

FOREX

TRADING GUIDE



**BEGINNERS &
SEMI-ADVANCED
TRADERS**

**Making Money by
Trading in the Foreign
Exchange Market**

3D EDITION

FxPros.net

FOREX TRADING GUIDE

"Making Money by Trading in the Foreign Exchange Market"

3rd Edition



FxPros.net

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FOREX TRADING GUIDE

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1. What is Forex all About?

What is Forex:

Forex means FOReign EXchange and it is a global decentralized market where the world's national currencies are traded one against another. Central banks, commercial banks, large and small corporations, institutional investors, individual traders, and even common tourists occasionally need to exchange one currency for another.



Before moving forward, let's see how Forex trading started in the 1970s, after the end of the Bretton Woods system.

The Short History of Modern Currency Trading

Modern currency trading started after the end of the Bretton Woods system. The Bretton Woods system (1945-1971) regulated all exchange rates by linking them to their gold reserves. More specifically, all participating countries guaranteed the convertibility of their currencies into US dollars to within 1% of fixed parity rates. In August 1971, the United States suspended the convertibility of the US dollar to gold, bringing the end of the Bretton Woods system and marking the beginning of a floating exchange rates era.

In the 1980s, the computer revolution facilitated the use of electronic trading systems. The digital evolution of currency trading continued in the next

decade. Nevertheless, in the early 1990s, Forex trading was limited to financial institutions and large corporations. By that time, banks charged enormous commissions to individual traders who wanted to exchange one national currency for another. However, later in the 1990s, there were regulatory changes that enabled the larger participation of retail traders in the Foreign Exchange market. The Electronic Communication Network (ECN) and the introduction of simplified computer-based trading platforms made currency trading even more accessible to everyone.



Around 2000, a few retail-oriented brokers such as FXCM and OANDA started offering online margin accounts to retail investors. Their brokerage model provided liquidity to "retail aggregators" by bundling many small retail orders and sending them 'as one' in the interbank market. With larger trade sizes, retail traders were now able to trade in significantly tighter spreads, starting the modern era of Forex trading.

Major Currencies in the Foreign Exchange Market

The US dollar and the Euro are the most-traded currencies in the Foreign Exchange market. This is a list of the most commonly used Forex currencies.

CURRENCY	CODE	SYMBOL	FOREX SLANG
US DOLLAR	USD	\$	Buck
EUROPEAN EURO	EUR	€	Fiber

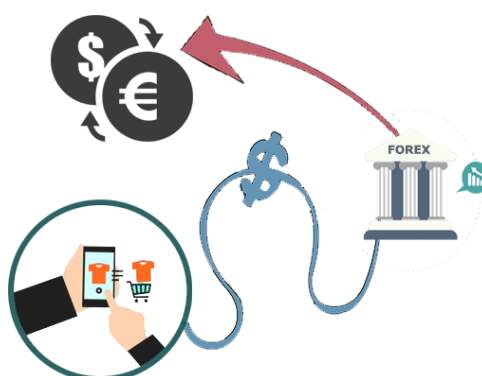
SWISS FRANC	CHF	CHF	Swissy
BRITISH POUND STERLING	GBP	£	Cable
JAPANESE YEN	JPY	¥	Yen
CANADIAN DOLLAR	CAD	\$	Loonie
AUSTRALIAN DOLLAR	AUD	\$	Aussie
NEW ZEALAND DOLLAR	NZD	\$	Kiwi

To highlight the importance of the US dollar in the currency market, just think that USD participates in about 80% of all Forex trading transactions.

Examples of Forex Transactions:

For example, a US-based company needs to import 5 Mercedes trucks from Germany. This company must exchange US dollars for the European currency (EUR). To pay for the import, the company makes a transaction in the Forex Market.

- Importer buys EUR and sells USD



In the opposite example, a tourist from Germany wants to visit New York. To pay for his hotel reservation, this tourist must exchange Euros for US dollars. This transaction will also be made in the Forex market.

- Tourist buys USD and sells EUR

Forex Currency Pairs & Main Categories

Currencies are traded in pairs, you buy one, and at the same time, you sell another currency. In any currency pair (in the above example EURUSD) the purchased currency is called the Base Currency (EUR) and the sold currency is called the Quote Currency (USD).

There are three Main Categories of Forex Currency Pairs:

- i) **Forex Majors** (most-traded and very liquid currency pairs)
 - EURUSD, GBPUSD, USDJPY, USDCHF, USDCAD, AUDUSD, and NZDUSD
- ii) **Forex Minors** (lower-liquidity currency pairs and more expensive to trade)
- iii) **Forex Exotics** (very low-liquidity currency pairs and very expensive to trade)



The size of every currency transaction is calculated in Lots.

What is a Forex Lot?

A Forex Lot is the standard unit size of a Forex transaction. There are 3 different lot sizes:

- Micro Lot Account Size (equals \$1,000) → Suitable for Forex Beginners

- Mini Lot Account Size (equals \$10,000) → Suitable for Semi-Advanced Forex Traders
- Standard Lot Account Size (equals \$100,000) → Suitable for Advanced and Pro Traders

But where is the opportunity to make money then?

Currencies are not traded at fixed prices. Instead, they are part of a free-floating trading system. Every order for buying/selling a Forex currency is a factor creating either demand or supply in the market. Even tiny fluctuations in this free-floating system can be transformed into large profits using the ability of trading leverage (as it will be described briefly in Chapter-3).



Where is the Forex Market Situated?

All currency transactions take place within the Forex Market. Where is Forex situated? Actually, nowhere specifically, Forex operates as a non-centralized network such as the World Wide Web. All transactions are executed within the Electronic Network of Banks (called the ECN network). There are of course several physical financial centers around the world. These financial centers are located in major capital cities such as New York, London, Tokyo, and Sydney.

Today, Foreign Exchange is by far the largest market in the world. According to the Bank for International Settlements (BIS), the Foreign Exchange market

trading volumes averaged 7.5 trillion USD per day (April, 2022). That means 7,500,000 million USD just in a single day.

Forex Market Trading Hours

The Foreign Exchange market is open 24/5 between Monday to Friday. The Forex daily activity is divided into 4 separate sessions:

- (1) New York Session
- (2) Tokyo Session
- (3) Sydney Session
- (4) London Session

Here is a table presenting the four separate sessions.



Forex Market Overlaps

Forex overlaps occur when two of the above trading sessions are opened simultaneously. There are three overlaps:

- (i) New York and London Session Overlap
- (ii) Sydney and Tokyo Session Overlap
- (iii) London and Tokyo Session Overlap

During these overlaps, both trading activity and market liquidity are getting very high. Therefore, many intraday traders select to trade only during these overlaps. To highlight the importance of time when trading Forex, just think that there are automated systems trading exclusively the London and Tokyo

Overlap. That means that during the other sessions remain inactive. Moreover, there are automated systems trading only as the Asian Session begins. These systems are commonly scalping the market.

So, what is Forex Scalping Then?

Scalping is a Forex trading strategy that is based on the assumption that you hold state-of-the-art trading technology and the right system to do the job. Scalping Forex means opening and closing trading positions lasting less than one minute and targeting returns as low as 0.001%. Those traders who scalp the market are called scalpers. This is a common trading style, and you may find more trading styles in Chapter-6.



Why should anyone target tiny returns of 0.001%?

Wait until Chapter-3, the chapter investigating capital leverage in the Foreign Exchange market, and you will understand the reason why.



2. Forex Accounts & Brokers -The Need for Reliable Partners

To trade Forex, you need a trading account with a Forex broker. Forex Brokers operate as intermediaries between a retail trader and the aggregate Forex market (ECN network).

Based on their order execution model, there are two main categories of brokers, the Dealing Desk (DD) and the No-Dealing Desk (NDD).



Two (2) General Categories of Forex Brokers

(a) No-Dealing Desk Brokers (NDD) -ECN or STP Forex Brokers

In this category, we find brokers that are transferring their client orders directly to the Forex Market, meaning transferring orders directly to the Electronic Network of Banks (ECN). The great advantage when trading with an ECN/STP broker is the low cost of transactions and the fast order execution. In Forex trading, transaction costs mainly include trading spreads and commissions on volumes. However, the trading cost may also be the result of slippage on order execution. ECN/STP brokers offer by rule the lowest slippage in the market.

ECN/STP Forex brokers are the only reasonable choice for advanced and professional traders and the only logical choice when implementing automated-trading strategies.

Here is an example of what you will pay when trading EURUSD with an ECN/STP Broker:

- EURUSD spread at 0.1-0.3 pip plus \$7.0 commission per round lot (\$100,000 volume)

Note: Not all ECN/STP brokers are offering good trading terms to their clients. There are good and bad brokers as in every other industry.



(b) Dealing Desk (DD) or Agents or Market Makers

These firms operate as a Dealing-Desk, meaning that they are creating their own market within the Forex market. In simple words, Market Makers sum all the buying and selling orders of their clients and execute trades instantly on both sides. Actually, they accept all orders from opposite sides and earn money by staying in the middle, without risk. However, sometimes Market Makers are trading against their clients just to fill all their orders.

Professional Forex traders don't like the fact of trading against their brokers, and that is why they are constantly avoiding Dealing Desks. Dealing Desks or else Market Makers are not even considered Forex brokers.

Dealing Desks usually offer a wide asset index containing Forex pairs, stocks, indices, commodities, metals, and energies. In general, this type of brokerage is considered a good choice only for beginners. This perception exists as

Dealing-Desks charge wide spreads between ask/bid. For example, they usually offer EURUSD at a 1.5 pip minimum spread. Moreover, trading with a Dealing-Desk means suffering from high slippage and re-quotes.

■ Tip: If you want to trade with a Market Maker, choose a firm offering a high withdrawable bonus. Trade your bonus as many times as required, and then withdraw your funds and bonus. It is the best chance you have to win.

The Essence of Trading with Regulated Forex Companies

Reliability is priority number one when you trade online. Everyone needs a reliable Forex broker. There are hundreds of Forex brokers available in the market, but it is important to trade only with those that are regulated and reliable.



Why regulation is important?

