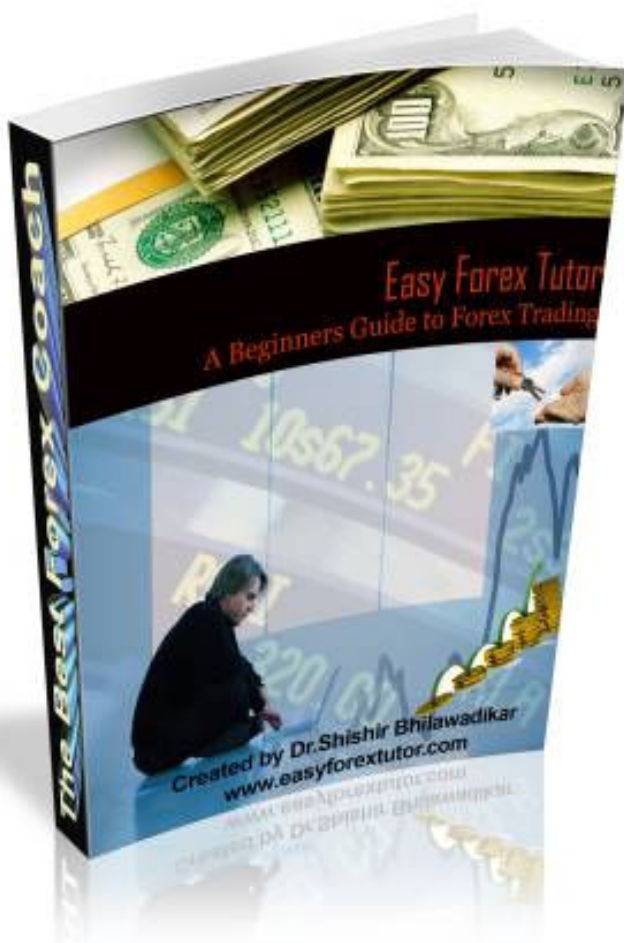


2011

The Easy Forex Tutor



A Beginner's Guide to get you started with trading the Forex Market

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TABLE OF CONTENTS

i)	WHAT IS FOREX OR FOREX MARKET? 3
ii)	WHY IS FOREX TRADING SO POPULAR? 5
iii)	10 REASONS TO START TRADING FOREX! 8
iv)	MARGIN TRADING IN FOREX 12
v)	WHAT ARE *PIPS* ? 18
vi)	HOW TO BUY AND SELL IN THE FOREX MARKET? 20
vii)	HOW TO READ FOREX PRICE CHARTS? 24
viii)	FUNDAMENTAL VS TECHNICAL ANALYSIS 27
ix)	HOW TO PREDICT THE FUTURE ? 30
x)	CONCLUSION 34

What Is FOREX or FOREX MARKET?

The Foreign Exchange market (also referred to as the Forex or FX market) is the largest financial market in the world, with over \$1.5 trillion changing hands every day.

That is larger than all US equity and Treasury markets combined!

Unlike other financial markets that operate at a centralized location (i.e. stock exchange), the worldwide Forex market has no central location. It is a global electronic network of banks, financial institutions and individual traders, all involved in the buying and selling of national currencies. Another major feature of the Forex market is that it operates 24 hours a day, corresponding to the opening and closing of financial centers in countries all across the world, starting each day in Sydney, then Tokyo, London and New York. At any time, in any location, there are buyers and sellers, making the Forex market the most liquid market in the world.

Traditionally, access to the Forex market has been made available only to banks and other large financial institutions. With advances in technology over the years, however, the Forex market is now available to everybody, from banks to money managers to individual traders trading retail accounts. The time to get involved in this exciting, global market has never been better than now. Open an account and become an active player in the largest market on the planet.

The Forex Market is very different than trading currencies on the futures market, and a lot easier, than trading stocks or commodities.

