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Forex Trading 101 – 'Beginners Forex Trading Introduction Course'

INTRODUCTION TO FOREX TRADING – CHAPTERS & SYLLABUS

Other Tutorials & Guides:

Part 1: What Is Forex Trading ? – A Definition & Introduction

An Introduction to Forex Trading:

Hey traders,

This free Forex mini-course is designed to teach you the basics of the Forex market and Forex trading in a non-boring way. I know you can find this information elsewhere on the web, but let's face it; most of it is scattered and pretty dry to read. I will try to make this tutorial as fun as possible so that you can learn about Forex trading and have a good time doing it.

Upon completion of this course you will have a solid understanding of the Forex market and Forex trading, and you will then be ready to progress to learning real-world Forex trading strategies.

What is the Forex market?

• What is Forex? – The basics…

Basically, the Forex market is where banks, businesses, governments, investors and traders come to exchange and speculate on currencies. The Forex market is also referred to as the 'Fx market', 'Currency market', 'Foreign exchange currency market' or 'Foreign currency market', and it is the largest and most liquid market in the world with an average daily turnover of $3.98 trillion.

The Fx market is open 24 hours a day, 5 days a week with the most important world trading centers being located in London, New York, Tokyo, Zurich, Frankfurt, Hong Kong, Singapore, Paris, and Sydney.

It should be noted that there is no central marketplace for the Forex market; trading is instead said to be conducted 'over the counter'; it's not like stocks where there is a central marketplace with all orders processed like the NYSE. Forex is a product quoted by all the major banks, and not all banks will have the exact same price. Now, the broker platforms take all theses feeds from the different banks and the quotes we see from our broker are an approximate average of them. It's the broker who is effectively transacting the trade and taking the other side of it…they 'make the market' for you. When you buy a currency pair…your broker is selling it to you, not 'another trader'.

• A brief history of the Forex market

Ok, I admit, this part is going to be a little bit boring, but it's important to have some basic background knowledge of the history of the Forex market so that you know a little bit about why it exists and how it got here. So here is the history of the Forex market in a nutshell:

In 1876, something called the gold exchange standard was implemented. Basically it said that all paper currency had to be backed by solid gold; the idea here was to stabilize world currencies by pegging them to the price of gold. It was a good idea in theory, but in reality it created boom-bust patterns which ultimately led to the demise of the gold standard.

The gold standard was dropped around the beginning of World War 2 as major European countries did not have enough gold to support all the currency they were printing to pay for large military projects. Although the gold standard was ultimately dropped, the precious metal never lost its spot as the ultimate form of monetary value.

The world then decided to have fixed exchange rates that resulted in the U.S. dollar being the primary reserve currency and that it would be the only currency backed by gold, this is known as the 'Bretton Woods System' and it happened in 1944 (I know you super excited to know that). In 1971 the U.S. declared that it would no longer exchange gold for U.S. dollars that were held in foreign reserves, this marked the end of the Bretton Woods System.

It was this break down of the Bretton Woods System that ultimately led to the mostly global acceptance of floating foreign exchange rates in 1976. This was effectively the "birth" of the current foreign currency exchange market, although it did not become widely electronically traded until about the mid 1990s.

(OK! Now let's move on to some more entertaining topics!)…

What is Forex Trading?

Forex trading as it relates to retail traders (like you and I) is the speculation on the price of one currency against another. For example, if you think the euro is going to rise against the U.S. dollar, you can buy the EURUSD currency pair low and then (hopefully) sell it at a higher price to make a profit. Of course, if you buy the euro against the dollar (EURUSD), and the U.S. dollar strengthens, you will then be in a losing position. So, it's important to be aware of the risk involved in trading Forex, and not only the reward.

• Why is the Forex market so popular?