Regulation means that a Forex company is supervised and controlled by an external independent body. Regulation works as a great incentive for any broker to behave ethically and respect his client's interests.

The country where a Forex broker is domiciled also matters, avoid brokers located in offshore countries. Offshore countries are providing a weak legislative framework regarding corporations, and that is not good news for any online trader.

Segregated Client Bank Accounts

Another factor that adds reliability to a Forex company is the existence of Segregated Client Bank Accounts. That means that when you make a deposit, your deposited funds are safely placed in an external bank.

Compensation Scheme in Case of Insolvency

This is very important too. A compensation scheme in case of insolvency ensures that if everything goes wrong with your broker, you can still protect your account's balance.

- European regulators such as the FCA UK, CySEC, and other EU-based regulators offer a compensation scheme in case of insolvency

Summarizing the Profile of a Good Forex Broker -For the Average Trader

Here are some basic features of a good Forex broker:

(i) Offering maximum safety of trading funds:

- Regulation by a reliable government body
- Client bank account segregation
- Compensation scheme in case of insolvency

(ii) Offering low transaction costs by NOT charging extra fees

- Low trading spreads and commissions
- No re-quotes and tight slippage on order execution

(iii) Offering a wide asset index containing more than 50 currency pairs (majors, minors, and exotic pairs as mentioned before)

- (iv) Offering fast order execution with minimal delays and no price manipulation
- (v) Offering a good variety of trading platforms by allowing automated trading and scalping
- (vi) Providing a wide variety of deposit/withdrawal methods by not charging commission on withdrawals or inactive accounts
- (vii) Providing fast and reliable customer service (email, live chat, and phone support)

Rating Brokers Formula by TradingCenter.org -The New and Revolutionary Way of Rating Financial Services

Based on research, most of the user ratings in the internet today are fake. This is happening as Forex brokers pay outsiders to rate them favorably. In this uncomfortable environment the "Rating Formula Series" was designed to provide a completely objective framework for rating financial services.



The "Rating Formula" rates all major features that are necessary for traders. There are four (4) rating categories including safety of money, transaction

cost, technology, and trading options. The maximum rating for every broker is 100%.

Here is how the Rating Formula works:

FORMULA v.4.0 TOTAL RATING	WEIGHT (%)
(The structure of Rating Formula v4.0)	
<u>Factor-1: Safety of Funds</u>	26.0% Rating +
<u>Factor-2: Trading Cost</u>	28.0% Rating +
<u>Factor-3: Available Trading Options</u>	26.0% Rating +
<u>Factor-4: Technology</u>	20.0% Rating =
	100%



→ [Learn more about the Rating Formulas](#)



These are the latest versions of the Rating Formula series:

- ▶ [Rating Formula v5.0 –Forex Brokers](#) at TradingCenter.org
- ▶ [Rating Formula v4.0 –Forex Brokers](#) at TradingCenter.org

Forex Brokers Comparison

This is a basic comparison of popular Forex brokers offering segregated bank accounts, good technology, and competitive trading conditions.

FOREX BROKER	FEATURES	ACCOUNTS	INFORMATION
 <p>» RoboForex Accounts</p> <p>REGULATION: FSC 000138/7 (Belize)</p> <p>BANK SEGREGATION: European Banks</p> <p>ISLAMIC ACCOUNTS: YES</p> <p>RoboForex was founded in 2009 and it is domiciled in Belize</p> <p>Asset Index</p> <ul style="list-style-type: none"> • 35+ Forex Pairs • Precious metals and other Commodities • Stocks & indices 	<p>KEY POINTS:</p> <ul style="list-style-type: none"> ■ Fast Execution ■ 35+ Forex pairs ■ Very tight spreads for low deposit requirements ■ Low trade slippage ■ Social Trading ■ Free VPS Hosting for automated traders ■ Compensation scheme in case of insolvency 	<p>MINIMUM ACCOUNT:</p> <ul style="list-style-type: none"> • \$10 minimum for Standard Account <p>MAM Account: Only Social Trading</p> <p>DEPOSIT FUNDS:</p> <ul style="list-style-type: none"> • Cards • Bank Wire • Skrill • Neteller • PerfectMoney <p>TRADING PLATFORMS:</p> <ul style="list-style-type: none"> • MetaTrader-4 • MetaTrader-5 • RStocksTrader 	<p>RoboForex is a good choice for intraday traders offering also a compensation scheme in case of insolvency.</p> <ul style="list-style-type: none"> • Tight spreads and fast execution • MT4/MT5 • Free VPS <p>► Visit RoboForex</p> <p>Review Broker:</p> <p>► Review RoboForex</p>
 <p>» FXDD Accounts</p> <p>REGULATION: MFSA (Malta) and FSC (Mauritius)</p> <p>BANK SEGREGATION: YES</p> <p>ISLAMIC ACCOUNTS: YES</p> <p>FXDD was founded in 2002 and it is based in Malta and Mauritius.</p> <p>Asset Index</p> <ul style="list-style-type: none"> • 65+ Forex Pairs • 13 indices 20+ shares • 7 Metals and 4 energies 	<p>KEY POINTS:</p> <ul style="list-style-type: none"> ■ MT4/MT5 and FXDD WebTrader ■ ECN Trading & Tight ■ Free Research via TradingCentral ■ FIX/API Trading ■ MAM Accounts 	<p>MINIMUM ACCOUNT:</p> <ul style="list-style-type: none"> • \$100 minimum <p>MAM Account: YES</p> <p>DEPOSIT FUNDS:</p> <ul style="list-style-type: none"> • Credit Cards • Bank Wire • UnionPay • Neteller <p>TRADING PLATFORMS:</p> <ul style="list-style-type: none"> • MetaTrader-4 • MetaTrader-5 	<p>FXDD is a popular Forex broker offering ECN Trading and tight spreads.</p> <p>► FXDD Accounts</p> <p>Review Broker:</p> <p>► Review FXDD</p>

 <p>» Titanfx Accounts</p> <p>REGULATION: FSC of the Republic of Vanuatu (Reg. No. 40313)</p> <p>BANK SEGREGATION: YES</p> <p>ISLAMIC ACCOUNTS: YES</p> <p>TitanFx was founded in 2014 and it is domiciled in Vanuatu.</p> <p>Asset Index</p> <ul style="list-style-type: none"> • 60+ Forex Pairs • Stock indices and shares from the US and Japan • Metals, Energies, and Soft Commodities • Crypto 	<p>KEY POINTS:</p> <ul style="list-style-type: none"> ■ MT4/MT5 and WebTrader ■ NY4 and LD5 IBX Equinix ■ Free VPS ■ Trading Contests and Free Market Research ■ Advanced EA Trading and EQUINIX NY4 ECN BRIDGE ■ Demo Trading Account competitions 	<p>MINIMUM ACCOUNT:</p> <ul style="list-style-type: none"> • \$200 minimum <p>Fund Methods:</p> <ul style="list-style-type: none"> • Credit Cards • Bank Wire • Skrill • UnionPay • Neteller <p>TRADING PLATFORMS:</p> <ul style="list-style-type: none"> • MetaTrader-4 • MetaTrader-5 	<p>TitanFx is a multi-featured ECN Forex broker specialized in Asia.</p> <p>► TitanFx Accounts</p> <p>Review Broker:</p> <p>► TitanFx Review</p>
 <p>» iC Trading</p> <p>REGULATION: FSC (Financial Services Commission of Mauritius) -License Number: GB21026834</p> <p>BANK SEGREGATION: YES</p> <p>ISLAMIC ACCOUNTS: YES</p> <p>iC Trading was founded in 2022 and it is domiciled in Mauritius.</p> <p>Asset Index</p> <ul style="list-style-type: none"> • 61 Forex pairs • 25 Indices & 2,100 shares • 4 metals & 2 Energies • 9 Bonds • 21 Crypto Pairs 	<p>KEY POINTS:</p> <ul style="list-style-type: none"> ■ cTrader along with MT4/MT5 ■ NY4 and LD5 IBX Equinix Data Centres in New York and London ■ Free VPS for all traders holding more than \$5,000 ■ FIX/API Trading ■ Fast Order Execution 	<p>MINIMUM ACCOUNT:</p> <ul style="list-style-type: none"> • \$200 minimum for MetaTrader • \$200 minimum for cTrader <p>DEPOSIT FUNDS:</p> <ul style="list-style-type: none"> • Credit Cards • Bank Wire • Skrill • PayPal • Neteller <p>TRADING PLATFORMS:</p> <ul style="list-style-type: none"> • MetaTrader-4 • MetaTrader-5 • cTrader 	<p>iC Trading is a good choice for automated trading and scalping.</p> <p>► iC Trading</p> <p>Review Broker:</p> <p>► Review iC Trading</p>

■ Find Forex Brokers Ratings at <https://fxpros.net/index.php/ratings>

3. Why Trading in the Forex Market? – The Profit Potential

The profit potential of Forex trading is based on two factors, high liquidity and capital leverage. Here is a short analysis of these two factors.



Forex Market Huge Liquidity and Low Cost of Transactions

As mentioned in the beginning, the Foreign Exchange daily volumes are huge, exceeding 7 trillion US dollars. That means that there are tens of thousands of currency buyers and sellers at any given second. This gigantic liquidity shrinks the distance between buyers and sellers (called the spread). For example, the EURUSD spread can be as low as 1.3 pip (without any trading commissions). That means that if the first buyer is at 1.38000, the first seller is at 1.38013.

In our example, the distance between the first buyer/seller is just 0.00013, or else 1.3 pip. But why is this important? This is important because you can open and close a trading position on EURUSD by paying an extremely low transaction cost. (i)

Enhancing Trading Positions via the Use of Capital Leverage

Forex trading offers the ability to use high capital leverage on your trades. What does trading leverage means? Trading leverage means that you can trade more funds that you really hold.

In the EU, you can leverage your trades up to 30:1. This means you can open an account with \$1,000 and then open a trade position worth \$30,000. (ii)

By combining low transaction cost (i) and high capital leverage (ii), it is obvious why Forex trading has become very popular on a global scale.

