mistake-free. However, never forget that nothing great is ever achieved without setbacks.

Be you and be okay with it. It doesn't matter what any other person thinks.

Don't regret the past, Learn from the past. Never let your past mistakes dictate who you are or who you want to become. Let it be a part of who you are committed to becoming. Don't be ashamed if life knocks you down to your knees because you will be in the perfect position to ask for help.

God doesn't give you the people in your life you necessarily want. He gives you the people you need. People are going to need you, want you, love you, save you, hate you, play you, rate you, judge you, use you, abandon you, and even try to break you. The key is to never forget that this is what makes you, well you! If someone is strong enough to bring you down, show them you're strong enough to get back up and even potentially bring them up with you.

That is the ultimate sign of greatness — turning your enemy into your ally. Don't dwell on what went wrong. Don't get hung up on finding fault.

Stay focused on finding closure.

Focus on what to do next. Spend your energies on moving forward toward looking and finding the answer that will eliminate the problem and turn things around for you. Successful living and successful trading is all about finding a remedy and not fault. We need to learn to persist until we succeed. Don't dwell on what went wrong. Instead, focus on what to do next.

Nothing in this world can take the place of persistence. However, the reasonable trader does not fight the market. Rather, he adapts himself to the market and persists until he succeeds. The unreasonable trader persists and demands that the market adapt to his world. It is there that the problem lies. You cannot insist that this market adapt to your needs. It will never happen.

Persistence allows you to get back on track when you hit a detour. It allows you to re-evaluate and re-adjust your thinking as you re-approach the market.

There are traders who persisted until they succeeded. They finally figured it out. But even though they figured it out, they were confronted with additional problems they would not believe were dead ends. They had the insight and courage to call these problems challenges. Challenges and obstacles are put in our way to see if what we want is really what we want and if it is worth fighting for.

People who are committed to their dreams will always find a way to figure things out. They will stop at nothing. They will bang on whatever door is necessary to keep their dream alive.

If the opportunity they are looking for is not there, they will make it appear somehow, somehow. Dare to be successful in life and at trading.

Persist until you succeed and never forget these words: in the confrontation between the stream and the rock, the stream always wins.

This is not because of strength but because of pure persistence.

# THE HISTORY OF FOREIGN EXCHANGE

The Forex trading history started in 1875 with the birth of the gold standard monetary. Prior to 1875, countries primarily used gold and silver as a form of international payment. Payment using gold and silver were hampered by their devaluation according to external factors such as an increase in the discovery of new deposits, which would lead to a change in supply and demand. This factor would change the Forex trading history forever.

The aim of the implementation of the gold standard was to guarantee any currency, to set amount of gold. Currency was now backed by gold, measured in ounces. Countries needed large gold reserves to back the demand for currency. The price difference of an ounce of gold between two different currencies now became the foreign exchange rate for those two currencies. This History of Forex was changed by the birth of an international standard by which foreign exchange could take place between countries.

The gold standard monetary broke down during the start of the First World War Political turmoil with Germany forced the larger European powers to focus on military projects. This financial drain on Europe gave way to a lack of gold to back the excess printing of currency and would determine a new change in the FX trading history. The abolishment of the gold standard monetary system left a void in the method of foreign exchange, and changed the path of Forex history.

This matter was a concern to the Allied countries and a convention were held at Bretton Woods, New Hampshire, in July 1944, to solve this problem. This convention led to the inception of the Bretton Woods monetary system.

This new Bretton Woods monetary system defined the new Forex market history a new method of obtaining a fixed foreign exchange rate.

The gold standard to be replaced with the US Dollar as the ultimate exchange currency the US Dollar to be the only currency backed by gold.

The inception of three international authorities to guard over all foreign transactions. The Bretton Woods monetary system only lasted about 25 years and failed primarily on the basis of making the US Dollar the only currency to be backed by gold. The U.S announced the end of the exchange of gold for US Dollars by foreign banks on 15 August 1971

# WHAT IS FOREX MARKET?

The **foreign exchange market** (**currency**, **Forex**, or **FX**) trades currencies.

The foreign exchange market is where brokerage firms and banks (big dogs) are connected over an electronic network (phones and computers) that allows them to convert or trade international currencies.

It is the System of trading in and converting the currency of one country into that of another.

It lets banks and other institutions easily buy and sell currencies.

The purpose of the foreign exchange market is to help international trade and investment. A foreign exchange market helps businesses convert one currency to another. For example, it permits a U.S. business to import European goods and pay Euros, even though the business's income is in U.S. dollars.

In a typical foreign exchange transaction a party purchases a quantity of one currency by paying a quantity of another currency. The modern foreign exchange market started forming during the 1970s when countries gradually switched to floating exchange rates from the previous exchange rate regime, which remained fixed as per the Bretton Woods system.

Today, the FOREX is estimated to conduct an average trade of \$3.5-4.0 trillion US dollars on a daily basis.

\$1.005 trillion in spot transactions

\$362 billion in outright forwards

\$1.714 trillion in foreign exchange swaps

\$129 billion estimated gaps in reporting

Hundreds of traders sit at their desks, or talk on the phones, doing business across the world. But not all of them make profits. While the profits to be made are of a considerable amount, so can be the losses incurred. Secondly, anybody in a hurry to get rich may become a victim of an online scam. More importantly, laws regarding FOREX itself vary from one country to another. So, hence remains the question- Why trade in FOREX at all?

# REQUIREMENTS FOR FOREX TRADING

1. Fast personal Computer.
2. High speed Internet Connection.
3. Proper Forex Market Information.
4. Initial Forex traders account or margin account.

## FOREX MARKET GLOSSARY

**Leverage:-** **leverage** or **leveraging** refers to the use of debt to supplement investment. Companies usually leverage to increase returns to stock, as this practice can maximize gains (and losses). The easy but high-risk increases in stock prices due to leveraging at US banks has been blamed for the unusually high rate of pay for top executives during the recent banking crisis, since gains in stock are often rewarded regardless of method. Delivering is the action of reducing borrowings. In macroeconomics, a key measure of leverage is the debt to GDP ratio.

**Lot:** Online Forex Lots and Mini Lots

One of the first concepts you need to understand as part of your Forex trading training are lots and mini lots, their definition and the difference between them.

When you start investing in Forex trading, and you open an account (preferably on one of the best websites for Forex trading), you will instantly get either a lot or a mini lot.

**What is a Forex lot?** A Forex lot is used to measure the amount of a deal.

The value of the deal consists of a certain number of lots.

Usually, a standard Forex lot is worth \$100 USD.

The standard leverage for a lot is a margin of 100 to 1.

**What is a Forex mini lot?** A Forex mini lot is similar to a regular lot, only it is smaller in size. Usually a Forex mini lot is worth \$100 USD. The leverage is commonly set at 100 to 1, same as for ordinary Forex lots.

Now that you understand the meaning of Forex lots and mini lots, you will be able to understand how to set the lot when you get the Forex trading software online. For example, if you will decide to buy 5 lots, you'll know that this is worth \$5,000. The lot and mini lot information will usually appear under the Forex quotes, so you'll be able to know exactly how much you invest, whether you buy or sell Forex currency.

**Swap: forex swap (or FX swap)** is a simultaneous purchase and sale of identical amounts of one currency for another with two different value dates (normally spot to forward). A forex swap consists of two legs:

a spot foreign exchange transaction, and a forward foreign exchange transaction. These two legs are executed simultaneously for the same quantity, and therefore offset each other. It is also common to trade forward-forward, where both transactions are for (different) forward dates.

By far and away the most common use of FX swaps is for institutions to fund their foreign exchange balances. Once a foreign exchange transaction settles, the holder is left with a positive (or long) position in one currency, and a negative (or short) position in another. In order to collect or pay any overnight interest due on these foreign balances, at the end of every day institutions will close out any foreign balances and re-institute them for the following day.

To do this they typically use tomorrow-next swaps, buying (selling) a foreign amount settling tomorrow, and selling (buying) it back settling the day after.

The interest collected or paid every night is referred to as the cost of carry. As currency traders know roughly how much holding a currency position will make or cost on a daily basis, specific trades are put on based on this; these are referred to as carry trades.