Whether you are aware of it or not, you already play a role in the Forex market. The simple fact that you have money in your pocket makes you an investor in currency, particularly in the US Dollar. By holding US Dollars, you have elected not to hold the currencies of other nations. Your purchases of stocks, bonds or other investments, along with money deposited in your bank account, represent investments that rely heavily on the integrity of the value of their denominated currency – the US Dollar. Due to the

changing value of the US Dollar and the resulting fluctuations in exchange rates, your investments may change in value, affecting your overall financial status. With this in mind, it should be no surprise that many investors have taken advantage of the fluctuation in Exchange Rates, using the volatility of the Foreign Exchange market as a way to increase their capital.

Example: suppose you had \$1000 and bought Euros when the exchange rate was 1.50 Euros to the dollar. You would then have 1500 Euros. If the value of Euros against the US dollar increased then you would sell (exchange) your Euros for dollars and have more dollars than you started with.

Example:

You might see the following:

EUR/USD last trade 1.5000 means

One Euro is worth \$1.50 US dollars.

The first currency (in this example, the EURO) is referred to as the base currency and the second (/USD) as the counter or quote currency.

The FOREX plays a vital role in the world economy and there will always be a tremendous need for the exchange of currencies. International trade increases as technology and communication increases. As long as there is international trade, there will be a FOREX market. The FX market has to exist so a country like Germany can sell products in the United States and be able to receive Euros in exchange for US Dollar.

Why is FOREX trading so popular?

Well it is because you can trade from anywhere!!! From your kitchen table, bedroom, garage or from the nearest Starbucks coffeehouse (most of them have wireless Internet connection).

If you have or like to travel, take your laptop with you and you can trade the FOREX anywhere in the world where you have an Internet connection.

When you want to start trading the Forex Market nobody is asking you for a diploma, a formal license or a proof of how many hours you have spent studying the Foreign Exchange Market and/or Banking Industry.

FOREX Trading is Economical and Start-up Costs are Low!

You can open an account to trade Forex with a really low amount which may start from even as low as \$100

The Main Benefits of Trading the FX Spot Market are:

- ✓ YOU don't pay commissions or fees!
- ✓ YOU can trade 24-hours a day !
- ✓ YOU can trade up to 400:1 Leverage !
- ✓ YOU can have FREE Streaming executable Price quotes and live charts!

It is important to know the differences between cash FOREX (SPOT FX) and currency futures.

- ✓ In currency futures, the contract size is predetermined.

With FOREX (SPOT FX), you may trade electronically any desired amount, up to \$10 Million USD.

- ✓ The futures market closes at the end of the business day (similar to the stock market). If important data is released overseas while the U.S. futures markets is closed, the next day's opening might sustain large gaps with potential for large losses if the direction of the move is against your position.

The Spot FOREX market runs continuously on a 24-hour basis from 7:00 am New Zealand time Monday morning to 5:00 pm New York Time Friday evening.

- ✓ Dealers in every major FX trading center (Sydney, Tokyo, Hong Kong/Singapore, London, Geneva and New York/Toronto) ensure a smooth transaction as liquidity migrates from one time zone to the next.
- ✓ Furthermore, currency futures trade in non-USD denominated currency amounts only, whereas in spot FOREX, an investor can trade in almost any currency denomination, or in the more conventionally quoted USD amounts.
- ✓ The currency futures pit, even during Regular IMM (International Money Market) hours suffers from sporadic lulls in liquidity and constant price gaps.

The spot FOREX market offers constant liquidity and market depth much more consistently than Futures.

- ✓ With IMM futures one is limited in the currency pairs he can trade. Most currency futures are traded only versus the USD.

- ✓ With spot FOREX, you may trade foreign currencies vs. USD or vs. each other on a 'cross' basis, for example: EUR/JPY, GBP/JPY, CHF/JPY, EUR/GBP and AUD/NZD

That's all fine but what are the reasons for me to start trading forex?

Well, keep on reading to know just that.....

10 REASONS TO START TRADING FOREX!

More and more well informed investor and entrepreneurs are diversifying their traditional investments like stocks, bonds & commodities with foreign currency because of the following reasons:

1) **FOREX is the largest financial market in the world.**

With a daily trading volume of over \$1.5 trillion, the spot FOREX market can absorb trading sizes that dwarf the capacity of any other market. In fact, when compared with the \$50 billion daily market for equities or the \$30 billion futures market, it becomes quickly apparent this gives you, and millions of other FOREX traders, almost infinite trading liquidity and flexibility.