Example:

Assuming you opened a trade position worth \$30,000 and you gained 1.0%:

- Profit computation = $\$30,000 \times 1.0\% = \300
- If your initial investment was \$1,000, you gained 30% on your investment with just 1.0% currency movement

Be aware that capital leverage includes high risks too, especially if you are not familiar with this process. Keep in mind that capital leverage increases not only the risk of a trade position, but also the transaction cost.



The Capital Leverage Formula

The following formula can help traders understand the use of capital leverage, based (i) on the attractiveness of each individual trade, (ii) the trading cost as

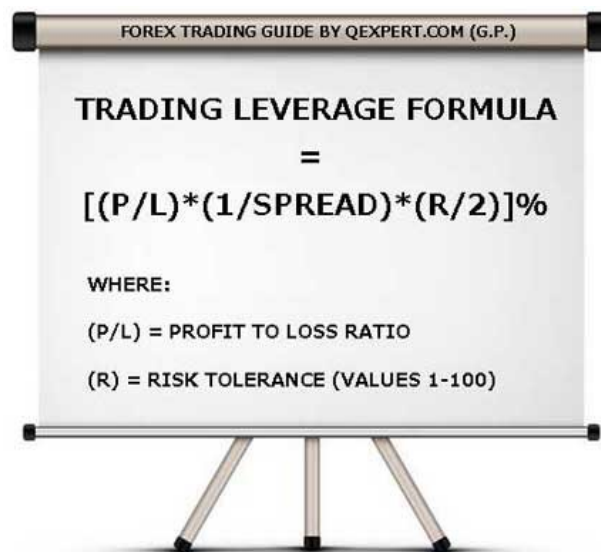
measured by the spread, and (iii) on the risk tolerance of each individual trader.

Here is How the Capital Leverage Formula Works

■ Capital Leverage Formula= $[(P/L) * (1/Spread) * (R/2)] \%$

Where:

- (P/L) = Profit to Loss Ratio (Take-Profit to Stop-Loss, in pips)
- (Spread) = The difference between Ask and Bid Price (First Seller and First Buyer)
- (R) = Risk Tolerance (values 1-100, equals the overall risk acceptance as a percentage %)



Concept by Giorgos Protonotarios

4. Forex Trading Promotions

To attract new clients, Forex Brokers offer good promotions. These are some common Forex promotions:

- No-Deposit Bonus
- Welcome Bonus (Cash & Credit)
- Trading Rebates
- Free Education
- Free VPS for auto-trading
- Demo/Real Account Competitions

Deposit Bonus and No-Deposit Bonus

The Difference between a Credit Bonus and a Withdrawable Bonus

A common cash welcome bonus is between 10-30%, but a credit bonus can be up to 100%, or even more. Traders should exclusively focus on cash bonuses, as credit bonuses are basically useless.

What means a 100% welcome bonus on deposit?

It means that if you deposit 1,000 USD on a new account, the broker will add another 1,000 USD as extra trading capital. However, be aware that some welcome bonuses are offering only extra margin, not real cash.

Two types of welcome bonuses:

- i) **Withdrawable Cash Bonus** (withdrawable, usually 10-30% on new deposits -This is a good deal)

- ii) **Credit Bonus** (Not withdrawable, usually 50-100% on new deposits -Not a good deal at all)

You may withdraw a cash bonus by trading it several times, according to the Terms & Conditions of any promotion. On the other hand, you cannot withdraw a credit bonus, you can only withdraw the profits generated by the credit bonus.



Risk-Free Trading via No-Deposit Bonuses

To make traders more familiar with their platforms, Forex brokers also offer smaller No-Deposit bonuses. This means that you get a cash bonus between 20-100 USD just by confirming your email or phone, and without having to deposit any funds at all. That is an excellent risk-free way to get in touch with Forex trading for the first time.

Where is the Catch?

Be aware that you may withdraw a No-Deposit bonus, but you must first trade it at least 20-25 times. Anyway, that is a great way to start trading without any risk.

Examples of No-Deposit Bonus Promotions

■ **RoboForex** -\$30 No-Deposit Bonus

-You can withdraw both the profits and the No-Deposit Bonus itself (after meeting volume requirements)

-RoboForex requires depositing \$10 in order to verify your payment method

- Withdraw Methods: Visa/MasterCard | Bank Wire | Neteller | Skrill | FasaPay | Bitcoin
- Markets: Forex | Stocks | Indices | Metals | Energies | Commodities
- Crypto Markets: Bitcoin | Ripple | DASH | Ethereum | LiteCoin

RoboForex No-Deposit Bonus: <https://my.roboforex.com/en/register-demo/?a=gjkd>

■ **FxOpen** -\$10 No-Deposit Bonus

-You can withdraw only the profits of the No-Deposit Bonus

-FxOpen requires volumes 2 standard lots

- Withdraw Methods: Visa/MasterCard | Bank Wire | Skrill | Neteller | Fasapay | QIWI
- Markets: Forex | Stocks | Indices | Metals | Energies | Commodities
- Crypto Markets: Bitcoin | Ethereum | LiteCoin -Against USD, EUR, and RUB

FXOpen No-Deposit Bonus: <https://fxopen.com/?Culture=en&agent=533740>

■ **FBS** -\$50 No-Deposit Bonus

-Trade with leverage 1:500

-You can withdraw the profits generated by the No-Deposit Bonus, but not the No-Deposit Bonus itself

-Withdraw up to \$500 No-Deposit Bonus profits

-Minimum amount to withdraw is \$25 (one withdrawal is allowed)

- Withdraw Methods: Visa/MasterCard | Bank Wire | Neteller | Skrill | PerfectMoney | OKPay
- Markets: Forex | Stocks | Indices | Metals | Energies | Commodities
- Crypto Markets: Bitcoin | DASH | Ethereum | Litecoin

FBS No-Deposit Bonus: <https://www.fbs.com/ppu/343897>



Forex Trading Rebates

What is a Forex Trading Rebate?

A Forex trading rebate means making money from your trading volumes. For example, if you have joined a rebate plan offering \$5 per lot (lot = \$100,000), and during a certain month you have traded 20 lots, you have earned \$100. A trading rebate has nothing to do with your overall trading performance, only volumes matter.

Where is the Catch?

There is no catch here. Forex brokers provide these rebates to attract professional traders who generate large volumes.

RoboForex Rebate Program

RoboForex offers cashback rebates on all account types given that a trader has traded at least 10 monthly lots.

- The cashback is based on each trader's monthly volumes (Forex and metals)
- The funds can be used without any restrictions
- The program works permanently (no time limits)

Account	Method of Calculation	10 - 1,000 lots	1,000 - 3,000 lots	3,000 lots and more
ProCent	% of the RoboForex revenue	5.0%	10.0%	15.0%
Pro				
ECN	% of all paid trading commission			
Prime	% of all paid trading commission	5.0%	7.0%	10.0%

Joining the RoboForex cashback rebate plan

(1) Open any trading account and verify it

- The program is working with cent, standard, ECN, Prime accounts

(2) Trade at least 10 standard round lots a month

- The trading volume is based on currency pairs and Metals
- The trading volume of CFDs is not taken into account

(3) Receive a Cashback once a month

- Payouts are made on the first day of each calendar month

- "Your Rebates" page in the Members Area contains detailed statistics on the trading volume and the payouts

▶ [More Information About the RoboForex Trading Rebate](#)

5. Online Forex & Trading Platforms

What is a Trading Platform?

A trading platform is a software that works like a bridge between retail traders and the Foreign Exchange market. When you execute a trading order (for example selling British Sterling against the US Dollar) this order is transferred instantly from your platform to your broker. Then again almost instantly, it is transferred from your broker to the Foreign Exchange market.



Almost all Forex trading platforms are free. The Forex industry standard platform is the MetaTrader-4 from Metaquotes. This platform is also called MT4 and allows both manual and automated trading on desktop and mobile devices.

- MetaTrader-4 and MetaTrader-5 are used by most Forex pros
- All trading platforms today offer features such as built-in TA indicators, trading on charts, news alerts, automated trading, etc.

■ Learn the basics about Forex Trading:

» <https://fxpros.net/index.php/tips/getting-started-forex>

Here is some basic information and download links for popular Forex trading platforms:

WEB-TRADING PLATFORMS

- Download: No need, it is web-based
- Experience Level: Beginners and Semi-Advanced Traders

A web-trading platform is the easiest way to start trading Forex. As the name suggests it's 100% web-based software and there is no need for any installation in your PC or mobile device.



The disadvantage of a web-trader is that it cannot perform complicated tasks such as automated trading and historical backtesting. Moreover, the set of trading orders is usually limited to the basic order types.

THE METATRADER (MT-4/MT-5)

- Download: » <https://www.metaquotes.net/en/download>
- Experience Level: Advanced and Professional Forex Traders

MetaTrader is the clear Forex industry standard. Every broker that respects himself must offer MT4/MT5 or at least an MT4 bridge.



Although it is free, MetaTrader allows complicated tasks, such as a built-in language (MQL) for programming Expert Advisors (EAs) and even advanced backtesting using historical data. Maybe, the only disadvantage when using MT4/MT5 is the complexity of money management. Beginners will find it difficult to execute the right order sizes. Therefore, it is highly recommended for beginners to use a micro-lot account when trading with MT4/MT5. A micro-lot account makes order sizes less risky.

THE NINJA TRADER FOREX PLATFORM

- Download: » <https://ninjatrader.com/>
- Experience Level: Advanced and Professional Traders

NinjaTrader is an advanced Forex trading platform offering state-of-the-art technology and professional charting. The problem is that only a few brokers support NinjaTrader.



Keep in mind that the wide popularity of a trading platform is good news. A popular trading platform means there are a lot of 3rd parties offering tools, Expert Advisors, learning material, etc. NinjaTrader has everything, except popularity.

THE cTRADER FOREX PLATFORM

- Download: » <https://ctrader.com/download>
- Experience Level: Advanced and Professional Traders

cTrader is a modern trading platform for PC/Mac offering automated and social trading, advanced charting, market depth etc.