The relationship between spot and forward is as follows:

$$F = S \left( \frac{1 + r_1}{1 + r_2} \right)^T$$

Where:

F = forward rate

S = spot rate

$r_1$  = simple interest rate of the term currency

$r_2$  = simple interest rate of the base currency

T = tenor (calculated according to the appropriate day count convention)

The forward points or swap points are quoted as the difference between forward and spot,  $F - S$ , and is expressed as the following:

$$F - S = S \left[ \left( \frac{1 + r_1}{1 + r_2} \right)^T - 1 \right] \approx S \left( e^{((r_1 - r_2)T)} - 1 \right)$$

Where  $r_1$  and  $r_2$  are small, thus, the absolute value of the swap points increases when the interest rate differential gets larger, and vice versa.

A forex swap should not be confused with a currency swap, which is a much rarer, long term transaction, governed by a slightly different set of rules.

**Margin Account:** A brokerage account in which the broker lends the customer cash to purchase securities. It is equally said that the amount one invested in



trading forex is his/her margin account. The loan in the account is collateralized by the securities and cash. If the value of the stock drops sufficiently, the account holder will be required to deposit more cash or sell a portion of the currency.

**Leverage:** In a margin account; you are investing with your broker's money. By using leverage in such a way, you magnify both gains and losses.

**Equity:** The total cash value of an account, including the amount of profit or loss that would be incurred if the existing positions were liquidated at the current settlement price.

**Pips:** Pip stands for percentage in point. It is the smallest price unit of a commodity or currency. In the Forex market, prices are quoted to the fourth decimal point and a pip is the smallest value in a Forex quote. Take our example earlier on EUR/USD. If the exchange rate goes from 1.2385 to 1.2386; that's one pip. In mathematical definition, a pip means the last decimal place of a quotation.

Note that as each currency has its own value, the value of a pip is different from one another. Say USD/JPY rate at 120.75, a pip would be 0.01 (the second decimal place); while for EUR/USD 1.2385, a pip would be 0.0001 (the fourth decimal place)

**Quote: Bid/Ask= Spread:** By Forex definition, a quote is an indicative market price, normally used for information purposes only and not for deals. However, quotes are also market prices that are used for deals. The Forex world is filled with quotes stating the price of one currency in terms of another; this is to say that quotes always have two currencies.

It is crucial to trade on a platform that provides you with **live Forex quotes**. Fortunately, many sites and software provide accurate real-time live quotes nowadays. Quotes are information, and you need correct information in order to make an informed decision. Transactions need to be based on real data and live quotes are part of that necessary data.

Rates and charts are just as important as real time quotes are. Software and the World Wide Web are flooded with platforms that offer real-time, live quotes, charts, graphs, and rates. Sites differ from one another.

The visuals, graphics are usually different, but also the content and the search engine: some allow you to conduct a search based on the currency, while others don't; some don't have charts at all, etc. When choosing the platform on which to educate yourself, choose the one that is mostly to your liking, a lot of it is just a matter of personal taste. However, regardless of what the platform is like, your rule number one should be that: it needs to provide real facts, information that gets updates as much and as fast as possible.

**Quoting Foreign Currency:** Currencies are always quoted in pairs, each pair of currencies thus constitutes an individual product and is traditionally noted XXX/YYY where YYY is the ISO 4217 international three-letter code of the currency into which the price of one unit of XXX currency is expressed.

The first currency in the quotes act as the 'Base currency'

For example USD/JPY, EUR/GBP, and GBP/AUD, in such cases, USD, Euro, and British Pound are acting as the base currency.

The Base currency in a Forex quote will always have a value of 1. USD/JPY indicates how much Japanese Yens you can buy with 1 United States Dollar; similarly EUR/GBP indicates the exchange rate of Great Britain Pound with 1 Euro Dollar.

### **FX Quoting: Bid/Ask and Spread**

Sometimes you only see one number in the quote but often currency exchange prices are displayed in pairs with the 'bid price and the ask price'.

For example EUR/USD 1.2385/1.2390, 1.2385 is known as the bidding price, while 1.2390 is the asking price. Bidding price is the price that you sell the base currency (EUR in our case here); asking price is the price that you buy the base currency. The different of the bidding and the asking price is called 'Spread'.

You might notice that bidding price is always lower than the asking price.

Ever wonder why?

The difference of the bid-ask price (social 'spread') is how currency brokers make profits without charging commissions to their clients (sell high and buy low in the same time.) Example of Forex Quotes

Confused about the quotes? Don't worry too much about it, you'll get used to them as soon as you move on and start your trading.

For the beginners, here are some quick examples. Try not to look at the answer and determine the value of bid price; ask price, spread value, and the pip value.

#### **EUR/USD 1.2385/1.2390**

Base currency= Euro

Bid price= 1.2385; Ask price= 1.2390

When selling Euros, 1 Euro = USD\$1.2385; when buying Euros, USD\$1.2390 = 1 Euro

Spread =  $| 1.2385 - 1.2390 | = 0.0005$

Pip value= 0.0001

#### **EUR/JPY 127.95/128.00**

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Base currency= Eur

Bid price= 127.95; Ask price= 128.00.

When selling Euros, 1 Euro = JPY127.95; when buying Euros, JPY128.00 = 1 Euro.

Spread =  $|127.95 - 128.00| = 0.05$

Pip value= 0.01

### **GBP/USD 1.7400/10**

Base currency= GBP

Bid price= 1.7400; Ask price= 1.7410

When selling Pound, 1 Pound = USD\$1.7400; when buying Pound, USD\$1.7410 = 1 Pound.

Spread =  $|1.7400 - 1.7410| = 0.001$

Pip value= 0.0001

### **USD/JPY 119.8**

Base currency= USD

No bid-ask price is displayed, spread value not available.

Pip value= 0.1

Getting used to currency quotes now? Well, don't feel down if you're still a little slow... you'll be picking up on reading them as you move along

## **THE MAJOR FOREX MARKET PARTICIPANTS**

There are 5 major Forex participants

**1. Retail Forex Brokers:** The first forex participant is the retail Forex brokers. Individuals make use of a retail forex broker to invest their personal assets on the foreign exchange market with the aim of increasing their personal funds. These forex participants section is the largest in volume and gives way to the existence of millions of independently operating traders.

Although these independent retail Forex traders make for the largest forex participants group, their impact on the foreign exchange market is relatively small compared to the Forex major participants, namely the Forex central banks, commercial Forex firms, Forex Hedge Funds and Forex commercial banks.

**2. Forex Commercial Banks:** Larger Forex commercial banks are the major participants on the forex market.

They contribute to the most turnover and the speculation of vast amounts of trading on a daily basis. Forex commercial banks can trade billions of dollars daily, either on behalf of their customers or trading on behalf of the bank itself (independent deals). Forex commercial banks are larger international banks such as Deutsche Bank, Barclays Bank. Forex commercial banks consist of teams of both Forex bulls and Forex bears.

**Forex Bulls:** Is the term given to forex participants that trade with the intention of increasing a currency price with his / her trading activities.

**Forex Bears:** Is the term given to forex participants that trade with the intention of decreasing a currency price with his / her trading activities.

The healthy foreign exchange market is thus made of a balanced share of bears and bulls markets. This condition can be thrown into turmoil when either a bulls or bears market is in a considerable lead with a considerable change in exchange price

**3. Forex Central Banks:** Forex central banks are directly involved in the regulation of a country's inflation rate, interest rates and the reaching of currency target rates. Forex Central banks may use their foreign exchange reserves to regulate their country's foreign exchange rate. This will all be done in favor of stabilizing their country's currency.

**4. Forex Firms:** Forex firms usually deal with major client assets such as pension funds and endowments. Forex firms are one of the Forex major participants. Forex firms will trade with international equity portfolios, buying foreign currency in order to secure increased profits for their clients. These Forex firms are not speculative in nature and are purely based on investment trading.

Forex firms will mainly trade with trading activities relating to investment funds, international corporations and money market funds. Their international funds will diversify by investing in governmental and company securities. Xerox, Nestle and General Motors are samples of Forex firms that diversify by trading in international investments.

**5. Forex Hedge Fund:** A Forex hedge fund is a private investment fund that is limited to a set of professional or wealthy investors. The forex hedge fund will allow investors to trade in a wider range of investments than those done by Forex banks or retail brokers. These investments may include everything from shares, debt to commodities. Hedge funding is based on short selling investments or "hedging" investments – cutting losses when market prices start to fall.

# WHY DO WE TRADE FOREX MARKET?

The following are the reasons why we trade forex:

**1. High Liquidity:** Liquidity refers to an asset's ability to be bought or sold with ease, with minimum loss of value, and without a huge jump in the price. Which means that both the buyer and the seller should walk away with a good deal?