2) **FOREX is a True 24-hour market.**

The FOREX Market never sleeps. Trading positions can be entered and exited at any moment around the globe, around the clock, 5.5 days a week. There is no waiting for an opening bell as in the case of trading stocks. It is a 24- hour, continuous electronic (ONLINE) currency exchange that never closes. This is very desirable for you if you want to trade on a part-time basis, because you can choose when you want to trade: morning, noon or night.

3) **There is never a Bear Market in FOREX.**

You can have access to a seamless exchange of currencies. Currencies trade in "pairs" (for example, US dollar vs. JPY (YEN) or US dollar vs. CHF (Swiss franc), one side of every currency pair (for example, USD/CHF) is constantly moving in relation to the other. Thus, when you buy a particular currency, you are actually simultaneously selling the other currency in that particular pair. As the market moves, one of the currencies

will increase in value versus the other. Of course, it is up to you to choose the correct currency to be long (you bought) or short(you sold).

4) High Leverage - up to 400:1 Leverage.

You are permitted to trade foreign currencies on a highly leveraged basis - up to 400 times your investment with various brokers.

Standard 100,000- US\$ currency lots can be traded with as little as 0.25% margin, or \$250.

Mini FX accounts are permitted to trade with just 0.25% margin, meaning, just \$25 allows you to control a 10,000-unit currency position.

Futures traders, who are accustomed to margin requirements generally equal to 5-7%-8% of the contract value, will immediately recognize that the FOREX market provides much greater leverage, and for stock traders, who must post at least 50% margin, there's no comparison. If you're looking for an efficient use of trading , trade the Forex Market.

5) Price Movements might be Highly Predictable.

Currency prices in the FX market generally repeat themselves in relatively predictable cycles, creating trends. The strong trends that foreign currencies develop are a significant advantage for traders who use the "technical" methods and strategies.

Unlike stocks, currencies have the tendency to develop strong trends. Over 80% of volume is speculative in nature and, as a result, the market frequently overshoots and then corrects itself. As a technically-trained trader, you can easily identify new trends and breakouts, to enter and exit positions.

6) ***YOU don't pay commissions or fees to trade FOREX***

When you trade FOREX, you can do it totally FREE of commissions and fees , regardless of your account size.

Most forex brokers require a very low minimum amount to open a brokerage account, only US\$ 200 and they do not charge commissions or fees to trade or to maintain an account, regardless of your account balance or trading volume.

7) ***YOU don't have to pay trading fees or exchange fees.***

There are none of the usual fees, which futures and equity traders are accustomed to pay:

NO exchange or clearing fees,

NO NFA or SEC fees.

Because currencies trade over-the-counter (OTC), via a global electronic network, in FOREX, what you see on your trading screen, is what you get, allowing you to make quick decisions on your trades without having to worry or account for fees that may affect your profit/loss or slippage.

In the equity and commodity markets, you must pay both a commission and exchange fees. The over-the-counter structure of the FX market eliminates exchange and clearing fees, which in turn lowers transaction costs.

8) HOW do Forex brokers make money if they don't charge commissions?

Like all traded financial products, over-the-counter currency trading involves a bid/ask spread, which represents the prices at which your counterpart is willing to trade. Your broker will receive a part of this bid/ask spread.

Don't worry if you have no clue about what is a bid/ask spread right now. It will get clearer as we go along.

Because the currency market offers round-the-clock liquidity, you receive tight, competitive spreads both intra-day and night. Stock traders can be more vulnerable to liquidity risk and typically receive wider trading spreads, especially during after-hours trading.

9) Market Transparency.

Market transparency is highly desired in any trading environment. The greater the market transparency, the more efficient the market becomes. Unlike other markets where transparency is compromised (like in the many recent scandals), FOREX markets are highly transparent (i.e., analyzing countries, and having access to real-time research / news, is easier than analyzing companies). It is just impossible for one person to manipulate a market as big as the Forex which gives the credibility to it.

Because of this transparency, as an FX trader, you will be able to apply risk management strategies in accordance to your fundamental and technical indicators.

10) Instantaneous Order Execution

The FX market offers the highest level of market transparency out of all the financial markets. Because of this, order execution and fill confirmation usually occur in just 1-2 seconds.