As in the case of NinjaTrader, cTrader is not supported by many brokers, however, it is a little bit more popular than NinjaTrader.

Additional Issues Regarding Trading Technology

After mentioning the most important Forex trading platforms, let's investigate some additional issues when trading the currency market.

Trading Slippage -Delays on Order Execution

The delay between the time you press the button on your PC and the time your order is actually executed in the Forex Market is called the slippage. By measuring this delay (in real-time) on different brokerage accounts, we may say that this delay is usually between 0.1 seconds to 1.5 seconds.

Be careful if you plan to trade intraday, slippage is generating price manipulation and that means the price of execution may be significantly worse than the anticipated price. The slippage is measured in pips. One pip equals commonly 0.0001 of the value of a currency pair. The average slippage in the Forex market today is between 0.1-1.0 pip.

- During news-releases, the slippage is getting significantly worse

- Trading slippage is getting significantly higher when trading with a Dealing-Desk (explained before)
- ECN/STP brokers offer Forex trading with less slippage than other brokers

The Importance of Trading Tiny Segments of Time

But why should a trader even care about delays on order execution of less than 1-2 seconds? To understand the importance of time in a fast-moving market, just think that there are arbitrage systems that trade timeframes measured in milliseconds. This category of trading is called high-frequency trading or else HFT.

A regular delay of one second can lead a Forex scalping system to high losses. Furthermore, for those trading news-releases, one second is the difference between making a huge profit or suffering a huge loss. The 'News-Trading' style is explained in Chapter-6.

"Managing time is the most crucial matter in our life"

- Scalping systems at ForexAutomatic.com: » <https://ForexAutomatic.com>

6. Six Different Forex Trading Styles – Select Your Own Style

When trading Forex, it is important to identify the trading style that will prove more compatible to your personality and available time to trade.



These are the six main categories of Forex trading styles:

1. **Curry Traders** (Long-Term Traders)

WHAT THEY DO?

They open positions lasting from 1 month to 9 months and aim to exploit inefficiencies in the level of interest rates between two currencies. They choose to buy currencies offering high annual interest rates (5.0-10.0%), and at the same time, they sell currencies offering lower interest rates (0.5-2.0%). This rate difference can be transformed into huge profits for those who know how and when to trade it.

REQUIREMENTS:

When you open a position in the Forex market that remains open for more than 1 day you pay or get paid what is called the Swap value. Swap charges are calculated based on the level of interest rates between two currencies. These interest rate differences can sometimes work for you and some other times against you. Therefore, if you trade long-term, you need a Forex Broker offering the best terms as concerns the swap charges. Additionally, you need a broker offering a wide asset index. The more currency choices you have, the easier it will be for you to exploit interest rate inefficiencies. Note, that when you are trading long-term, you don't care about the spreads, the technology, delays etc. It is all about the safety of money and swap charges.

A long-term trader must be able to understand fundamental analysis and the correlation between inflation, interest rates, and the current Forex currency rates.

2. Swing Traders

WHAT THEY DO?

They open and close positions lasting from 1 day to 15 days. They aim to ride mid-term trends because 1 week is considered mid-term in Forex trading. Swing traders are some of the most successful Forex traders. They avoid trading intraday as they don't like the so-called 'market noise'.

REQUIREMENTS:

Swing trading is one of the best ways to trade Forex. To evolve as a Swing trader, you need a little bit about everything. You need narrow spreads, reasonable swap charges, relatively good technology, and also a broker

offering a wide asset index. Swing traders are using both technical and fundamental analysis.

3. Intraday Traders (Short-Term Traders)

WHAT THEY DO?

They open and close positions on the same day. This type of Forex trader is solely focusing on technical analysis. Short-term traders use either their own system to trade or pay a monthly subscription to an external signaling service.

REQUIREMENTS:

First of all, you need good technology with minimal delays in order execution. Secondly, you need a Forex broker offering very tight spreads and small trading commissions. Successful intraday trading requires paying the lowest possible cost. Joining a trading rebate plan is a good idea, as a trading rebate can minimize your trading costs.

4. News Traders

WHAT THEY DO?

They are trading important news updates and events. Having access to top technology is considered a 'must' for News-Traders.

REQUIREMENTS:

The same requirements are needed as in the case of intraday traders (News-traders are intraday traders too).

5. Forex Scalpers

WHAT THEY DO?

As it was mentioned in Chapter-3, Forex scalpers open and close positions in tiny timeframes lasting less than one minute. They aim to 'scalp' the market and earn 2-10 pips.

REQUIREMENTS:

Scalpers need good technology and low transaction costs. Usually, scalpers are not trading Forex manually, but instead, they trade via the use of an automated system (copier or robot). Keep in mind that usually scalpers trade exclusively the 7 Forex major pairs. The reason is that these pairs enjoy high liquidity and therefore lower transaction costs. The most liquid pairs in the currency market are the following:

- i) Euro against the US Dollar (EUR/USD)
- ii) British Pound against the US Dollar (GBPUSD)
- iii) US Dollar against the Japanese Yen (USD/JPY)

6. Copy Traders / Social Traders

WHAT THEY DO?

These types of traders are following (copying) the trading activity of other more experienced traders. This process may be also called Social Trading, and Social Trading is booming nowadays.

REQUIREMENTS:

To make money from this type of trading you need a social trading platform such as MirrorTrader. Furthermore, you need good technology, but most importantly, you need an excellent instinct to select the perfect signal provider. All social trading platforms offer the chance to monitor the past performance of all signal providers. You can also compare providers based on special criteria.

It is recommended to focus on the following two metrics:

- Winning pips (the highest, the better)
- Drawdown rate (the lowest, the better)

7. Forex Trading Signals & Expert Advisors (EAs)

What is a Forex Trading Signal?

A Forex trading signal is an alert for buying or selling a Forex currency pair at a specific price and time. This signal may be generated by a human or an automated system, and can be delivered to traders manually or automatically.

- Manual alerts are delivered via email, Facebook, SMS, Twitter, member's area etc.
- Automatic alerts are delivered via automated-copy mechanisms, for example, a trade-copier on MetaTrader4



A Forex signaling service is usually based on a monthly subscription. This subscription may cost between \$30-150 or even more.

The Criteria When Choosing a Forex Signaling Service

You have to find a service that will cover all your needs (trading style, delivery, frequency of signals, etc.). It is important to monitor the past performance of each service and make sure that this service was successful in the past. Sometimes, these services offer a trial period of a few days. A trial is the best way to start using any signaling service.

An easy-to-use and low-cost signaling system is the Forex Trendy. Forex Trendy is a semi-automatic trading system designed to analyze the Forex market for spotting trading opportunities. The system uses 9 timeframes (from a 1-minute to 1-month chart) while the total number of currencies that are analyzed is 34.

PROVIDER	STYLE	TRADING	COST	INFORMATION
FOREX TRENDY SYSTEM	<ul style="list-style-type: none"> ■ Forex Trend Scanner ■ eMail Alerts 	34 different Forex pairs in 9 timeframes	37 USD every 3-months	<p>» Review System</p> <p>» Visit Web</p>

More about the system on FxPros.net:

» <https://fxpros.net/index.php/forex-signaling-services/forex-trendy-review>

Expert Advisors (EAs or Forex Robots)

What is a Forex Robot?

A Forex Robot (or else an Expert Advisor) is a small piece of software that plugs into a trading platform and trades the Foreign Exchange market fully automatically, without any human intervention. These systems are usually designed to operate on the Metatrader platform.

- If you decide to trade with a Forex Robot, you will need state-of-the-art brokerage technology and a VPS hosting service (explained later)

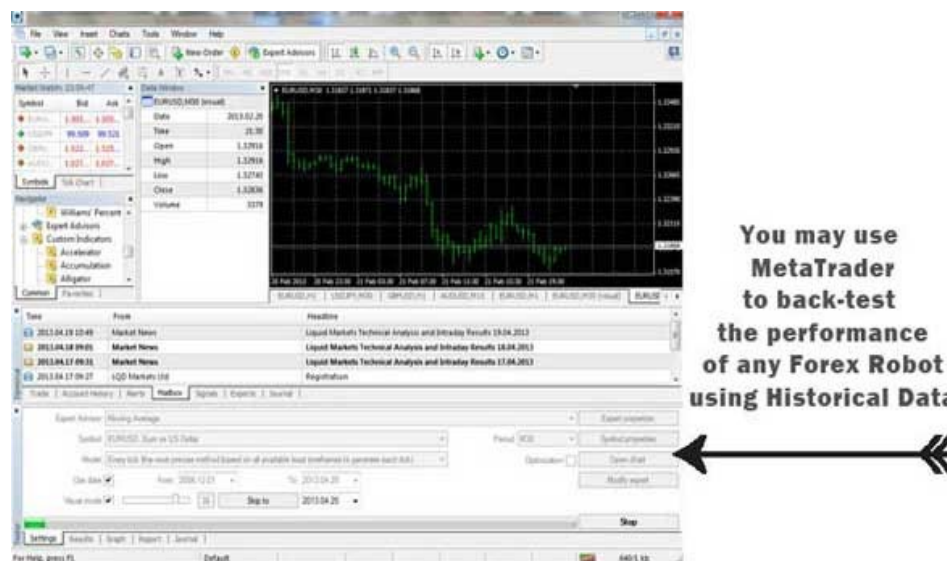
The Criteria When Choosing a Forex Robot

A Forex Robot is designed to perform a very difficult task, so there are many parameters defining your best choice. Here are some important factors that must be taken into consideration:

- (1) What is the Past Performance of the Forex robot?
- (2) Who is the Developer?
- (3) What is the average frequency of trading?
- (4) Does the system have a built-in Money Management Mechanism (spread and slippage control)?
- (5) What is the price of this system?
- (6) Will you be able to use the system on more than one Live Account?