The FOREX deals with enormous amounts of money across the globe, and yet promise a trader considerable amount of freedom, the most important term being that traders can enter or exit the market when they choose.

This Especially is a good plus point to fall back on, when there is any bad news regarding any political activity, economic state etc of any country.

**2. High Leverage:** The high leverage in the market means that the size of an initial deposit itself does not need to be a huge amount. A small margin deposit can generally control a larger contract value. Various stocks offer differing leverages such as 1:1, 2:1, or 15:1 in the case of futures transactions. Positions of any volume can be opened or closed at will in any market condition, with minimum risk and no daily trading limit. No other market in the world, with a high liquidity allows such flexibility.

**3. 24 hour Market:** Since the market networks countries all over the world, its 24 hours nature is important. One does not have to wait for the 'opening bell' to trade. Traders have the flexibility to trade during US, Asian or European trading hours which also means that they can set up their own trading schedules according to their convenience.

Traders are also able to respond much better to breaking news all over the world with the assurance that portfolios are not affected by afterhours earning reports or conference calls. In addition, traders also have the convenience of trading from their homes, or workplaces and choosing to work only a few hours a day if they wish. Most of the investment banks as well as commercial banks are participants in the market. In fact forex markets have become integral part of **banking** system.

**4. No Market Bell:** Forex is better than any other financial activity in the area of no market bell because trader can trade the forex market at the comfort of their room any time, hour and any day from any part of the world! Traders are not being limited by location.

**5. No Middle Men:** Forex is better than any other financial activity in the area of no middle men because forex traders can trade directly into the forex market without the help of any middle men. Both the pricing on a particular currency pair depends on the forex trader.

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**6. Low Investments:** While there is more than 40,000 stocks to choose from, start ups costs are quite low when compared with other **investments**.

Also, the transaction costs are comparatively lower. If a trader is new to the market, and wishes to test the waters before entering them, there are free demo accounts with many online FOREX firms, which would give them the need feel the market. Moreover, breaking news and other services are also at hand in such accounts. "Mini" trading accounts with online FOREX sites are another option a starter can look, where the initial deposit would be of a very small amount and would also give the required look into trading.

**7. Making Profits** Profit making is one of the main enticers of this market, enabling careful traders to make millions in a single day. Whether a trader is a buyer or a seller, there are always opportunities to make money in this market where it doesn't matter which way the market itself is moving.

More importantly, since the basic trade involves the buying and selling of currency, there is no place for biasness. Access is equal to all traders irrespective of their locations or portfolios. In spite of so many global players, no single entity is capable of controlling the market price for an extended period of time.

Although banks across the world have tried dominating the market for as long a period as possible, overall attempts to manipulate market prices have gone down to some degree. In fact profit is made when the market is raising or falling as long as you are friendly with the trend of the market. Trend is the direction where the market is moving.

**8. Nature Of The Market:** There is a sizeable number of banks, co operations and other organizations who trade in the **FOREX** on a daily basis, besides single individuals. This also means that there is a lack of organized exchanges serving as a central location. It is also important to remember that the basic conduct of deals, trade and retail FOREX are not under any kind of regulation or laws. However, some dealers such as commercial banks have regulations and are required to conduct activity within the same.

**9. Lower Taxes:** Forex trading is an important part of **taxation** planning.

World over the taxes on short term capital gains are less than the long term capital gains. Most of the profits made from forex markets is of short term in nature which consequently results into lower tax outgo and more savings.

Analyzing the market from close quarters and also in a more objective manner helps a trader make informed decisions. The availability of breaking news in all corners of the globe is an important tool for a trader. In addition, they also have first hand information about acquisitions and mergers, resignations of top employees, purchases, expansion plans, and other press releases even before the public is aware of the same. All these reasons make the market much more accessible in all ways; which is why probably the layman thinks about

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investing in the FOREX, which was once open only to banks, hedge funds and major currency dealers. Today it is an ever expanding network of opportunities.

## **FOREX BROKERAGE FIRM**

The works of brokerage firm is providing electronic platform/terminal for traders and oversees their trading.

Forex firms are one of the major participants on the FX market. Forex firms usually deal with major client assets such as pension funds and endowments. Forex firms will trade with international equity portfolios, buying foreign currency in order to secure increased profits for their clients.

Forex firms will mainly trade with trading activities relating to investment funds, international corporations and money market funds.

There are two types of brokerage firms available to clients, whom wish to enter the speculative foreign exchange market. They are the retail foreign exchange brokers and market makers. Selecting the best FX currency exchange firms amongst thousands of other forex brokerages might seem like a daunting task. You will have a choice in selecting a Forex firm with small accounts or dealing with forex brokerage firms that deals only with large accounts.

### **Large Account FX Broker Firms:**

Customers dealing with a forex firm with accounts at one of the larger financial institutions will hold several benefits in their trading activities. Larger customers might be treated to direct lines to the larger Forex firm's interbank traders – making quoting a lot simplified. You, as customer, will usually get direct access to the research team of the FX bank or FX firm.

Furthermore, the larger FX trading banks and forex brokerage firms will provide you with technical analysis specialists and their research and trading style will serve as valuable training material. Larger Forex firms and investment banks may provide personal customer consultants to high net-worth customers, mutual funds and other potentially larger account holders.

Larger FX firms will allow you to easily change from brokerage – larger FX firms will complete for your account. Getting personalized attention and being closer to getting quotes straight from the interbank dealers will result in better rates and faster access to breakout price movements. These larger FX firms are built on many years of experience on the FX market and may provide customers with added benefits and peace of mind.

Here are some examples of larger forex brokerage firms: Goldman Sachs, Chase, Deutsche Bank, CIBC, HSBC, Barclays.

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## **Smaller Account Fx Firm Types:**

Smaller account currency exchange firms have come a long way from a decade ago. In the past, smaller FX firms were absent, with FX firms not willing to speculate with smaller amounts and accounts. This has changed dramatically and today smaller FX firms are willing to open accounts for very small investment quantities.

Smaller FX firms have made mini foreign exchange accounts possible. Some of these smaller FX firms also cater to larger investors. These smaller FX firms mostly operate as market makers to their mini accounts while hedging takes place in the FX market.

Smaller investors must take additional services offered by smaller FX firms into account when selecting a firm. Added services may include real-time forex charting; FX news feed updates, and other helpful services.

Here are some examples of smaller forex brokerage firms: FXCM, GAIN Capital, Saxo Bank, GCI Financial, IG Foreign Exchange Alpari us, alpari nz limited, alpari uk, interfx , and Deal4Free.

# **FOREX MARKET BROKERS**

These are operators and makers/players in forex market.

There are 4 main types of Forex brokers: market operators, market makers, small brokers and kitchens. Let's examine them.

## **a) Market Operators**

This most reliable group includes big commercial banks which are regulated according to bank laws and rules. But to trade with such banks one needs bills of big amount, as from bigger multinational companies, keeping them away from the private investments. Minimal lot is approximately \$1 000 000.

## **b) Market-makers**

Market makers are financial not numerous enterprises which work with smaller broker companies and offer theoretical opportunities of Forex trading to individuals whose trading capitals exceed \$50,000. They offer lower cost of Forex market trading and as a rule have more reliable financial base and integrity. However, the minimal size of the bill for \$50,000 keeps them away from the main Forex market traders

## **c) Small brokers**

Here are little broker's enterprises working with individuals' small capital - which is from hundreds up to several thousand dollars. Risks of carrying out of CashForex Portfolio- Earn Big Profits In Forex Trading



deals begin when these little broker enterprises clear orders of their clients and work with the dealer or a market-maker.

As minimal sizes of the bill which the market-maker demands from these brokers are bigger, it often happens that the local broker merges capital from all the bills of their clients in one bill at a market-maker intended for a broker company.

According to this system, the Forex market trader makes the broker company's dealer to get the quotation on an input or an output from a position, and the dealer, in his part, to receive the quotation, influences a market-maker. As soon as the quotation reaches the Forex market trader, he or she instructs the dealer about an input in a new position or an output from an existing position, and the dealer writes it down at Respective regulation of the client's bill. As this is the most important moment of the deal, and the dealer makes the respective bargain on their own bill at a market-maker.

Therefore, if the client's market inquiry or the deal goes well, the client gains benefit - which is gross profit from Forex market trading a minus spreads and commission fee. The broker company also gets its own respective benefit on Forex deal with their market-maker which is the same as net profit that they will pay to the client plus their own commission and, maybe, little spread. Lost in this deal - the market-maker which has put this money in a pocket, but has lost profit gross from the deal on the whole, got by this broker company.