In Forex, order execution is all-electronic and because you'll be trading via an Internet-based platform, instantaneous execution is routine.

There are no exchanges, no traditional open-outcry pits, no floor brokers, and consequently, no delays.

Margin Trading in Forex

ONE of the best advantages in FOREX Trading is

The amount of money you need to place a trade (known as "margin") is all that can be lost !

You have to know, that despite the super-high leverage offered by some Forex brokers up to (400:1); meaning if you put up \$ 1000 the broker will allow you to trade like you really have \$400.000).

Forex trading is still less riskier than Stock or Futures Trading, where you can loose more than you have deposited in your account.

This type of LEVERAGE does NOT EXIST in the equities or futures market

In the Equities or Futures markets, very often, sudden and dramatic moves occur, against which you can't protect yourself, even by having placed your protective stops.

Your position may be liquidated at a loss, and you'll be liable for any resulting deficit in the account.

But because of the FX market's deep liquidity and 24-hour, continuous trading, dangerous trading gaps and limit moves are almost eliminated.

Orders are executed quickly, without slippage or partial fills. And finally, there are no margin calls. For your protection, the broker will automatically close out some or all of your open positions if your account equity falls below the level required to hold the positions.

Think of this as a final, automatic stop, always working on your behalf to prevent a debit balance. What it essentially means is that if you have \$1000 in your account with the broker and you have opened a trade using 400:1 margin then the moment your position goes into a loss of \$1000 your position will be automatically closed and thus you are protected from a debit balance in your account. Note however that technically it is a little bit different but I have just tried to make it simple so that you understand what margin trading is all about.

Currencies are traded in dollar amounts called “ LOTS”

In Forex trading, with most Brokers, you have the choice between 2 different lot sizes.

Standard Lots or Mini Lots.

One Standard lot is equal to \$100,000 in currency. The margin requirements, using a 400:1 Leverage, would be US\$ 250, in other word you control \$100,000 worth of currency for only 250 US dollars.

You mean, depositing \$250 with a broker, I could trade 100,000\$ worth of currency ???

NO, be aware, that your account size has to be more than the required margin of US 250. For example, if you place an order to buy 1 Standard lot (@100,000) of USD/JPY and USD/JPY is quoted as 112.10/112.13, you buy USD/JPY at 112.13.

Your account balance would be \$220, because you paid 3 pips or \$ 30 for this trade.

If you would close this trade immediately, you have to sell it at 112.10 (the bid price) , for a loss of \$ 30.

(It is this difference between the bid price and the ask price which is called the Bid/Ask spread and this is how a broker earns money.)

In fact you could not get executed on this trade, as the brokers trading platform would reject your order, for the reason of having insufficient funds in your account).

So, your account balance has to be minimum \$280. \$250 for margin and \$30 for the trade.

BUT...IF, after you have initiated the trade to buy USD/JPY at 112.13, and the USD/JPY falls the next second 1 pip (approx. \$8), your position would be closed automatically, because of margin deficit.

I will explain later about having an adequate account size to trade the Forex Market.

Currencies are always traded in pairs in the FOREX. The pairs have a unique notation that expresses what currencies are being traded.

The symbol for a currency pair will always be in the form ABC/DEF. ABC/DEF is not a real currency pair, it is an example of a symbol for a currency pair. In this example ABC is the symbol for one countries currency and DEF is the symbol for another countries currency.

Some of the most common symbols used in Forex are:

USD - The US Dollar

EUR - The currency of the European Union "EURO"

GBP - The British Pound or cable

JPY - The Japanese Yen

CHF - The Swiss Franc

AUD - The Australian Dollar

CAD - The Canadian Dollar

There are symbols for other currencies as well, but these are the most commonly traded ones.

A currency can never be traded by itself. So you can not ever trade the USD by itself. You always need to BUY one currency and SELL another currency to make a trade possible.

Some of the most traded currency pairs are:

EUR/USD Euro against US Dollar

USD/JPY US Dollar against Japanese Yen

GBP/USD British Pound against US Dollar

USD/CAD US Dollar against Canadian Dollar

AUD/USD Australian Dollar against US Dollar

USD/CHF US Dollar against Swiss Franc

EUR/JPY Euro against Japanese Yen

The currency left of the / is called the **base currency**.