Also

- (7) Does your broker fully allow the use of a Forex Robot? (usually, ECN /STP brokers fully allow them)
- (8) Is your Forex broker suitable for automated trading? (trading cost, execution speed, etc.)
- (9) Will you need a VPS hosting service? (probably, the answer is yes)



Tips:

- Use historical backtesting to evaluate the performance of any Forex Robot against historical data
- Test always a Forex Robot on a demo account, before trading with real money

- When you decide to trade with real money, test your robot on a micro-lot account (explained before), before moving to a standard-lot account
- Don't combine a Forex robot with any other trading activity on the same account. This practice may seriously confuse the robot's Money-Management System

What is Historical Backtesting?

Backtesting is an automated method for evaluating the performance of any trading strategy by running it against historical data. Platforms such as the MetaTrader have built-in backtesting modules. Backtesting allows traders to monitor how a trading strategy would have performed in the past, and this is a very useful insight.

What is a VPS Hosting Service?

To trade effectively, a Forex Robot needs to remain active 24 hours per day. This means your computer should also stay active 24/5. This problem can be solved by using VPS hosting. A VPS is an external hosting service that allows the Robot to trade 24 hours per day without using your own PC.

- A VPS usually costs \$30-50 per month
 - Some Forex brokers offer a free VPS after meeting certain volume requirements
- Find Forex brokers offering a free VPS on [ForexAutomatic.com](https://forexautomatic.com):
- » <https://forexautomatic.com/index.php/trading-platforms/free-vps-hosting>

Creating Custom Expert Advisors -Without Programming Skills

For those who lack programming skills, there is an easy-to-use application that transforms ideas into fully automated trading strategies. The EA Builder can transform your trading ideas into indicators or Expert Advisors (EAs). The system is 100% web-based and it is compatible with MT4, MT5, and TradeStation platforms.

EA Builder Basic Features (for MT4, MT5, or TradeStation)

- Completely free for creating indicators
- 100% Web-based App
- Full set of built-in functions (including even)
- Full Money-Management system modules
- The outcome is a single compiled MQL4/MQL5 file, ready to trade
- Can be used on any PC, MAC, or Linux-based computer



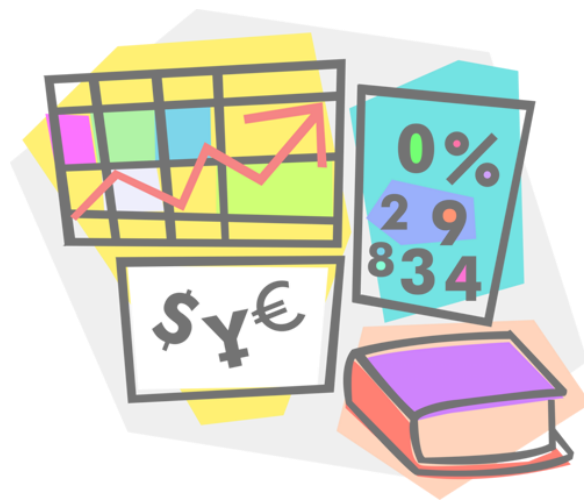
» [The EA Builder Web](#)

■ More about the system on [ForexAutomatic.com](#):

» <https://ForexAutomatic.com/index.php/automated-trading/expert-advisors/expert-advisors-builder>

8. The Basic Economics of Currency Trading

The exchange rate between two currencies is determined by a great number of macroeconomic parameters such as monetary and fiscal policies, economic growth, inflation, unemployment, and political risk.



Basic Fundamental Conditions

Majorly, an exchange rate reflects a combination of the following fundamental conditions:

- (i) economic growth, inflation, and unemployment
- (ii) monetary policies & interest rates
- (iii) fiscal policies & government spending
- (iv) political stability
- (v) balance of payment
- (vi) legislation regarding capital taxation
- (vii) legislation regarding the openness of the domestic economy

New Macroeconomic Conditions Create Tremendous Trading Opportunities

The Foreign Exchange market is so efficient that the impact of news is instantly incorporated in all exchange rates. However, when there is a major shift in the general macro circle, there can be tremendous opportunities for Forex traders. A macroeconomic shift is behind all key Forex trend reversals.

The Role of Interest Rates

Interest rates work as a balance between economic growth, inflation, and unemployment. A serious and unexpected interest rate cut by a Central Bank can have a dramatic impact on the domestic currency. A significant interest rate adjustment can change the rules of the game, and that is especially true for carry traders.



The CME FedWatch provides an useful insight into the future level of US interest rates.

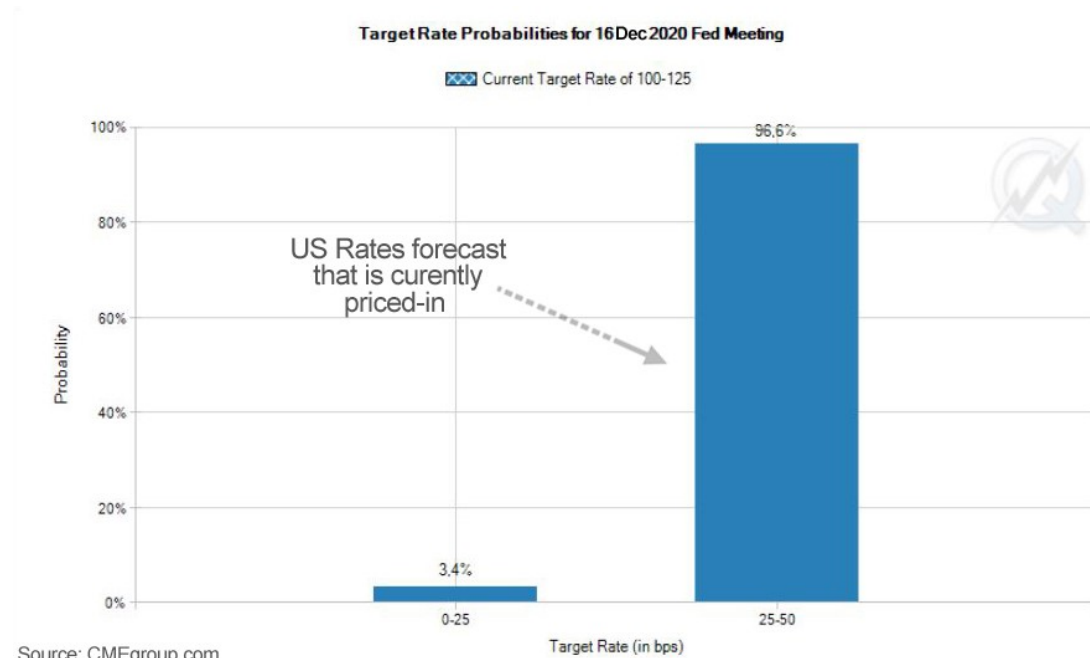
Forecasting US Interest Rates -The FedWatch Tool

The CME FedWatch tool indicates the real market expectations regarding the future USD interest rate. The USD target rates are based on scenarios that occur at scheduled FOMC meetings.

- The probabilities are based on Fed Fund futures contract prices

In the following chart, the market expects a 25-50 bps rate at the end of the year.

Chart: Targeted US Rates (CME Group)



The certainty of 96.6% means that the market has already priced in a 25-50 bps target rate.

Stay in line with the goals of major central banks

An effective way to forecast an exchange rate is by analyzing the goals of the two central banks.

For example, the Bank of Japan (BoJ) in December 2013 made it clear that aims to implement a flexible monetary policy regarding the Japanese yen. In other words, a yen depreciation against other majors. By that time, the ECB and FED applied a conservative monetary policy regarding their currencies. In the mid-term, this was the perfect signal to go long on USDJPY and EURJPY. Indeed, in the following months, the Japanese yen aggressively depreciated against the US dollar and the euro.

Decoding Monetary Policies

The analysis of monetary policies may help investors decode what is happening in the Foreign Exchange market.



There are three main monetary policies:

(i) Flexible-Currency Monetary Policy

- Mission: achieving higher growth by targeting lower unemployment
- Interest Rates: decreasing
- Impact: the domestic currency will depreciate

(ii) Hard-Currency Monetary Policy

- Mission: achieving economic stability by targeting lower inflation
- Interest Rates: increasing
- Impact: the domestic currency will appreciate

(iii) Balanced Monetary Policy

- Mission: achieving a balance between growth, unemployment, and inflation
- Interest Rates: remain unchanged (or minor changes)
- Impact: neutral

Summarizing Forex Fundamental Analysis

What matters most in Forex trading is spotting the phase of the Macroeconomic Circle. Each phase will dictate the monetary goals of the central banks, and consequently, the level of interest rates for the months or years to come.

Central banks such as the European ECB, the American FED, the Japanese BoJ, and the Swiss National Bank (SNB) are extremely powerful and have access to almost unlimited monetary resources. Never trade against these four central banks. Understand, what these decisive market players aim to achieve and always trade in line with them. Ride long-term trends that serve their goals.

Furthermore, the comments of central bank executives during meetings are very important. When an executive says something, anything, it is for a very good reason.



Forex Overnight Rates Create Opportunities

Forex currencies are the subject of overnight rates (SWAPs). Every day, at midnight, all Forex positions either pay or get paid an overnight rate.

- If you ride a strong trend offering a positive SWAP, you can earn overnight rates for a long period of time, especially, if you use reasonable trading leverage between 2:1 and 4:1
- Carry trading is one of the most profitable trading styles for retail Forex traders

Forex currencies trend well, and the only thing you have to do is to enter at the correct phase of the macro circle.