Being a Forex trader offers the most amazing potential lifestyle of any profession in the world. It's not easy to get there, but if you are determined and disciplined, you can make it happen. Here's a quick list of skills you will need to reach your goals in the Forex market:

Ability - to take a loss without becoming emotional

Confidence - to believe in yourself and your trading strategy, and to have no fear

Dedication – to becoming the best Forex trader you can be

Discipline - to remain calm and unemotional in a realm of constant temptation (the market)

Flexibility - to trade changing market conditions successfully

Focus – to stay concentrated on your trading plan and to not stray off course

Logic – to look at the market from an objective and straight forward perspective

Organization – to forge and reinforce positive trading habits

Patience – to wait for only the highest-probability trading strategies according to your plan

Realism – to not think you are going to get rich quick and understand the reality of the market and trading

Savvy – to take advantage of your trading edge when it arises and be aware of what is happening in the market at all times

Self-control – to not over-trade and over-leverage your trading account

As traders, we can take advantage of the high leverage and volatility of the Forex market by learning and mastering and effective Forex trading strategy, building an effective trading plan around that strategy, and following it with ice-cold discipline. Money management is key here; leverage is a double-edged sword and can make you a lot of money fast or lose you a lot of money fast. The key to money management in Forex trading is to always know the exact dollar amount you have at risk before entering a trade and be TOTALLY OK with losing that amount of money, because any one trade could be a loser. More on money management later in the course.

- **Who trades Forex and why?**

Banks – The interbank market allows for both the majority of commercial Forex transactions and large amounts of speculative trading each day. Some large banks will trade billions of dollars, daily. Sometimes this trading is done on behalf of customers, however much is done by proprietary traders who are trading for the bank's own account.

Companies – Companies need to use the foreign exchange market to pay for goods and services from foreign countries and also to sell goods or services in foreign countries. An important part of the daily Forex market activity comes from companies looking to exchange currency in order to transact in other countries.

Governments / Central banks – A country's central bank can play an important role in the foreign exchange markets. They can cause an increase or decrease in the value of their nation's currency by trying to control money supply, inflation, and (or) interest rates. They can use their substantial foreign exchange reserves to try and stabilize the market.

Hedge funds - Somewhere around 70 to 90% of all foreign exchange transactions are speculative in nature. This means, the person or institutions that bought or sold the currency has no plan of actually taking delivery of the currency; instead, the transaction was executed with sole intention of speculating on the price movement of that particular currency. Retail speculators (you and I) are small cheese compared to the big hedge funds that control and speculate with billions of dollars of equity each day in the currency markets.

Individuals – If you have ever traveled to a different country and exchanged your money into a different currency at the airport or bank, you have already participated in the foreign currency exchange market.

Investors – Investment firms who manage large portfolios for their clients use the Fx market to facilitate transactions in foreign securities. For example, an investment manager controlling an international equity portfolio needs to use the Forex market to purchase and sell several currency pairs in order to pay for foreign securities they want to purchase.

Retail Forex traders – Finally, we come to retail Forex traders (you and I). The retail Forex trading industry is growing everyday with the advent of Forex trading platforms and their ease of accessibility on the internet. Retail Forex traders access the market indirectly either through a broker or a bank. There are two main types of retail Forex brokers that provide us with the ability to speculate on the currency market: brokers and dealers. Brokers work as an agent for the trader by trying to find the best price in the market and executing on behalf of the customer. For this, they charge a commission on top of the price obtained in the market. Dealers are also called market makers because they 'make the market' for the trader and act as the counter-party to their transactions, they quote a price they are willing to deal at and are compensated through the spread, which is the difference between the buy and sell price (more on this later).

Advantages of Trading the Forex Market:

• Forex is the largest market in the world, with daily volumes exceeding $3 trillion per day. This means dense liquidity which makes it easy to get in and out of positions.

• Trade whenever you want: There is no opening bell in the Forex market. You can enter or exit a trade whenever you want from Sunday around 5pm EST to Friday around 4pm EST.

• Ease of access: You can fund your trading account with as little as $250 at many retail brokers and begin trading the same day in some cases. Straight through order execution allows you to trade at the click of a mouse.

• Fewer currency pairs to focus on, instead of getting lost trying to analyze thousands of stocks

• Freedom to trade anywhere in the world with the only requirements being a laptop and internet connection.