The currency right of the / is called the **counter currency**.

When you place an order to buy the EUR/USD, for instance, you are actually buying the EUR and selling the USD.

If you were to sell the pair, you would be selling the EUR and buying the USD. So if you buy or sell a currency PAIR, you are buying/selling the base currency.

The best way to remember is, by just thinking of the entire currency pair as one item.

If you buy it...you buy the first currency and sell the second currency. If you sell it...you sell the first currency and buy the second currency.

That means you would be able to short-sell with no restrictions so you could make money when the market drops as well as when it rises.

The problem with traditional stock market or commodity trading is that the market has to go up for you to make money. **With FOREX trading you can make money in all directions.**

What are *PIPS* ?

Currencies are traded on a price/ point (pip) system. Each currency pair has its own pip value.

When you see a FOREX price quote, you'll see something listed like this:

EUR/USD 1.2210/1.2213

Explanation:

a) If you want to BUY the EUR/USD (meaning you BUY EUROS and SELL US\$) you buy 100,000 EUROS and you SELL 122,130 US\$, or in other words you receive

122,130 US\$ for 100,000 EUROS.

B) If you want to SELL the EUR/USD (meaning you SELL EUROS and BUY US\$) you buy 122,100 US\$ and sell 100,000 EUROS, or in other words you receive 100,000 EUROS for 122,100 US\$.

The difference between the bid and the ask price is referred to as the spread. In the example above, the spread is 3 or 3 pips.

Since the US dollar is the centerpiece of the FOREX market, it is normally considered the 'base' currency for quotes. In the "Majors", this includes USD/JPY, USD/CHF and USD/CAD. For these currencies and many others, quotes are expressed as a unit of \$1 USD per the second currency quoted in the pair.

For example a quote of USD/CHF 1.3000 means that for one U.S. dollar you receive 1.30 Swiss Francs. or in other words, you receive 1.30 Swiss Franc for each 1 US\$.

When the U.S. dollar is the base unit and a currency quote goes up, it means the dollar has appreciated in value and the other currency has weakened. If the USD/CHF quote above increases to 1.3050 the dollar is stronger because it will now buy more Swiss Franc than before.

In other words, if a currency quote goes higher, that increases the value of the base currency. A lower quote means the base currency is weakening.

Currency pairs that do not involve the U.S. dollar are called cross currencies, but the calculation is the same. For example, a quote of EUR/JPY 134.50 signifies that one Euro is equal to 134.50 Japanese yen.

HOW TO BUY (going " LONG ")and SELL (going " SHORT ") in the FOREX Market?

Keep in mind 2 very important rules:

RULE # 1) Cut your LOOSING trades and let your WINNING trades RUN

YOU WILL HAVE LOSING TRADES. Every FOREX trader has. The secret is, that a consistent, disciplined trader, at the end of the day, adds up more winning trades than losing trades.

When you and see on your charts, without any doubt, that you are in a losing trade, don't keep losing money. Most of the novice traders are lowering their stop loss just to "prove they are right" or "hoping that the market will reverse". 99% of these trades, are ending up with more losses. Most of the profitable trades are usually "right" immediately.

Remember, smart traders know there are many other opportunities. CUT your losses short and compound those winning positions.

RULE 2) NEVER EVER trade FOREX without placing a Stop Loss Order.

PLACE a STOP order, right along with your ENTRY order, via your online trading station, to prevent potential losses.

Before initiating any trade, you have to calculate at what point (price) you would be wrong, because the market changed direction, and would want to cut your losses.

To make profits, in the FOREX, a trader can enter the market with a *buy position* (known as going "long") or a *sell position* (known as going "short").

As an example let's assume you've been studying the EURO. The EURO is paired first with the U.S. dollar or USD.

Your trading methods, rules, strategies, etc., tell you that the EURO will appreciate in value over the next 2 weeks. So you buy the EUR/USD pair meaning you will simultaneously buy EUROS, and SELL dollars).