APPENDIX:

(i) Educational Resources on the Web

The following links lead to several educational websites where you can research further the Foreign Exchange market:



Trading Guides

- Forex Currency Pairs

Link: <https://TradingCenter.org/index.php/learn/pairs>

- Lessons from Top Investors

Link: <https://Forex-Investors.com/>

- Basic Forex Trading Guide

Link: <https://FxPros.net/index.php/tips/forex-trading-guide>

- Trading Strategies

Link: <https://TradingCenter.org/index.php/train/trade-strategy>

- Carry Trading Resources

Link: <https://CarryTrader.com/>



Technical Analysis Resources

- Introduction to Fibonacci Mathematics

Link: <https://TradingFibonacci.com/>

- RSI Precision v3 (MACD and RSI Combined)

Link: <https://TradingCenter.org/index.php/train/rsi>

- Trading Signals & Other Resources

Link: <https://ExpertSignal.com/>



Automated Trading Resources

- The Expert Advisors Trading Guide

Link: <https://ForexAutomatic.com/index.php/automated-trading/trading-systems/expert-advisors-trading-guide>

- Building Custom Expert Advisors

Link: <https://ForexAutomatic.com/index.php/automated-trading/expert-advisors/expert-advisors-builder>

- Forex Robots

Link: <https://ForexRobots.net/>



Macroeconomic & Other Resources

- Getting Started with Macroeconomics

Link: <https://CurrenciesFx.com/index.php/macroeconomics>

- Intermarket Analysis

Link: <https://CurrenciesFx.com/index.php/trading-research/intermarket-analysis>

- News Affecting Forex Trading

Link: <https://ForexRobots.net/index.php/automated-forex/news-traders>

- Following the Smart Money

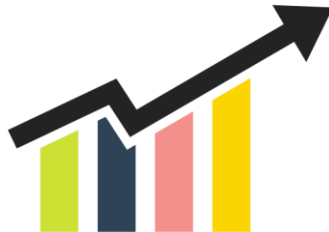
Link: <https://CurrenciesFx.com/index.php/trading-research/smart-money>

- Investigating Money

Link: <https://carrytrader.com/markets/portfolio-management/55-cash-t-bills-gold-bitcoin>

(ii) Main Types of Forex Trading Orders

These are the six (6) important order types when trading Forex



(1) Market Order

Buying or selling a currency pair at the current market price.

(2) Limit Order

Buying or selling a currency pair at a pre-determined (limited) price.

(3) Stop-Loss Order

A stop-loss is the most important order type. A stop-loss sets a limit to the maximum amount you are willing to risk in any trade.

(4) Target Profit Order

This common order sets your targeted price level. It pre-determines your profit potential.

(5) Limit Entry & Stop-Entry

Buy or sell a currency pair below or above the market at a pre-specified level.

(6) OCO Order

OCO means One-Cancels-Other. Based on this order if a trade is executed then another trade is automatically canceled.

(7) GTC Order

GTC means Good-Till-Cancelled. A GTC order remains in the market active until it is either filled or canceled.

(iii) Forex Trade Calendar

This following Forex Trading Calendar is based on currency market daily statistics between the years (2000-2013). The full research was published on

www.TradingCenter.org.

	EURUSD		GBPUSD		USDJPY		USDCAD		EURCHF	
	AVERAGE EURUSD CHANGE	TIMES (11)	AVERAGE GBPUSD CHANGE	TIMES (11)	AVERAGE USDJPY CHANGE	TIMES (11)	AVERAGE USDCAD CHANGE	TIMES (11)	AVERAGE EURCHF CHANGE	TIMES (11)
PER SEMESTER										
A' HALF	-15.9%	7↑7↓	3.5%	9↑5↓	25.8%	9↑5↓	-9.0%	7↑7↓	4.4%	7↑7↓
B' HALF	15.9%	9↑4↓	-3.5%	7↑6↓	-25.8%	5↑8↓	9.0%	6↑7↓	-4.4%	6↑7↓
PER MONTH										
JANUARY	-13.4%	6↑8↓	-0.6%	6↑7↓	8.2%	9↑5↓	2.2%	8↑6↓	8.3%	8↑6↓
FEBRUARY	-6.8%	7↑7↓	-14.2%	6↑8↓	11.7%	8↑6↓	5.4%	6↑7↓	-2.8%	4↑10↓
MARCH	1.0%	7↑7↓	-3.1%	8↑6↓	12.0%	9↑5↓	0.0%	6↑8↓	2.1%	10↑4↓
APRIL	7.4%	7↑7↓	18.3%	12↑2↓	3.1%	6↑8↓	-13.4%	4↑10↓	5.8%	6↑8↓
MAY	-10.0%	6↑8↓	-7.2%	4↑10↓	-7.2%	5↑9↓	-6.8%	6↑8↓	-1.7%	6↑8↓
JUNE	6.0%	9↑5↓	10.7%	9↑5↓	2.0%	8↑6↓	4.5%	5↑9↓	-3.7%	6↑8↓
JULY	-1.3%	6↑8↓	6.2%	7↑7↓	-4.7%	8↑6↓	-0.9%	7↑7↓	-1.3%	7↑7↓
AUGUST	-7.5%	8↑6↓	-12.2%	5↑9↓	-19.5%	4↑10↓	4.0%	6↑8↓	-1.4%	6↑8↓
SEPTEMBER	7.7%	7↑6↓	4.6%	8↑5↓	-2.5%	7↑6↓	-3.4%	5↑8↓	7.6%	8↑5↓
OCTOBER	-9.3%	7↑6↓	0.9%	8↑5↓	-12.1%	5↑8↓	10.0%	7↑6↓	-8.1%	6↑7↓
NOVEMBER	3.7%	7↑6↓	-8.0%	4↑9↓	-2.8%	6↑7↓	-0.9%	5↑8↓	-0.7%	5↑8↓
DECEMBER	22.6%	8↑5↓	4.7%	5↑8↓	11.8%	7↑6↓	-0.8%	6↑7↓	-4.1%	7↑6↓
PER QUARTER										
A' QUARTER	-19.2%	4↑0↓	-17.9%	5↑9↓	31.9%	11↑3↓	7.6%	9↑5↓	7.6%	8↑6↓
B' QUARTER	3.4%	4↑0↓	21.8%	9↑5↓	-2.1%	6↑8↓	-15.6%	6↑8↓	0.4%	6↑8↓
C' QUARTER	-1.1%	2↑2↓	-1.4%	8↑6↓	-26.7%	6↑8↓	-0.3%	8↑6↓	4.9%	7↑7↓
D' QUARTER	17.0%	4↑0↓	-2.4%	7↑6↓	-3.0%	6↑7↓	8.3%	5↑8↓	-12.9%	3↑10↓

Source: TradingCenter.org

(iv) Trading Glossary

A

ADX (Average Directional Index)

ADX is a technical analysis indicator measuring the strength of a trend.

Appreciation (Currency)

Currency appreciation means that a certain national currency earns value against the others. This may be due to fiscal or monetary developments or simply due to market expectations. A monetary policy aiming at domestic currency appreciation is called a "Hard-Currency Policy". The opposite is currency depreciation

Arbitrage

Arbitrage is a short-term trading strategy that aims to take advantage of market inefficiencies. That means buying an asset in a particular market, and at the same time, selling the same asset in another market.

Ask & Bid

Ask refers to the price which you may buy a financial-traded asset, and bid to the price which you may sell it.

- Ask price, the lowest selling price
- Bid price, the highest buying price
- Example: Buying at 80.00 (bid) and selling at 80.02 (ask)

Aussie

Aussie is a slang name that is used for the Australian dollar (AUD).

B

Bank of Canada (BOC)

The Bank of Canada is the Central Bank of Canada responsible for Canadian monetary policy.

Bank of England (BOE)

The Bank of England is the Central Bank of England responsible for the UK monetary policy.

Bank of Japan (BOJ)

The Bank of Japan is the Central Bank of Japan responsible for the Japanese monetary policy.

Balance of Trade

Balance of Trade measures the difference between the value of imports and exports of a country for a particular time frame (usually monthly or annually).

- When the outcome is negative, there is a Trade Deficit
- When the outcome is positive, there is a Trade Surplus

Bank Rate

The Bank Rate is the interest rate charged by the Central Banks when they lend capital to domestic commercial bank institutions.

- Bank Rate is a tool for Central banks to control the economic money supply

Bar Chart

A Bar Chart is a very popular chart type where prices are indicated as bars and lines.

Base Currency

In a currency pair, the base currency corresponds to the first quote. The second quote is called the quote currency.

Beige Book

The Beige Book is a collection of US FED (Federal Reserve) reports containing important reviews regarding the US economy.

Breakout

Breakout is a technical analysis term describing the breakdown of a trend below support levels or above the resistance price level. When a breakout occurs usually traders react nervously and the result is high volatility and high liquidity.

Brokerage & Brokers

Brokerage is the act of buying and selling financial assets on behalf of third parties.

A broker is a corporate entity that operates as the middleman between traders and commercial institutions. A broker may execute buy and sell orders on behalf of his clients charging a predefined commission.

» [Compare Forex Brokers using the Rating Formula v4.0](#)

Bundesbank

The Bundesbank is the Central Bank of Germany. As Germany is a member of the eurozone, Bundesbank is coordinated with the policies of the European Central Bank (ECB).

C

Cable

Cable is a Forex slang used for the British Pound against the US Dollar (GBP/USD currency pair).

Candlestick Chart

A Candlestick chart is a technical analysis chart where prices are indicated using 'Japanese Candles'.

Carry Trade

Carry trade refers to a Forex trading strategy that aims to exploit the interest rate differential between two national currencies. The strategy focuses on keeping a trading position with a positive overnight interest return.

- Individuals who practice carry trading are called carry traders

Categories of Currency Pairs

There are three Main Categories of Forex Currencies: Forex Majors (the most popular Forex pairs), Forex Minors (expensive to trade), and Forex Exotics (very expensive to trade).

- The Forex majors include: EUR/USD, GBP/USD, USD/JPY, USD/CHF, USD/CAD, AUD/USD, and NZD/USD

CCI (Commodity Channel Index)

CCI is a cyclical technical indicator identifying when a market is overbought/oversold.

- Above zero, the CCI indicates the price is above the historic average
- Below zero, the CCI indicates the price is below the historic average

Central Banks

Central Banks are financial institutions authorized by governments to control the money supply and to regulate the domestic banking sector.

- In addition, central banks are implementing the national monetary policy by adjusting the level of interest rates

CFD (Contract for Difference)

A contract for difference is a specialized financial instrument that offers speculation on stocks, indices, commodities, and other financial assets by mirroring their price.

- Enables trading the price fluctuations of a financial product without the need to own it

Chain Store Sales Indicator

It is an economic indicator for measuring the dynamics of retail sales.

Clearing Process

Clearing is the process of trade settlement.

Collateral

The term collateral describes the amount that is deposited by a trader as insurance in order to trade.