• Commission-free trading with many retail market makers and overall lower transaction costs than stocks and commodities.

• Volatility allows traders to profit in any market condition and provides for high-probability weekly trading opportunities. Also, there is no structural market bias like the long bias of the stock market, so traders have equal opportunity to profit in rising or falling markets.

While the forex market is clearly a great market to trade, I would note to all beginners that trading carries both the potential for reward and risk. Many people come into the markets thinking only about the reward and ignoring the risks involved, this is the fastest way to lose all of your trading account money. If you want to get started trading the Fx market on the right track, it’s critical that you are aware of and accept the fact that you could lose on any given trade you take.

Part 2: Forex Trading Terminology

Forex Trading Terminology

The Forex market comes with its very own set of terms and jargon. So, before you go any deeper into learning how to trade the Fx market, it's important you understand some of the basic Forex terminology that you will encounter on your trading journey…

• **Basic Forex terms:**

Cross rate - The currency exchange rate between two currencies, both of which are not the official currencies of the country in which the exchange rate quote is given in. This phrase is also sometimes used to refer to currency quotes which do not involve the U.S. dollar, regardless of which country the quote is provided in.

For example, if an exchange rate between the British pound and the Japanese yen was quoted in an American newspaper, this would be considered a cross rate in this context, because neither the pound or the yen is the standard currency of the U.S. However, if the exchange rate between the pound and the U.S. dollar were quoted in that same newspaper, it would not be considered a cross rate because the quote involves the U.S. official currency.

Exchange Rate - The value of one currency expressed in terms of another. For example, if EUR/USD is 1.3200, 1 Euro is worth US$1.3200.

Pip – The smallest increment of price movement a currency can make. Also called point or points. For example, 1 pip for the EUR/USD = 0.0001 and 1 pip for the USD/JPY = 0.01.

Leverage - Leverage is the ability to gear your account into a position greater than your total account margin. For instance, if a trader has $1,000 of margin in his account and he opens a $100,000 position, he leverages his account by 100 times, or 100:1. If he opens a $200,000 position with $1,000 of margin in his account, his leverage is 200 times, or 200:1. Increasing your leverage magnifies both gains and losses.

To calculate the leverage used, divide the total value of your open positions by the total margin balance in your account. For example, if you have $10,000 of margin in your account and you open one standard lot of USD/JPY (100,000 units of the base currency) for $100,000, your leverage ratio is 10:1 ($100,000 / $10,000). If you open one standard lot of EUR/USD for $150,000 (100,000 x EURUSD 1.5000) your leverage ratio is 15:1 ($150,000 / $10,000).

Margin - The deposit required to open or maintain a position. Margin can be either "free" or "used". Used margin is that amount which is being used to maintain an open position, whereas free margin is the amount available to open new positions. With a $1,000 margin balance in your account and a 1% margin requirement to open a position, you can buy or sell a position worth up to a notional $100,000. This allows a trader to leverage his account by up to 100 times or a leverage ratio of 100:1.

If a trader's account falls below the minimum amount required to maintain an open position, he will receive a "margin call" requiring him to either add more money into his or her account or to close the open position. Most brokers will automatically close a trade when the margin balance falls below the amount required to keep it open. The amount required to maintain an open position is dependent on the broker and could be 50% of the original margin required to open the trade.

Spread - The difference between the sell quote and the buy quote or the bid and offer price. For example, if EUR/USD quotes read 1.3200/03, the spread is the difference between 1.3200 and 1.3203, or 3 pips. In order to break even on a trade, a position must move in the direction of the trade by an amount equal to the spread.