It's important to remember that some broker companies give the client spread bigger than they themselves get from a market-maker, and that's another way of getting benefit in addition to their commission. Certainly, they'll never confess it.

The spread can be twice as great. Of course, if the client's case turns out to be unsuccessful, the broker company suffers big loss from the client's bill and will have to pay a market-maker the pure loss after withdrawal of its broker payments and commission fee. In any case, the broker company still gets the commission and a little spread

#### **d) Kitchens**

The scheme of "kitchen" works fine if somebody doesn't start to win all the time, Their founders know that many clients just lose their money. And the profit of "kitchen" is these clients' losses. Then "kitchen" is closed with the remnants of clients' money and about two months later appear under other name. The scheme usually works like that. They offer to teach you for free and to learn how to trade in Forex market. They say this will easily bring you unbelievable profit for the short period of time.

They make you believe that 5 % a month is quite achievable but only in case if you open the bill of \$1000 at their company. Their teachers are as a rule fine either non-professional Forex market traders or even the people who have

never traded in Forex market independently. These lessons last for only several hours.

Sometimes the clients are taught with the help of programs "simulators" where any trader "is earning" about 1000 % a week. The biggest part of these "students" are losing their deals from the very start, and every time they're sure that was a good lesson which will make their techniques irreproachable, and their following Forex market trading will go successfully.

Many of these clients run out of their deposits fast and leave the market, while more stubborn ones "add" money to their bills to receive another chance and to gain profit at last. At last they lose all their money and leave with physical and financial damages. It's the "victory moment" for such firms as it is their bread and butter. It's they who gain the biggest part of profit on losses of such deals, and many firms also win from spreads or commission fee which they demand for these transactions.

## **FOUR MAJOR CURRENCY PAIRS**

Major Currency pairs in the Forex Market trading. Ever wondered what is exchanged on the foreign exchange market? You will be surprised to hear that the answer is absolutely "nothing". The foreign exchange market is a 100% speculative market.

No currencies are ever physically exchanged on the foreign exchange market. All foreign exchange major currency trades are calculated according to their market price value and exist only as computer entries. Dollar orientated accounts will show profits and/ or losses calculated in their respective dollar values against their accounts. The consequences of these mere computer entries are no less real and have far reaching effects on our economy.

The primary function of the foreign exchange market is to manage and to oversee the exchange of major currencies for those institutions that relies heavily on continuous foreign exchange trading. An example of such an institution would be a multinational corporation who needs payment for services rendered by a foreign party. Another example would be a corporate entity that wishes to merge with another international corporation.

So which currencies form part of the major Forex trading currencies on the foreign exchange market?

Major currency trading consists of only seven international currency pairs. These are divided into The Majors and The Commodity Pairs.

**The Majors:** Are the most liquid and thus the most widely traded major currency pairs on the Forex Market. Their prices are less volatile than that of smaller less-known foreign currencies. Trades on Major Currencies involving the Majors constitutes up to 90% of all trades on the Forex Market.

**EUR / USD (Euro / US dollar)**

**USD / JPY (US Dollar / Japanese Yen)**

**GBP / USD (British Pound / US dollar)**

**USD / CHF (US Dollar / Swiss Franc)**

The Commodity pairs consist of major currencies trading associated with commodities.

**AUD / USD (Australian Dollar / Us Dollar)** associated with gold commodities.

**USD / CAD (US Dollar / Canadian Dollar)** associated with oil commodities.

**NZD / USD (New Zealand Dollar / US Dollar)** associated with gold commodities.

The above trading major currencies units and combinations thereof (EUR/JPY, GBP/JPY and EUR/GBP) make for 95% of all trading on the Forex. The foreign exchange market is thus far more concentrated than that of the stock market exchange. As with all disciplines, there are loads of jargon associated with the foreign exchange market and its trading major currencies.

Here is some interesting jargon to increase your credibility when trading currency: Alternative names for the British Pound: Sterling, Pound Nicknames for the US Dollar: Greenback, Buck The GBP / USD (British pound / US Dollar) pair is known as "Cable" and refers to the time when a transatlantic cable were used to synchronized the GBP / USD exchange rate between London and New York Forex market places.

You should now be acquainted with all trade major currency and understand the relationship between Major currency pairs and associated commodity pairs.

# THE MAIN FOREX MARKET FOCUS

What are bull and bear market?

In Forex trading there are bulls and bears markets. It sounds dangerous but it isn't. You often hear of the market being Bull-bullish-long-buy or Bear-bearish-short- sell. So what is a bull market and what is a bear market?

A Bull Market:

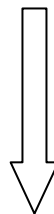
This is when the market is showing confidence, an uptrend market. Indicators of confidence are prices going up, market chart like the **candle stick** go up too. The market trend will be moving up, from low to high.



These are bullish characteristics, if there is a run of bullish trade then you may hear the market is a bull market but technically though a bull market is a rise in value of the market of at least 20%, the huge rise of chart like candle stick going up, indicator like MACD if introduced, rising above water/sea level is a good example of a bull market. Bull market can hold bullish, long and buy market.

A Bear Market:

A bear market is the opposite of a bull. It is a down trend market, If the markets fall by more than 20% then we have entered a bear market. A bear market is a market showing a lack of confidence.



Prices hover at the same price then go down, indicators fall too and volumes are stagnant. In a bear market people are observing a retrenchment. However, a bear is a very tentative bull or a bull that is asleep. Bear market can hold bearish, short and sell market.

**Market Timing:** Some people believe that by recognizing the different kinds of markets you can make money on forex trading.

**The basic idea behind forex trading is to order for buy at lowest and continue buying to the highest and then close the order. Order for sell at highest and continue selling to the lowest and then you close the order.**

This will give you a profit. So to make money, you order for buy in a bull market and order for sell in a bear market. However, knowing when is the best time to buy and sell is not that simple.

Unfortunately, most traders are too emotional and they sell in a bull market because they are scared to lose money and they buy in a bear market because they don't want to miss the big gains. You can make some money that way but it also explains why many traders lose money by trying to time the market. The safest way to prevent you from making these mistakes is to buy in bull, long and bullish market and sell in bear, short or bearish market. Please never use common idea of buying and selling. For instance buy low and sell high.

**NOTE:** Both the bull and bear markets are profitable in trading forex.

## DANI'S LAW

These are laws, the law, the only true law, trust it, walk with it and it will make you a rich forex trader.

**Law1.** The trend is your friend, never trade against the trend. Follow the trend and become rich with pips, go against the trend you will be crush.

**Law2.** Never buy in a bearish, bear, short and sell market and never sell in a bullish, bull, long, and buy market.

**Law3.** As a forex trader plan your trade and trade your plan no matter what happens. This is the truth, the whole truth and nothing but the truth.

Quote: Don't even imagine normal buying and selling because forex is different from stock.

So if you observe bull/bullish market please go for buy and if you observe bear/bearish market go for sell. Mind you, if sell in a bull market or buy in bear market, you had traded against the trend.

**Price On Technical Analysis (Trend):** This is a comprehensive reflection of all the market forces, at any given time, all market information and forces are reflected in the currency prices.

Trend line types:

A trend line is the natural development in tracking a trend. it's simply consist of a straight line connecting the significant high (peaks) or the significant lows(troughs) to draw a trend line only two points are necessary and the third

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One is the contact point confirmation. A trend exists until it is broken as a result of a significant move of the price up and down. With trend lines breakouts from up trends tend to test the strength of the former support line, now turned into a resistance line. Price movements are historically repetitive, Price movements are trend followers. The market has three trends (primary, secondary and minor)

A. The primary trend has 3 phases: Accumulation, run up/ down and distribution.

I. In accumulation phase: The majority of the market finally 'sees'

II. In distribution phase: The keenest traders take their profits and close their position.

B. secondary trend:- Is a correction to the primary trend and may retrace,  $\frac{1}{3}$ ,  $\frac{1}{2}$ , or  $\frac{2}{3}$  from the primary trend.

5. Volume must confirm the trend.

6. Trends exist until their reversals are confirmed.

Types of market trends

Bullish-bull-long-buy

Bearish-bear-short-sell

Sideways-whipsaw

Trend percentage retracement

There are three types of trend retracement:  $\frac{1}{3}$ ,  $\frac{1}{2}$ ,  $\frac{2}{3}$ , or 33, 50, and 66%) a retracement that passes 66% is considered a trend failure.