Commission (Trade)

Trading commissions are charged by brokers as compensation for their services. Some Forex brokers do not charge commissions, as they make profits by widening the trading spread between bid and ask.

- No-Dealing Desk brokers charge trade commissions

Confirmation (TA)

Confirmation in technical analysis refers to the process of confirming the indications of a TA tool by using another.

Correction (TA)

Correction in technical analysis refers to a pullback of the price, after a strong movement. A typical correction is usually around 10% of the initial price movement.

Counter Currency

In Forex trading, the counter currency is the second currency of a Forex pair. For example, in EURUSD, the counter currency is USD.

- The same as quote currency

CPI

CPI stands for consumer price index. CPI is the statistical measure of inflation and it is based upon the changes in prices of some specified goods and services.

Currency Option

A Currency Option is an option contract that has as its underlying asset a Forex currency pair. Being an option, a currency option provides its holder with the opportunity but not the obligation to buy or to sell one currency for another at an agreed quote and within an agreed time period.

As in the case of every other Option Contract the valuation relies on:

(i) Intrinsic Value (The difference of the Current Exchange Rate and the Pre-Agreed Exchange Rate)

(ii) Time to Maturity (More time adds value)

(iii) Volatility (The greater the volatility of the underlying asset the greater the value of the option contract)

Currency Pair

A currency pair is a quote of two currencies. In any currency pair the purchased currency (First) is called the Base Currency, and the sold currency (Second) is called the Quote Currency.

Currency Symbol

A Currency Symbol indicates a particular currency. For example, '\$' for the US dollar and '€' for the Euro.

D

Day Order

A day order is an order to buy or sell a financial-traded asset that will stay active until the end of the trading day.

Divergence

Divergence in technical analysis means that the chart slope of an indicator differs from the chart slope of the price of a financial asset.

- In technical analysis, a divergence is considered an early indication of a price reversal
- The opposite of a divergence is called a convergence

Double Top/Bottom Formation

Refers to a technical analysis pattern which occurs when the price of an asset reaches twice a certain price level without being able to surpass it.

- There is also the Triple Top/Bottom Formation

E

Economic Indicator

An Economic indicator is a fundamental indicator describing important trends in an economy (GDP change, unemployment, inflation, etc).

ECN Broker

An ECN broker is a company that provides its clients with direct access to the Electronic Network of Banks (ECN). ECN brokers usually offer the best terms to trade the Foreign Exchange market and that includes tight spreads and no price manipulation).

- ECN brokers allow Forex scalping and hedging
- ECN brokers don't trade against their clients as market makers
- Generally, they are considered as the best choice to trade Forex

» [Compare ECN Forex Brokers](#)

Efficient Market Theory

Refers to a basic macroeconomic theory that assumes all important economic factors are already incorporated in the current prices.

European Central Bank (ECB)

The European Central Bank is the financial institution authorized by the European Union to regulate the eurozone and implement an effective monetary policy.

» [Visit the European Central Bank](#)

Exchange Rate

In Forex trading, an exchange rate refers to the rate at which a currency can be bought or sold for another.

- An exchange rate is the same as a Forex pair

Expert Advisor

An Expert Advisor (EA) is a small piece of software (script) that plugs into a trading platform and it is designed to open and close positions automatically without human control.

» [Visit ForexRobots.net](#)

F

Fed

FED or Federal Reserve Bank is the central bank of the United States of America.

» [The FED's website](#)

Fibonacci Retracement

The Fibonacci Retracement is a popular technical analysis tool for trading Forex, Stocks, Indices, etc. The Fibonacci Retracement indicates the crucial levels for a trend break or bounce. These levels are basically calculated as the 23.6%, 32.8%, 50.0%, and 61.8% of the current trend range.

■ The Key Fibonacci Levels: 23.6% | 32.8% | 50.0% | 61.8%

» [More about Fibonacci ratios at TradingFibonacci.com](#)

Flat Market

A Flat Market is a market without a particular direction. Flat markets are a common phenomenon at periods when trading activity is minimized (for example during July or August).

Fundamental Analysis

Fundamental Analysis is the financial analysis that is based only on fundamental news and events. Fundamental Analysis includes economic factors such as changes in inflation, GDP, unemployment, and interest rates.

G

G8

G8 is a group of the 8 most developed countries in the world, including the US, Japan, United Kingdom, Germany, Russia, France, Italy, and Canada.

Gap

A Gap is the price difference between the previous period's closing and the next period's opening. Usually, gaps occur after weekends (Friday's closing price and Monday's opening price).

GDP

The Gross Domestic Product (GDP) is measuring the aggregate value of goods and services produced by an economy during a certain time period. The Gross Domestic Product is a very important economic figure.

GNP

The Gross National Product (GNP) is measuring the total gross domestic product (GDP) plus income, gained from investments or work abroad.

Greenback

Greenback is the Forex slang for the US Dollar.

H

Hard-currency policy

Refers to a monetary policy imposed by a Central Bank aiming to control money supply and limit inflation. The outcome of this policy is the appreciation of the domestic currency against other national currencies.

- A hard-currency policy is achieved via the increase of the level of domestic interest rates.

Hedge Funds

Hedge Funds are investment funds that hedge their investment positions against risk.

Hedging

Hedging is a method of diversifying risk when trading the world's Financial Markets. Practical it means opening and maintaining a certain market position in order to offset the risk of another trading position.

- For example, if you are long (buy shares) on Apple's stock you may short (sell) the whole Nasdaq Index
- Professional traders are always trying to hedge against their portfolio risk and avoid trading 'naked'

Home Sales Indicator

It is a macroeconomic indicator measuring the sales of real estate at the secondary housing market.

Housing Starts and Permits

It is an index measuring the current number of houses under construction and the current number of construction permits.

I

IFO

IFO is the German business optimism index measured by the German Institute of Economic Research.

» [Visit the German Institute of Economic Research](#)

Industrial Production Index

It is an important macroeconomic index measuring the total output of industrial production in a certain time period.

Interbank Rates

Interbank Rates are the rates imposed by large international banks in order to lend capital to other banks.

- Interbank rates are also called market rates

Intraday High

It is the highest price of trading activity in a particular day.

Intraday Low

It is the lowest price of trading activity in a particular day.

Intraday Trading

Intraday-Trading or Day-Trading means buying and selling a financial-traded asset (for example a currency pair) during the same day.

Inflation

Inflation is an economic index measuring changes in the level of prices of goods and services. Inflation is often called the 'hidden tax' as it diminishes the purchasing power of consumers.

- Significantly higher levels of inflation is considered 'bad news' for the economy of a country, but very good news for the domestic currency

J

Japanese Economy Watchers Survey

It is a survey measuring the business climate in Japan.

Japanese Machine Tool Orders Indicator

It is an indicator measuring the total value of new orders placed with machine tool manufacturers.

Jobless Claims

It is an important macroeconomic indicator measuring the number of registered unemployed.

K

Kiwi

Kiwi is the Forex slang of the NZD (New Zealand Dollar).

Knock-Ins Strategy

It is an options trading strategy that requires the underlying asset to reach a certain price level before a previously bought option becomes active.

L

Leading Indicators

Leading indicators refer to a basket of indexes containing the most important macroeconomic indicators.

Leverage (Capital)

Capital leverage describes the ratio between the owned capital and the total capital invested. The total capital invested incorporates the owned capital plus the borrowed capital.

- Stocks Trading → Capital leverage 2:1
- Forex Trading → Capital leverage 30:1 (EU)

Liquidity / Liquid Market

A liquid market is a market in which a lot of buyers and sellers are participating. That high market activity is generating high trading volumes.

- Liquid markets offer the best terms for short-trading (tight spreads, easy entry, easy exit)

Long

Go Long means buying a financial asset.

- The opposite of Go Long is to Go Short (Selling)

Lot

Lot is the standard unit size of a transaction. As concerns Forex trading, there are three lot sizes:

- Micro Lot Size which equals \$1,000
- Mini Lot Size which equals \$10,000
- Standard Lot Size which equals \$100,000

M

Margin and Margin Call

Margin is the minimum capital that an investor is obligated to keep in his trading account as insurance in order to maintain a trading position. If a position is worth \$10,000 and the margin level is 50% then the investor must maintain \$5,000 cash on his account. If this position is losing money, then his broker may issue a 'Margin Call' which means demand for more cash in order for the position to remain active.

Momentum

Momentum is a technical analysis term that means that the price of a financial asset shows strength when moving in a particular direction (uptrend or downtrend).

Moving Average (MA)

Moving Average is one of the most popular technical analysis indicators. The moving average is calculated as the average price of a series of periods. The most common moving averages are calculated by the average price of 50 and 200 periods. There are a lot of different ways to calculate a Moving Average:

- 1- Simple Moving Average
- 2- Exponential Moving Average
- 3- Weighted Moving Average
- 4- Cumulative Moving Average

N

Nonfarm Payrolls

The Nonfarm Payrolls measure the aggregate number of employees on the payroll in an economy except the agricultural sector.

O

Old Lady

Old Lady is a Forex slang that corresponds to the Bank of England (BOE).

Open Order

An open order is an order that will stay active until it is filled or canceled

Open Position

An open position is an active trading position.

Oscillator

An Oscillator is a technical analysis tool used for price movement forecasts.

Output Index

An output index is an index measuring the production volume output.

P

PAMM Account

PAMM means Percentage Allocation Management Module and it is an account type allowing professional Asset Managers to manage the trading capital of retail investors. PAMM accounts offer reliability and security as Money Managers can't withdraw their client's funds.

» [Compare PAMM Accounts at Forex Automatic](#)

Personal Spending Indicator

The personal spending indicator measures the change of individual spending in the economy. When individual spending is increased then the market expects higher growth and higher inflation in the future.

Pip

A Pip is the minimum level that a price can change. In Forex Trading a pip is the last digit of an exchange rate

- if GBP/USD rate is 1.3001 → 1 pip equals 0.0001

Pivot Point

A Pivot Point is an average price that is calculated based on the previous High, Low, and Close and it is considered as an important support/resistance level.