You open up your trading station software and you see that the EUR/USD pair is trading at:

EUR/USD: 1.2010/1.2013

As you believe that the market price for the EUR/USD pair will go higher, you will enter a *buy position* in the market.

As an example, let's say you bought one lot EUR/USD at 1.2013. As long as you sell back the pair at a higher price, then you make money.

To illustrate a typical FX SELL trade, consider this scenario involving the USD/JPY currency pair:

REMEMBER Selling ("going short") the currency pair implies selling the first, base currency, and buying the second, quote currency. You sell the currency pair if you believe the base currency (USD) will go down relative to the quote currency (JPY), or equivalently, that the quote currency (JPY) will go up relative to the base currency (USD).

HOW TO CALCULATE PROFIT OR LOSS?

The Profit Calculations, on the Short-sell trade scenario below, may seem somewhat complicated if you've never been in the FOREX market before, but this process is continually calculated through your broker trade station (software). I show you this process below so you can SEE how a PROFIT might occur.

The current bid/ask price for USD/JPY is 107.50/107.54, meaning you can buy \$1 US for 107.54 YEN, or sell \$1 US for 107.50 YEN.

Suppose you think that the US Dollar (USD) is overvalued against the YEN (JPY). To execute this strategy, you would sell Dollars (simultaneously buying YEN), and then wait for the exchange rate to rise.

Your trade would be the following: you sell 1 lot USD (US \$100,000) and you buy 1 lot JPY (10,754,000 YEN). (Remember, at 0.25 % margin, your initial margin deposit for this trade would be \$ 250.)

As you expected, USD/JPY falls to 106.50/106.54, meaning you can now buy \$1 US for \$106.54 Japanese YEN or sell \$1 US for 106.50.

Since you're short dollars (and are long YEN), you must now buy dollars and sell back the YEN to realize any profit.

You buy US \$100,000 at the current USD/JPY rate of 106.54, and receive 10,654,000 YEN. Since you originally bought (paid for) 10,754,000 YEN, your profit is 100,000 YEN.

To calculate your P&L in terms of US dollars, divide 100,000 by the current USD/JPY rate of 106.54

Total profit = US \$938.61

HOW TO READ FOREX PRICE CHARTS?

Forex Price Charts, what DO they mean and HOW to use them?

Important numerous facts as discipline, trading rules, not being greedy etc., but one of the most important things is:

LEARN to read the charts as Charts represent the lifeblood of the market.

I admit that reading charts, and interpreting patterns, are more an art than a skill. Base and apply your entry and exit decisions on YOUR OWN combined methods of technical and fundamental analysis.

FOREX charts, are easier to interpret and to use. They reflect a slower moving, stable economy of a country, compared to the stock market, with its daily drama of company reports, Wall Street Analysts and shareholder demands.

Unlike stocks, currency charts do not spend much time in trading ranges and have the tendency to develop strong trends. Furthermore, Forex with its 4 Major currencies is easier to analyze than tens of thousands of stocks.

(Major currencies are: USD/JPY, EUR/USD, GBP/USD and USD/CHF)

The complimentary FREE live charting software, provided by your broker will be absolutely sufficient for you to analyze and watch any one currency pair. Understanding just a few basic points about the technical analysis of currency chart can lead to increased profit potential.

Pricing - Price reflects the perceptions and action taken by the market participants. It is the dealing between buyers and sellers in the Over-The-Counter (OTC) or “interbank” market that creates price movement. Therefore, all fundamental factors are quickly discounted in price. By studying the price charts, you are indirectly seeing the fundamental and market psychology all at once , after all the market is fed by two emotions - Greed and Fear – and once you understand that, then you begin to understand the psychology of the market and how it relates to the chart patterns.

Data Window Chart – when you click on a price bar or candlestick, it will display a small box of data usually called a display window which will contain the following items:

H = Highest Price

L = Lowest Price

O = Opening Price

C = Close Price (or Last Price)

The most common types of price bars, used in FOREX trading, are the Bar Chart and the Candlestick chart:

Bar Charts -

Price bars are a linear representation (a line) of a period of time. This enables the viewer to see a graphic representation summarizing the activity of a specific time frame. As an example, I use 10 minutes, 60 minutes and daily time interval for my systems. Each bar has similar characteristics and tells the viewer several important pieces of information.