Trends reversal patterns

Formation signaling the end of the trend is known as reversal patterns, the most significant trend reversal patterns head and shoulders and inverse head and shoulders, Double tops and double bottoms, Triple tops and triple bottom.

# THREE MAJOR FOREX CHARTS

Let's take a look at the three most popular types of charts:

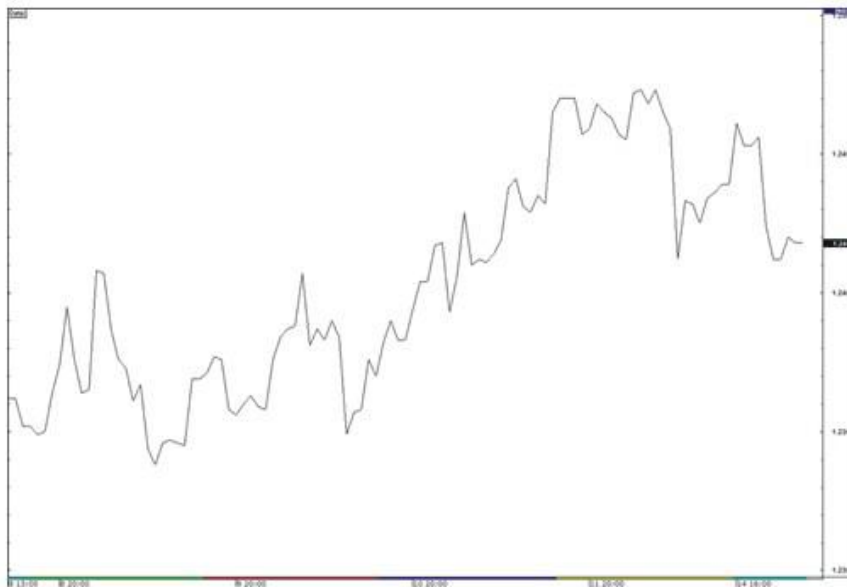
1. Line chart
2. Bar chart
3. Japanese Candlestick chart

## Line Charts:

A simple line chart draws a line from one closing price to the next closing price. It's the original type of forex chart; the most popular among them is the daily chart. Line charts are considered for technical analysis because due to the sophistication of current charting services, daily price activity does not need to be lost.

When strung together with a line, we can see the general price movement of a currency pair over a period of time, and this is the disadvantage because price gaps cannot be charted on a continuous chart.

Here is an example of a line chart for EUR/USD:



## Bar Charts:

A bar chart is arguably the most popular type of forex chart currently in use.

It consists of four significant points and also shows closing prices, while simultaneously showing opening prices, as well as the highs and lows.

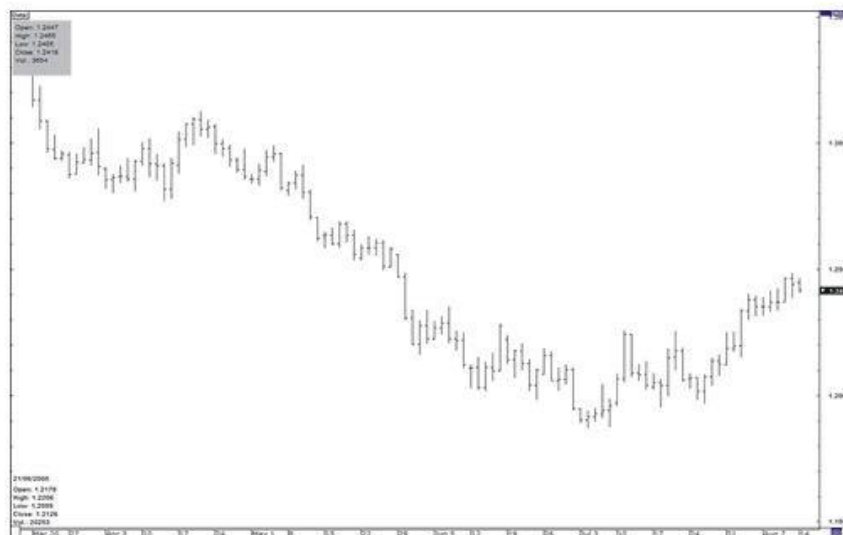
The bottom of the vertical bar indicates the lowest traded price for that time period, while the top of the bar indicates the highest price paid. So, the vertical

bar indicates the currency pair's trading range as a whole.

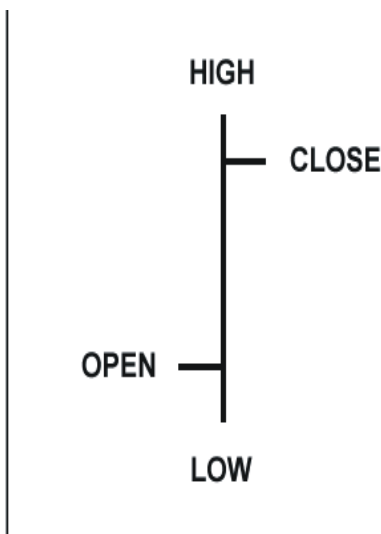
The horizontal hash on the left side of the bar is the opening price, and the right-side horizontal hash is the closing price. The disadvantage of bar chart is that it never reveals the past or previous currency price.

Here is an example of a bar chart for EUR/USD

Here is an example of a bar chart for EUR/USD:



**NOTE:** Throughout our lessons, you will see the word “bar” in reference to a single piece of data on a chart. A bar is simply one segment of time, whether it is one day, one week, or one hour. When you see the word ‘bar’ going forward, be sure to understand what time frame it is referencing. Bar charts are also called “OHLC” charts, because they indicate the **O**pen, the **H**igh, the **L**ow, and the **C**lose for that particular currency. Here’s an example of a price bar:





**Open:** The little horizontal line on the left is the opening price

**High:** The top of the vertical line defines the highest price of the time period

**Low:** The bottom of the vertical line defines the lowest price of the time period

**Close:** The little horizontal line on the right is the closing price

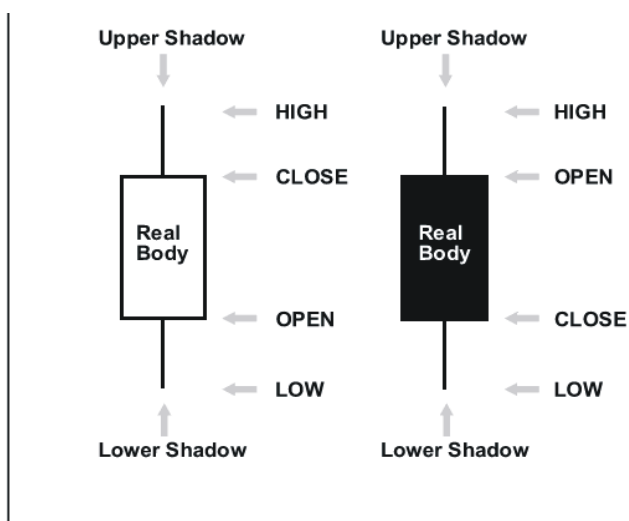
## Japanese Candlestick Charts:

Show the same information as a bar chart, but in a prettier, graphic format.

Candlestick bars still indicate the high-to-low range with a vertical line.

However, in candlestick charting, the larger block in the middle indicates the range between the opening and closing prices. Traditionally, if the block in the middle is filled or colored in, then the currency closed lower than it opened.

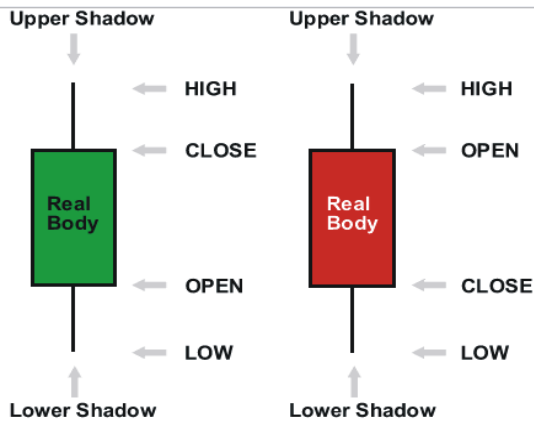
In the following example, the 'filled color' is black. For our 'filled' blocks, the top of the block is the opening price, and the bottom of the block is the closing price. If the closing price is higher than the opening price, then the block in the middle will be "white" or hollow or unfilled



We don't like to use the traditional black and white candlesticks. We feel it's easier to look at a chart that's colored. A color television is much better than a black and white television, so why not in candlestick charts?