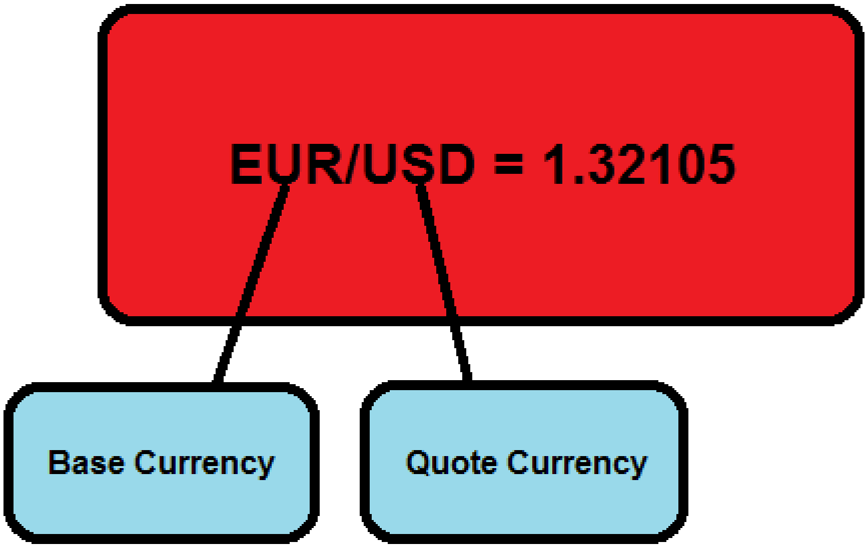
• **The major Forex pairs and their nicknames:**

USD = US Dollar	EUR/USD = "Euro"
EUR = Euro	USD/JPY = "Dollar Yen"
JPY = Japanese Yen	GBP/USD = "Cable" or "Sterling"
GBP = British Pound	USD/CHF = "Swissy"
CHF = Swiss Franc	USD/CAD = "Dollar Canada" (CAD referred to as the "Loonie")
CAD = Canadian Dollar	AUD/USD = "Aussie Dollar"
AUD = Australian Dollar	NZD/USD = "Kiwi"
NZD = New Zealand Dollar	

• **Understanding Forex currency pair quotes:**

You will need to understand how to properly read a currency pair quote before you start trading them. So, let's get started with this:

The exchange rate of two currencies is quoted in a pair, such as the EURUSD or the USDJPY. The reason for this is because in any foreign exchange transaction you are simultaneously buying one currency and selling another. If you were to buy the EURUSD and the euro strengthened against the dollar, you would then be in a profitable trade. Here's an example of a Forex quote for the euro vs. the U.S. dollar:



The first currency in the pair that is located to the left of the slash mark is called the base currency, and the second currency of the pair that's located to the right of the slash market is called the counter or quote currency.

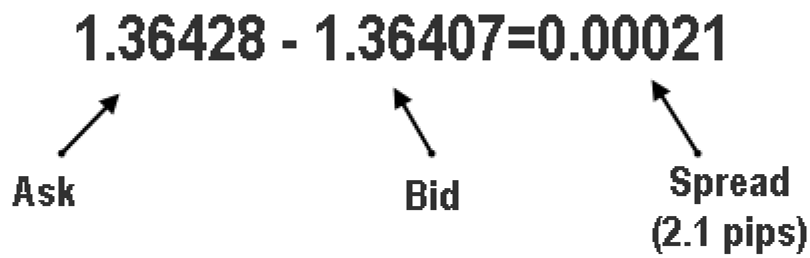
If you buy the EUR/USD (or any other currency pair), the exchange rate tells you how much you need to pay in terms of the quote currency to buy one unit of the base currency. In other words, in the example above, you have to pay 1.32105 U.S. dollars to buy 1 euro.

If you sell the EUR/USD (or any other currency pair), the exchange rate tells you how much of the quote currency you receive for selling one unit of the base currency. In other words, in the example above, you will receive 1.32105 U.S. dollars if you sell 1 euro.

An easy way to think about it is like this: the BASE currency is the BASIS for the trade. So, if you buy the EURUSD you are buying euros (base currency) and selling dollars (quote currency), if you sell the EURUSD you are selling euros (base currency) and buying dollars (quote currency). So, whether you buy or sell a currency pair, it is always based upon the first currency in the pair; the base currency.