First, the highest point of the bar represents the highest price that was achieved during that time period. The lowest point of the bar represents the lowest price during the same period. Regular bars display a small dot on the left side of the bar which represents the opening price of the period and the small dot on the right side represents the closing price of the period.

Candlesticks - Japanese Candlesticks, or simply Candlesticks as they are now known, are used to represent the same information as Price bars. The only difference is that the difference between the open and close form the body of a box which is displayed with a color inside. A red color means that the close was lower than the open (meaning that the price went down during the period), and the green color represents that the close was higher than the open (meaning that the price went up during the period).

Please note however that the exact color coding may vary from software to software however the ideology behind it remains the same.

If the box has a line going up from the box it represents the high and is called the wick. If the box has a line going down from the box, it represents the low and is called the tail.

Many interpretations can be made from these "candlesticks" and many books have been written on the art of interpreting these bars.

Chart Intervals & Time Frames:

A chart Time Scale & Period, or time frame, basically refers to the duration of time that passes between the OPEN and the CLOSE of a bar or candlestick.

For instance, with your broker software, you will be able to view a currency pair, in a 1-hour time frame over a 2-day period, 5-day period, 10-day period, 20-day period and 30- day period.

Most of the short-term time intervals (5-min and 1-min charts) are used for entry and exit points and the longer- term time intervals (1-hour and daily charts) are used to see where the general trend is.

Fundamental vs Technical Analysis- which is better?

When I asked several traders about their thoughts about using fundamental analysis as a part of their trading decisions, I have received two opposite responses.

RESPONSE of Trader A

Fundamentals that you read about are typically useless as the market has already discounted the price. I am looking at (1) the long term trend, (2) the current chart pattern and (3) identifying a good entry point to buy or to sell.

RESPONSE of Trader B

I almost always trade on a market view. I don't trade simply on technical information alone. I use technical analysis and it is terrific, but I can't initiate or hold a position unless I understand why the market should move.

There is a great deal of hype attached to technical analysis by some technicians who claim that it predicts the future.

Technical analysis tracks the past; it does not predict the future. You have to use your own intelligence to draw conclusions about what the past activity of some traders say about the future activity of other traders.

For me, technical analysis is like a thermometer.

Fundamentalists who say they are not going to pay any attention to the charts are like a doctor who says he's not going to take a patient's temperature. If you want to be a successful trader in the market, you always want to know where the market is- up –

down- trending or choppy .You want to know everything you can about the market to give you an edge.

Technical analysis reflects the vote of the entire marketplace and, therefore, does pick up unusual behavior. By definition, anything that creates a new chart pattern is something unusual.

It is very important to study the details of price action to see and observe. Studying the charts is absolutely crucial and alerts to existing disequilibrium and potential changes.

For forex traders, the fundamentals are everything that makes a country tick.

The release of economic & inflation indicators (i.e., consumer spending, employment cost index, government spending, producer price index, etc.), political factors, government policy or an individual event can set the market in a frenzy. These have to be considered when making the decision “ to trade or not to trade.”

Technical analysis, is a way of using historical price data in different ways to predict the future price of a currency pair.

Fundamental analysis is a very effective way to forecast economic conditions, but not necessarily exact market prices, and you SHOULD trade in agreement with the supporting technical indicators.

Foreign exchange traders put the most emphasis on technical analysis, because traders around the world use similar charts and tools in predicting market trends.

The reason the FOREX market can be so predictable sometimes is that if the majority are using the same graph for determining patterns and trends, then it is highly likely that they will act in a similar manner.

So several thousand traders who have all charted the same resistance line, for example, will most likely either set their trades and direction conform to that line.

When fundamental data is made available to the public there is a reaction from investors and speculators.

Information in the form of news and economic indicators is more vague than that of technical indicators. There is a lot of gray area in this type of analysis. The market will ultimately react to how people think the economic data compares to the current market situation.

Economic indicators usually reveal information that "Should cause a currency to go up in price" or "May cause a currency to go down". The words "SHOULD" & "MAY" in the quotes above reveal the ambiguity of the fundamental data.

Here is an example of what analyzing fundamental data is like. Let's suppose there are six economic indicators (there are a lot more).