We simply substituted green instead of white, and red instead of black.

This means that if the price closed higher than it opened, the candlestick would be green. If the price closed lower than it opened, the candlestick would be red. In our later lessons, you will see how using green and red candles will allow you to "see" things on the charts much faster, such as uptrend/downtrends and possible reversal points.



Here is an example of a candlestick chart for EUR/USD. Isn't it pretty?

Here is an example of a candlestick chart for EUR/USD. Isn't it pretty?



The purpose of candlestick charting is strictly to serve as a visual aid, since the exact same information appears on an OHLC bar chart.

The purpose of candlestick charting is strictly to serve as a visual aid, since the exact same information appears on an OHLC bar chart. The advantages of candlestick charting are:

Candlesticks are easy to interpret, and are a good place for a beginner to start figuring out chart analysis.

Candlesticks are easy to use. Your eyes adapt almost immediately to the information in the bar notation.

Candlesticks and candlestick patterns have cool names such as the shooting star, which helps you to remember what the pattern means.

Candlesticks are good at identifying marketing turning points – reversals from an uptrend to a downtrend or a downtrend to an uptrend. You will learn more about this later.

# TYPES OF FOREX TRADERS

1. FUNDAMENTAL FOREX TRADER
2. TECHNICAL FOREX TRADER

The two types of forex traders still remains fundamental and technical traders.

## FUNDAMENTAL TRADER

They are traders who trade base on forex news. Check forex news on [WWW.FOREXFACTORY.COM](http://WWW.FOREXFACTORY.COM) In as much as I know fundamental news triggers the market not the technical indicators.

The fundamental indicators are the basic things that encourage or discourage economic growth and development.

Which will either have a low impact, medium impact or high impact in a countries currency trade?

They include news of inflation, employment, unemployment, politics, war, demand and supply of goods and services, accommodation and so on.

## FUNDAMENTAL ANALYSIS

A. Economic Fundamentals: Fundamental maybe classified into 3 factors financial factors, political factors and crises.

B. Purchasing power parity: State that the price of goods in one country should equal the price of the same good in another country, exchange at the current rate the law of one price. Trade barriers sometimes influence costs and goods distribution.

Theory Of Elasticity: If import of country A are strong then the trade balance is weak, consequently the exchange rate rises, leading to the growth of country A's exports and triggers in turn a rise in its domestic income along with a decrease in its foreign income.

Economic Indicators: In US economic data is generally release at 8:30 and 10. It is important to remember that the most significant data for forex is released at 8:30am ET.

The (GNP) Gross National product: measure the economic performance of the whole economy indicators that's reflecting the strength of the economy. Uses industrial production as economy indicators as a potential trading signal

Capacity Utilization: Is not a major economy indicator for forex a normal steady economy is 81.5% when reads 85% more the data suggest that the industrial production is overheating that the economy is close to full capacity.

For factors orders consist of 2 factors durable and nondurable goods nondurable consist of product with a life span of more than 3 years e.g. Autos, appliances, furniture, jewelry and toys. Durable cost high than non durable. A good figure is bullish durable cost high than non durable. A good figure is bullish.

- The Gross National Product (GNP): Measure the economic performance of the whole economy refers to the sum of all goods and services produced by United State.
- The Gross Domestic Product (GDP): Refers to the sum of all goods and services produced in the US, either by domestic or foreign companies.

## FUNDAMENTAL ANNOUNCEMENTS

Exchange rates of currency pairs fluctuate based on many criteria, particularly how investors perceive the value should be based upon news pertaining to the country of origin of the currency.

There are many factors that contribute to the perceived value of a currency against another, but most importantly are the "Fundamental Announcements" from that country.

Countries and their currencies being traded on the Forex markets are like companies and their shares being traded on the stock market.

If a company announces positive news, such as higher profits in their last quarter, then the stock market immediately responds by the share price rising.

Conversely, if the company announces negative news such as a loss in their last quarter, then their stock drops.

In much the same way countries regularly make various announcements of economic importance, and the value of their currency is also adjusted accordingly against other currencies.

All you need to know is when such Fundamental Announcements are being made and this is like owning a magical crystal ball to know exactly the minute when the markets will explode, and how to profit from it.

Regardless of whether the news is considered good or bad and regardless of how the value of the currency changes due to the announcement you will make money. Typically a market responds by 50 pips to Fundamental Announcements (when it skyrockets) plenty of room to get profits in.

There are certain websites that publish a calendar of Fundamental Announcements and you can easily find these for free on many Forex related websites. So the first step is to go view a Fundamental Announcements calendar to see what is scheduled to come up for tomorrow (weekdays, not weekends). Some days will have more announcements, some days will have less.

Generally, the more announcements the more trading opportunities you will have, and the more announcements scheduled for a particular country at the same time the more likely you will see some interesting price action.

Also you will need to know what your time zone is in relation to GMT (Greenwich Mean Time), as most announcements are published according to this time zone. Where I live is EST (Eastern Standard Time), which is minus 2 hours from GMT, however during the summer I am only minus 1 hour from GMT. Make sure you take into consideration "Daylight Savings Time" if your time zone changes time in the fall and spring.

You will need this information to adjust GMT time to your time to know when the announcements will take place from the perspective of your time zone. On the calendars you will see a list of countries that are planning to release announcements, what time the announcement will happen, and what the announcement is about.

Let's say the US is scheduled to release some announcements, typically 8:30am EST. Then you know the exact time that prices will skyrocket. This kind of opportunity happens all the time and is by no means extraordinary.

Fundamental Announcements occur at various times of the day and night, depending on where you live. Pay more attention to the currencies that make their Fundamental Announcements at a time convenient for you. If you live in North America pay attention to the US and Canadian announcements and then trade EUR/USD and USD/CAD respectively, US announcements can be traded against other currencies, the best are EUR, GBP and CHF.

They usually react the same way, but often have larger or smaller moves.

If you live in the Asian regions including Australia & New Zealand then pay more attention to those currencies (JPY, AUD, NZD) traded against the USD,

and even against each other. If you are lucky to live in Europe then you benefit from being awake during most Fundamental Announcement times, and can trade just about anything. Sometimes major news events can cause major price moves, but don't worry about these, as they are unpredictable and very difficult to profit from since by the time you find out about the news it's already to late.

### **Looking At The Calendar:**

Every day is different, with different countries posted to release announcements; often you will see the same country making multiple announcements for the same time. This is the best setup as when there are multiple announcements happening simultaneously then the market is much more likely to react strongly. One danger is that if there are multiple announcements then there is a greater chance of whiplash happening (more about whiplash later).

You could also trade when there is only one announcement at a particular time from a particular country however it becomes less likely that you'll see a major price move. Generally it is best if there are two or more at the same time. You should also pay attention to what the announcement appears to be.

Release of key economic figures seems to generate more action than speeches (generally). Really, it's difficult to say exactly what creates strong reactions, but after practicing for a while you should get a feel for what to expect. At the end of this section I provide you a list of "key" announcement types to pay attention to.

Look at what is posted for the next day to plan accordingly; deciding what time(s) seem to offer the best opportunity, and which currency pair you plan to trade at that time.

Set your plan in advance and you should have better success, simply because you can plan to be ready to trade for those times and you'll be thinking clearer about how to proceed with the trade.

What you might want to do (highly recommended) is to review the upcoming week in the Fundamental Announcements calendar during the weekend, and write out a plan for the week detailing the exact times you plan to trade and on which currency pairs. The ten minutes spent doing this separates you from novice traders, showing you are a professional quality trader that takes the time to properly plan your trades, and then trade your plan.

### **Key Announcements:**

There are certain Fundamental Announcements that are much more likely to result in strong movements. If there is uncertainty (good for your trading) about what the announcement will be then there will be an immediate and often

drastic effect on the currency market (more drastic news = more drastic price move). The most important to watch for are Unemployment Reports, and Interest Rates. Also high on the list to look for are Consumer Price Index (CPI), Inflation, and Gross Domestic Product (GDP).

Less important (meaning less likely to result in the jumps you are looking for) but still worth keeping an eye on include M2 (Money Supply), Treasury Budget, Producer Price Index (PPI), Retail Sales, and International Trade. Be sure to look for the above in your weekly Fundamental Announcement calendars and plan accordingly to attempt to trade them.