PPI (Producer Price Index)

PPI is the index of producer prices. When PPI increases it means 'bad news' for the corresponding economy.

Premium

A premium measures the amount at which future prices will surpass the current spot prices. The opposite of a premium is a discount.

Price Channel

A price channel is a range that sets the limits of price movement.

Q

Quotation

Quotation is the process of indicating the value of a currency in the units of another currency.

Quote

The Quote refers to a market price.

Quote Currency

In Forex Trading, the quote or counter currency is the second currency in a currency pair. For example, in EURUSD, USD is the quote currency.

R

Retail Price Index (RPI)

It is a UK macroeconomic indicator measuring the change of retail prices.

Rollover

Rollover has many meanings in finance, when trading derivatives it means moving the delivery date forward.

- The rollover also refers to the SWAP rate of a currency pair (cost for maintaining a currency position overnight)

RSI

RSI means Relative Strength Index and it is a very popular technical analysis indicator that measures the strength of a price movement and indicates overbought and oversold levels.

- Overbought when RSI>70 | Oversold when RSI<30
- Download here the Enhanced RSI Precision for free on TradingView:
» <https://www.tradingview.com/script/irWH8Wkm-RSI-PRECISION/>

S

Scalping

Scalping is a Forex trading strategy that involves opening and closing many trade positions in tiny segments of time (maximum 1-2 minutes) by targeting returns of 5-20 pips.

- Traders who scalp the Forex market are called scalpers

Slippage

Slippage on order execution means opening or closing a trading position at a different price than expected. Slippage is a short delay in order execution that can highly disturb short-term traders, especially scalpers.

Spot

Spot is a transaction that is carried out immediately but the payment is settled within two days.

Spread

Spread is the difference between ask and bid of the price of an asset and it is measured in Pips.

Square

It is a situation when the total profits materialized in a certain trading period are equal to the total losses.

Sterling

Sterling corresponds to the British Pound (GBP).

STP Execution

STP means Straight-Through-Processing and it is a type of Forex Execution that doesn't involve manual intervention or order execution.

Support & Resistance

Resistance is a price level of significant supply and support is a price level of significant demand.

Swap

SWAP refers to the cost of holding a trading position overnight.

- In Forex trading, the SWAP value can be negative or positive, based on the level of interest rates between the two traded currencies

Swissy

Swissy is the Forex slang name for Swiss Franc (CHF).

T

Take-Profit Order

A Take Profit Order is a trading order that will close a certain trade when it reaches a particular price level.

Technical Analysis

Technical analysis is a popular method for analyzing the price action of a financial asset based on historical price data.

[Technical Analysis on TradingCenter.org:](#)

» <https://tradingcenter.org/index.php/learn/technical-analysis>

Thin Market

A thin Market is a market suffering from limited liquidity.

Tick

Tick is the minimum one-time price change of a financial-traded asset.

Time Cycles

Time Cycles are used to describe the repetition of price movements forming a pattern in particular time frames.

Trader

A trader is an individual who is buying and selling financial assets in order to make a profit.

Trading platform

A Trading platform is a software program that can be used for trading the financial markets.

» [Compare Trading Platforms at ForexAutomatic.com](https://ForexAutomatic.com)

Trailing-Order

A trailing order is an order that changes as the price changes. This could be a trailing stop-loss or a trailing take-profit order.

Transaction Cost

Transaction cost refers to the cost of buying or selling a financial asset and includes the trading spread and commissions.

Trend

A Trend is a strong market direction that may be either an Uptrend or a Downtrend.

U

Uncovered Transaction

An uncovered position is a position that isn't yet filled (open position).

Unemployment Rate

The unemployment rate is a very important macroeconomic figure indicating the percentage of unemployed population against the total number of labor-able population in an economy.

Uptick

An uptick is a price quote that is higher than the previous price quote.

Uptrend

An uptrend is an ascending price trend.

V

Value Date

Value date is the date of settlement of a spot or a forward deal.

Value Spot

Value Spot means a settlement after two working days from today.

Volatility

Market Volatility is a statistical measure that calculates the number of price changes in a market for a given period of time.

Volume

Volume measures the level of trading activity in a financial market.

VPS

VPS means Virtual Private Server and it is a method for hosting a software application on an external server. VPS is commonly used for trading Forex via Expert Advisors (Forex Robots). The advantage of VPS hosting is that it allows trading 24/5 without having your PC open.

[More About VPS Hosting on ForexAutomatic.com:](#)

» <https://forexautomatic.com/index.php/trading-platforms/free-vps-hosting>

W

Wash-Trade

Wash Trade means trade with neutral results, no profit no loss.

Wholesale Prices Index

The Wholesale Prices Index is a macroeconomic index measuring the rate of change in wholesale prices.

Y

Yard

Yard in Forex Trading is a slang meaning 1 billion US Dollars.

Z

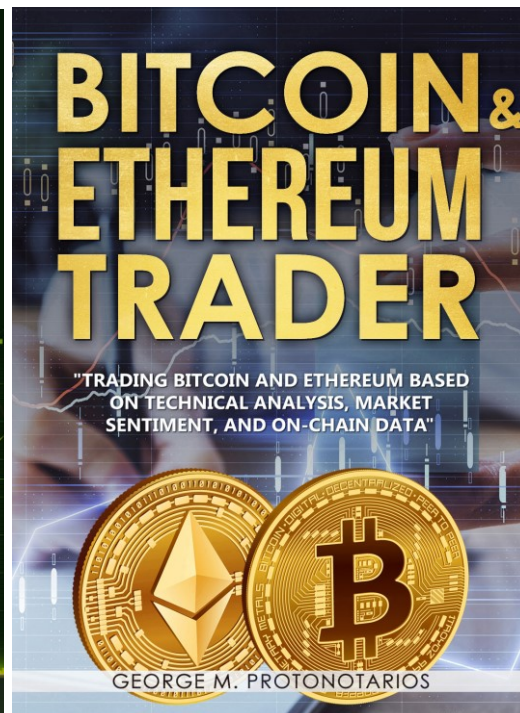
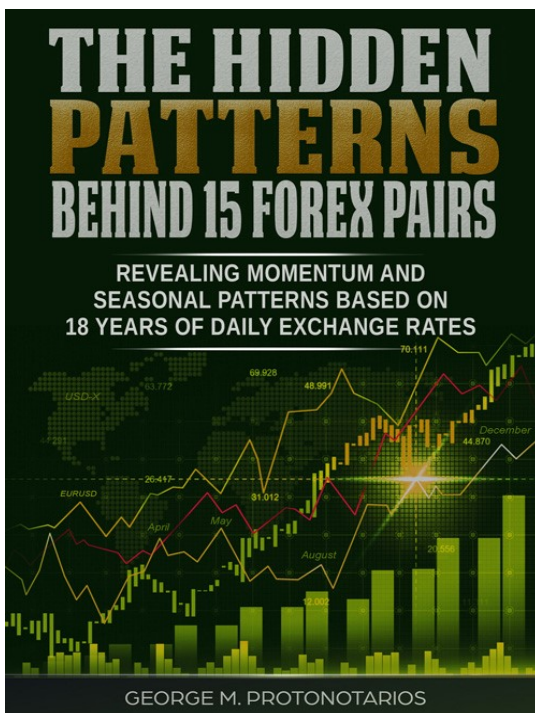
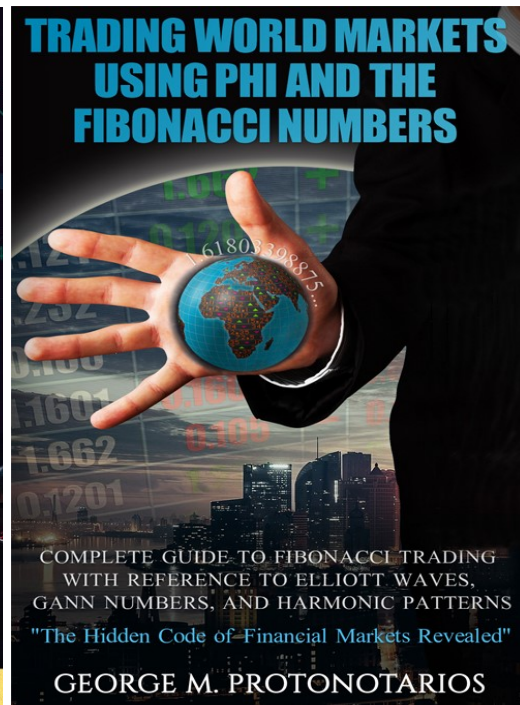
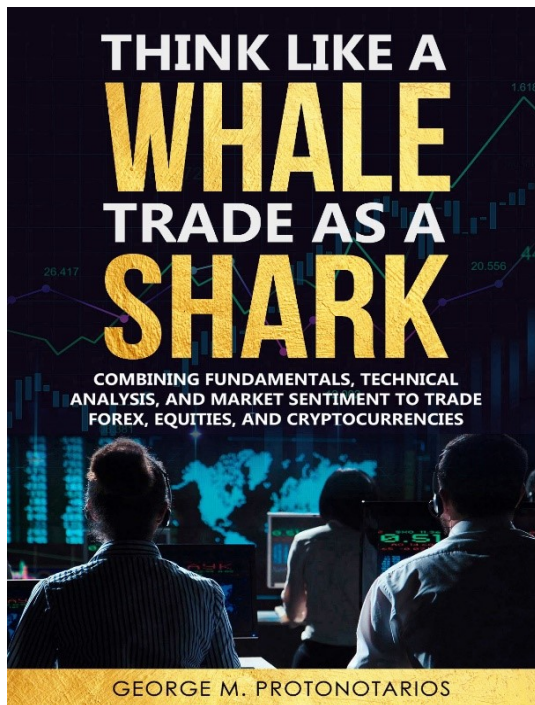
ZEW

ZEW is the Center of European Economic Research. It was founded in 1990 and it is located in Germany (Hamburg).

» [Visit the ZEW](#)

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Forex Trading Guide (3rd Edition)

Making Money by Trading in the Foreign Exchange Market

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FOREX TRADING GUIDE

3D EDITION

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