Let's call our six indicators 1, 2, 3, 4, 5, and 6. Now we wait for the data from our indicators to be published in a financial magazine or at an online source. We get the readings for our economic data for the EURO as following:

Indicator 1: is in a range where the Euro may go up

Indicator 2: is in a range where the Euro should go up

Indicator 3: is in a range where the Euro could go down

Indicator 4: is in a range where the Euro usually goes down

Indicator 5: is in a range where the Euro could go up

Indicator 6: is in a range where the Euro may go down

By looking at the above indicators, you don't know what the Euro is going to do. Furthermore, currencies are always traded in pairs. So you would have to get the fundamental data for another currency pair and compare it with the EURO. I think you can image that this is not a simple task.

I do not want to discourage you away from fundamental data. The best way to learn is to learn about one piece of economic data at a time. Eventually you will build a puzzle from all of the fundamental and technical data and make more informed trading decisions.

HOW TO predict the Future ?

by studying the Past (Technical Analysis):

- 1) The best traders don't discount one or the other but understand that having an understanding how the fundamentals influence market sentiment gives him/her an edge over those traders who don't.

- 2) In my opinion, TECHNICAL analysis is the easiest and most accurate way of trading the FOREX market.

- 3) "The numbers don't lie" - all available information and its impact on the market, are already reflected in a currency's price.

- 4) Prices move in trends - the foreign exchange market is mostly composed of trends and therefore a place where technical analysis can be very effective.

- 5) History repeats itself - over time, certain chart patterns become consistent, predictable and very reliable. The question is SEEING them.

PRICES MOVE IN TRENDS

The traders who don't believe this obviously have no need to implement a trading methodology on technical analysis. But, research has shown that those who trade "with the trend", greatly improve their chances of making a profitable trade.

Finding the prevailing trend will help you become aware of the overall market direction and offer you better visibility, especially when shorter-term movements tend to clutter the picture.

HOW does technical analysis help to determine what the trend is and HOW to trade with the trend versus against it?

Even though, you learn you how to use and read various technical indicators to identify a long- term trend, spot predictable chart patterns and use certain rules to enter and exit a high-probability trade, and even though all this involves sound logic, parameters, methods, formulas, data, and research, these technical indicators, by themselves, are not the Holy Grail of FOREX trading.

It takes discipline and emotional control to stick with trading following through the inevitable market ups and downs. Keep in mind, good technical traders expect ups and downs.

Which technical indicators are the BEST?

NONE - technical indicators should simply be components of your overall customized, personalized trading system, and not a standalone system.

The objectives as a FOREX Technical Trader are:

1) To figure out the price action of the currency pair. Price is the main concern. If the EUR/USD is at 1.2224 and goes to 1.2020, 1.1980, 1.1940- the market is in a down trend.

Despite what every technical indicator might predict, if the trend is down, stay with the trend. Indicators showing where price will go next or what it should be doing are useless.

A trader should only be concerned with what the market is doing, not what the market might do. The price tells you what the market is doing.

2) Always remember that technical indicators are only giving you confirmations based on what the market is telling you. So listen to the market and let it tell you which method, strategy or techniques you should use.

Conclusion:

First of all thanks a lot for reading my e-report and hope that you found the information within this report to be helpful in at least making you familiar with Forex.

While I've made all efforts to make your introduction to the forex world as easy as possible one thing needs to be kept in mind that one can't become a master in trading forex just by reading a forex guide.

You need to get deeper into the subject and read more about it and get familiar with all the intricacies of the subject.

It is impossible to cover each and every aspect of forex trading in a short report like this.

Please visit my website www.easyforextutor.com for further information and resources which you would need during your journey while trading forex.

I have created the website especially for beginners with topics written in a style which cuts out all the high flying technical jargon and explaining to you every aspect in an easy to understand language.

I have also created step by step video tutorials for beginners where in we take you by the hand and teach you everything that will get you started with forex trading.

Also we have laid out reviews of the best forex brokers and all the other various resources that you would require for your ongoing success.

Well then dear friend it was a pleasure in writing this e-report and I hope to see you soon. If you have any queries please feel free to contact me by [clicking here](#).



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