Additional info for the USA (USD) Unemployment Reports are released on the first Friday of every month at 8:30 am EST for the prior month (this is a big one you should always attempt to trade – e.g. on July 2, 2004 it jumped over 100 pips in about 1 minute!), and every Thursday at 8:30 am EST they release a weekly adjustment (less important but still a good possibility). CPIs are released 8:30 am EST around the 13<sup>th</sup> of each month for the prior month. International Trade is released 8:30 am EST around the 20<sup>th</sup> of the month (data is for two months prior). PPI released around 11<sup>th</sup> of each month at 8:30 am EST for the prior month.

Treasury Budget released 14:00 EST around the 3<sup>rd</sup> week of the month for the prior month. GDP released 3<sup>rd</sup> or 4<sup>th</sup> week of the month at 8:30 am EST for the prior quarter, with subsequent revisions released in the 2<sup>nd</sup> and 3<sup>rd</sup> months of the quarter. M2 released Thursdays at 16:30 EST data for the week ended two Mondays prior. NAPM (National Association of Purchasing Managers) released 10:00am EST on the first business day of the month for the prior month. Retail Sales released 8:30 am EST around the 13<sup>th</sup> of the month for one month prior.

Spend some time researching about Fundamental Announcements (lots of stuff on the web – link to get you started can be found in the [www.forexfactory.com](http://www.forexfactory.com)) to better understand what these are, and how they work. Remember, educating yourself is an investment in yourself, and can help you to be a more profitable trader.

# ECONOMIC TOOLS FOR FOREX TRADER

- A. Producer price index (PPI)
- B. Consumer price index (CPI)
- C. GNP (Deflation)
- D. GDP (Inflation)
- E. Employment cost index (EEI)
- F. Commodity research bureau's index (CRB index)
- G. Journal of commerce industrial price index (JOC)

Other economy data that measure inflation are unemployment, **consumer** prices, and capacity utilization. The (PPI) producer's price index and (PI) consumer price index is an instrument in helping trader's measure inflationary activity.

The formula to calculate the components of GNP is  $Y = C + I + G + X + Z$ . That stands for GNP = Consumption + Investment + Government + X (net exports, or imports minus exports) + Z (net income earned by domestic residents from overseas investments - net income earned by foreign residents from domestic investments.)

The following equation is used to calculate the GDP:  $GDP = C + I + G + (X - M)$  or GDP = private consumption + gross investment + government investment + government spending + (exports – imports). Nominal value changes due to shifts in quantity and price.

Gross Domestic Product (GDP) and Gross National Product (GNP) both try to measure the market value of all goods and services produced for final sale in an economy. The difference is how each term interprets what constitutes the economy. GDP refers to and measures the domestic levels of production in a country.

**Unemployment Rate:** is a daggling economic indicator. This is an important feature to remember, especially in times of economic recession. A decrease in unemployment figure signals a maturing cycle, while increase in unemployment figure signals the opposite cycle.

## In Fx The Standard Indicators Monitored By Traders Are:

1. Unemployment rate.
2. Manufacturing payrolls
3. Nonfarm payrolls
4. Average earnings
5. Average workweek



## **Most Significant Employment Data**

1. Manufacturing
2. Nonfarm payrolls followed by unemployment rate.

## **Leading Forex Economic Indicators**

- A. Vendor performance
- B. Contracts and orders for plant and equipment
- C. New building permits issued
- D. Change in manufacturer's unfilled orders, durable goods.
- E. Change in sensitive material prices
- F. Average weekly claims for state unemployment.
- G. Average workweek of production workers in manufacturing
- H. Personal income: Is the income received by individuals, nonprofit institutions, and private trust funds, It's not significant unexpected change in interest rates is likely to a sharp currency move, "buy on the rumor, and sell on the fact.

## **Political Event And Crises:**

Political event generally take place over a period of time, but political crises strike suddenly they are almost always by definition, unexpected currency traders have a knack for responding to crises

## **Technical Analysis:**

The main strength of technical analysis is the flexibility with regards to the underlying instrument, regarding the markets and time frame.

## **Price:**

The price is a comprehensive reflection of all the markets forces.

At any given time, all market information and forces are reflected in the currency's prices.

- A. Price movements are historically repetitive
- B. Price movements are trend followers.

The market has three trends (primary, secondary and minor)

The price has three phases: accumulation, run up/ down, and distribution.

- A. In accumulation phase: The shrewdest traders enter new position.
- B. In run-up/down phase: The majority of the markets finally "sees"
- C. In distribution phase: The keenest traders take their profits and close their position.

## **Secondary Trend:**

It is a correction to the primary trend and may retrace 1/3, 1/2, or 2/3 from the primary trend. Volume must confirm the trend Trends exist until their reversals are confirmed.

## **Factors That Cause Forex Volume Growth**

1. Interest rate volatility
2. Business internationalization
3. Increasing of corporate interest
4. Increasing of traders sophistication
5. Developments in Telecommunications
6. Computer and programming development

## **Major Currency That Trade Against The Us Dollar**

1. Euro
2. Japanese yen
3. British pound
4. Swiss Franc

The federal reserve system of the USA affects forex in 3 general areas

- A. The discount rate
- B. The money market instruments
- C. Forex operations.

## **There Are Two Types Of Forex Interventions**

1 Naked intervention: or unsterilized intervention refers to the sole Forex activity all that takes place is the intervention itself, in which the Federal Reserve either buys or sells U.S dollar against a foreign currency. Naked intervention has a long term effect.

2 Sterilized interventions: neutrally its impact on the money supply sterilized intervention only generates an impact on the supply and demand of a certain currency; its impact will tend to have a short to medium term effect.

# TECHNICAL FOREX TRADER

This is one form of forex trading that trader's trade the forex market based on forex technical Indicators. The main strength of technical is the flexibility with regard to the underlying instrument, regarding the markets and time frame.

Technical indicators are processes, systematic, mathematical, analytical and physiological method invented by mathematician, analyst and physiologist on the past behavior of the forex market.

This means that the market can be review or analyze by these indicators.

Revealed Best Technical Indicators Used By Most Technical Traders.

They include the following:

CASHFOREX BULLBEAR, CASHFOREX BAND, CASHFOREX PIPUP AND CASHFOREX INVESTOR INDICATORS.

The question may be what type of trader is the best or which one will I chose to be?

As a matter of fact, it is your choice but know it very well that both traders trade in same terminal or platform. There is nothing like fundamental platform or technical platform.

So it depends on your choice, conviction and your ability.

Therefore if you want to depend on the news or technical indicators that made you what you are.

For me, in order not get stuck in the market I wait 30mins before the news or 30mins after the Forex news before I trade. I spent much time analyzing the market with my Bullbear, Band, Pipup and Investor Indicators.

I love CashForex trading system tools so much.

But calling me technical trader does not prevent from me going through the Forex news, I look out for the news content but I stop trading 30mins before or 30mins after the Forex news.

Even if you claim to be a technical trader, read the news, know the news but trade at your peace.

## 32 BASIC FOREX TRADING TIPS

1. Put Stop Loss on Every trade you placed.
2. Don't risk 2% of your account in a single trade.
3. Wait for the Prime opportunity to enter the market.
4. Find indicators that help confirmed the new trend (Bullbear, Band, Pipup, and Investor)
5. Know how much you are willing to lose on each trade before talking about the gain, meaning set your SL first before TP.
6. Set a target on each trade and to Exit when target is hits.
7. Never Exit your trade too early, learn to stick to your system.
8. Discipline yourself to follow your rules in all trade.
9. Define your trading time frame (1Hour or 4Hours)
10. Never add to an open losing trade, never.
11. Never hedge an open losing trade, close all losing trade.

12. Trade the major currencies

USD/CHF (100,121,101)12-10am

GBP/USD (79-99-78 pips) 8am- 5pm.

USD /JPY (66-74-60 pips) 1: pm – 10 pm.

13. Perfect days to trade (Tuesdays and wed)
  - a. USD/CHF 162 pips- GBP/USD 128 pips
  - b. USD/JPY 164 pips- EUR/USD 102 pips
  - c. USD/CHF 162 pips – GBP/USD 128 pips
  - d. USD/JPY 106 pips- EUR/USD 101 pips.
  - e. SUN:USD/CHF 36pips – GPB/USD 31 pips
  - f. MON: USD/CHF 141 pips – GBP/USD 110 pips
  - g. THUR: USD/CHF 121 pips – GBP/USD 98 pips
  - h. FRI: USD/CHF 117 pips – GBP/USD 96 pips
  - i. EUR/CHF 80 pips – USD/JPY 72 pips.
14. The Asian market trades b/w (8pm – 4am EST)
15. European market trades between (2.am – 12 pm EST)
16. North American market between (8.am – 5 pm EST)
17. Best times trade 2.am / 4.am (Asian /European) and also between 8am / 12 pm EST (European / American)
18. Asian times (the market re-opens on Monday morning) Sunday evening in (North American).
19. Close all your at most 4.pm (EST) on Friday never leave till weekend.
20. I have found out that 8.30 am EST regularly has price explosion.
21. Take into consideration the three important factors

- a: Price forecasting: it indicates which way a market is expected to trend.
  - b: Timing determines specific entry and exist points.
  - c: money mgt: determines how much to commit to the trade.
22. Plan your work, and work your plan, have goals / objective
  23. Trade with a plan not hope, greed and fear trading plan where you will get in the market, how much you will risk on the trade and where you will take your profits.
  24. Always think in terms of probabilities, trading is all about probabilities not certainties.
  25. Don't expect not to have negative trade – they are a necessary part of the plan and cannot be avoided.
  26. Close all losing positions before the wining ones.
  27. You are superstitious don't trade if something bothers you.
  28. The fundamentalist studies the cause of market movements while the technician studies the effect.
  29. Never add to an open losing trade; never.
  30. Never consider your Entry point more important than your exit point.
  31. Never consider your Take profit more important than your stop loss.
  32. Always begin your new trading account with much lower lot sizes.

# FOREX TRADER LEVELS

- 1. Beginner's Traders:** These are traders who are new in Forex market. They are mainly paper traders or demo traders. They are usually carried away by fear and emotion. They are learning the market, Even if they trade live account, they can only trade one currency pair with the lowest lot size. They have high rate of losses and usually get confuse with the market. They trade without trading plan.
- 2. Intermediate traders:** The intermediate are higher and better than beginners. They learn how to make decisions in this stage and they can handle live trade while they trade gradually to overcome their fears.
- 3. Advance traders:** They are set of people that make deal of two to three currency pairs. They trade with plan, using one to three lot size and they execute profits while they try to overcome their emotion.
- 4. Proficiency traders:** They are skilled traders. They have good trading plans; they are not driven by fear and emotion. They execute profit and even sensitize new traders.
- 5. Professional traders:** These are long time traders who have gained so much experience in Forex trading.  
They have conquered their fear and emotion. They forecast the market correctly and trade at their will. Their rate of lost is less than 20%. They give their advice as experts. They execute the highest profits while they handle deals of large contract size.

## FORMS OF FOREX TRADER

Forex traders come in three basic varieties: Scalpers, Day Traders, and Position Traders, with the majority of traders falling into the middle category.

- 1. A Scalper:** Is somebody who goes for small profits usually in the range of 3-10 pips, will usually base their trades on a chart with 1-minute to 5-minute candlesticks, and will tend to place multiple trades in a single day.
- 2. A Day Trader:** Will hold an open position anywhere from 15 minutes to longer than one day. They will be using a time frame of maybe two different charts with 5-minute and 15-minute candlesticks (possibly 30-minute if they are a longer-term day trader), and will tend to set profit targets of 10-50 pips.

**3. A Position Trader:** Is one who will go for long term gains and will place their trades based on a 1hour or 4hour candlestick chart. This trading style requires a large risk tolerance, and profit targets will tend to be over 50 pips and as high as 4 big figures or more (400 pips or more).

Determining which type of Forex trading style you prefer and which one matches your trading strategy is a very important step that many traders never take. Choosing and sticking with certain trading style can allow you to see which trading opportunities to pursue and which ones to avoid, such as whether you should focus on following fundamental-based or technical- based trading indicators.

Choosing a specific trading style is also important because you can see which currency pairs and currency crosses to trade and which ones to avoid.

For example, if you decided that you were a scalper and you wanted to go for small profitable trades multiple times per day, you would want to trade a currency pair that had a very small spread. If you were trading a more exotic non-dollar currency cross then this would tend to have a much higher spread and make a profitable scalping strategy nearly impossible.

Conversely, if you decided that being a position trader was the best route for you and you were willing to hold positions open for days at a time or even a week or two, then a 9-pip spread on an exotic currency cross may not seem like such a big deal since you might be aiming for a profit target that is larger than 200 pips.

Depending on which Forex trading style you choose there are different considerations to be made for each one and there are also profits to be had with each one.

## FOREX TRADER TIME FRAME

The Forex time frames are 1min, 5min, 15 mins, 30 mins, 1hr, 4hrs, 1day, 1wk, and 1month. Considering using candle stick chart, it means for any of these time each candle is said to open/close, high, and low at the interval of a chosen time frame. For instance if trading in 15mins time frame, it takes 15 mins for you make your decision.

# ENEMIES OF A FOREX TRADER

If you can control the following psychological factors, then be ready to come out with profit every day.

1. Assumption.
2. Procrastination.
3. Fear.
4. Lack Of Money Management.
5. Lack Of Forex Education.
6. Personal Emotions.
7. Personal Greed.
8. Never Trade Without Stops.

## BASIC FOREX TRADER STRATEGY

**1. Analysis:** As a forex trader one important thing you should always do is to forecast which way a market is expected to trend.

Following Dani Oh's Quote 3:- Always plan your trade and trade your plan.

Quote 1:- Never trade against the trend, the trend is your friend. With the help of fundamental and technical indicators a trader can forecast market prices behavior in the future.

**2. Trading Strategy:** As a forex trader choose a right moment to open or close a position. These show that trend identification is not enough for profitable trading. It is essential to choose the right moment to enter the market e.g. If after having identifies the bullish or bearish trend, you enter the market before a retreat starts, this retreat may cancel your stop order your position is closed. You lose money and the market reverses and goes in the direction you have identified.

**3. Money Management:** As a forex trader one thing you shouldn't over look is your money management. Follow the rules of money management in forex trading because it will decrease the risks of your financial operations. Your money system will allow you to make deals only with the minimal risk.

**4. Forex Education:** Technical and practical experience in forex trading is not enough for a successful and profitable trading. Engage in forex education, study, research and tutor yourself so as to equip yourself with the latest forex information for profitable trading. Your forex information is one key you must

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have to win in forex trading.

**5. Psychological Peculiarities Of Trading:** As a forex traders do not allow your emotions to operate your trading account, when making a decision your personal emotions should be kept in control. Your emotions are the first and worst enemy of your successful forex trading.

## FOREX TRADER SUCCESS STRATEGY

How To Trade Effectively:

1. As a forex trader chose the right currency pair.  
Find out based on your risk parameters, which currency is best suited for your trading style some may be too volatile and some too slow, so decide which currency pair is most appropriate for your strategy and time frame.
2. As a trader decide on how long you plan to stay in a trade, If you are an inter day trade, what is the average time of your trade, few minutes couple of hours, a full day, swing trade (couple of days to a week).
3. As a trader before you enter a trade you should also have clear exit plan. Place your stops and limits accordingly.
4. As a trader know how much you are willing to risk before how much you are looking to gain.
5. As a trader keep track of important news and technical levels which may be tested within your chosen trading time frame.

## FOREX TRADER SUCCESS SECRET

1. As a trader you must know when to enter any trade.
2. As a trader you must know when to exit any trade.
3. As a trader you must know the currency pair to trade.
4. As a trader you must know the total lots to trade starting with lowest lot sizes.
5. As a trader you must know where to set your stop loss before your take profit.
6. As a trader you should never trade without stop loss and take profit.
7. As a trader you should never add to an open losing trade; never
8. These are your keys to successful Forex market trading.

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Remember when you enter any trade at the last lower low or higher high and eventually it moves upwards or downwards to your off plan, close your open losing trade, sell or buy again into the market so as to gain your profits loss trade as it rolls back to the sheaf.

# AUTHOR'S SUMMARY NOTE

Forex financial market is the biggest financial market in the world, it involves different countries currency.

It pays to trade the Forex Market.

As it is said never trade or invest the money you cannot afford to lose, Forex market is not a get quick rich scheme as many thinks, but sure when you trade Forex it can put lots and lots of money in your bank account when you treat it as a business.

The Risk is high, so is the Gain.

Thank you once again for purchasing CashForex Portfolio Book.

Wishing you a happy trading experience ahead

Dani Oh

Best 14Days Forex Success Mentor

Helping You Financially

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