The basic point of Forex trading is to buy a currency pair if you think its base currency will appreciate (increase in value) relative to the quote currency. If you think the base currency will depreciate (lose value) relative to the quote currency you would sell the pair.

- **Bid and Ask price**



Bid Price – The bid is the price at which the market (or your broker) will buy a specific currency pair from you. Thus, at the bid price, a trader can sell the base currency to their broker.

Ask Price – The ask price is the price at which the market (or your broker) will sell a specific currency pair to you. Thus, at the ask price you can buy the base currency from your broker.

Bid/Ask Spread – The spread of a currency pair varies between brokers and it is the difference between the bid and ask the price.

Part 3: Long or Short? Order Types And Calculating Profits & Losses

Going long, Going short, Order types, and Calculating Profit & Loss

• Buying and selling

The basic idea of trading the markets is to buy low and sell high or sell high and buy low. I know that probably sounds a little weird to you because you are probably thinking, "how can I sell something that I don't own?" Well, in the Forex market when you sell a currency pair you are actually buying the quote currency (the second currency in the pair) and selling the base currency (the first currency in the pair).

In the case of a non-Forex example though, selling short seems a little confusing, like if you were to sell a stock or commodity. The basic idea here is that your broker lends you the stock or commodity to sell and then you must buy it back later to close the transaction. Essentially, since there is no physical delivery it is possible to sell a security with your broker since you will 'give' it back to them at a later date, hopefully at a lower price.

• Long vs. Short

Another great thing about the Forex market is that you have more of a potential to profit in both rising and falling markets due to the fact that there is no market bias like the bullish bias of stocks. Anyone who has traded for a while knows that the fastest money is made in falling markets, so if you learn to trade both bull and bear markets you will have plenty of opportunities to profit.

LONG – When we go long it means we are buying the market and so we want the market to rise so that we can then sell back our position at a higher price than we bought for. This means we are buying the first currency in the pair and selling the second. So, if we buy the EURUSD and the euro strengthens relative to the U.S. dollar, we will be in a profitable trade.

SHORT – When we go short it means we are selling the market and so we want the market to fall so that we can then buy back our position at a lower price than we sold it for. This means we are selling the first currency in the pair and buying the second. So, if we sell the GBPUSD and the British pound weakens relative to the U.S. dollar, we will be in a profitable trade. (potential arrow image)

• Order types

Now it's time to cover order types. When you execute a trade in the Forex market it is called an ‘order’, there are different order types and they can vary between brokers. All brokers provide some basic order types, there are other ‘special’ order types that are not offered by all brokers though, and we will cover them all below:

Market order – A market order is an order that is placed ‘at the market’ and it’s executed instantly at the best available price.

Limit Entry order – A limit entry order is placed to either buy below the current market price or sell above the current market price. This is a bit tricky to understand at first so let me explain:

If the EURUSD is currently trading at 1.3200 and you want to go sell the market if it reaches 1.3250, you can place a limit sell order and then when / if the market touches 1.3250 it will fill you short. Thus, the limit sell order is placed ABOVE current market price. If you want to buy the EURUSD at 1.3050 and the market is trading at 1.3100, you would place your limit buy order at 1.3050 and then if the market hits that level it will fill you long. Thus the limit buy order is placed BELOW current market price.

Stop Entry order – A stop-entry order is placed to buy above the current market price or sell below it. For example, if you want to trade long but you want to enter on a breakout of a resistance area, you would place your buy stop just above the resistance and you would get filled as price moves up into your stop entry order. The opposite holds true for a sell-stop entry if you want to sell the market.

Stop Loss order – A stop-loss order is an order that is connected to a trade for the purpose of preventing further losses if the price moves beyond a level that you specify. The stop-loss is perhaps the most important order in Forex trading since it gives you the ability to control your risk and limit losses. This order remains in effect until the position is liquidated or you modify or cancel the stop-loss order.

Trailing Stop – The trailing stop-loss order is an order that is connected to a trade like the standard stop-loss, but a trailing stop-loss moves or ‘trails’ the current market price as your trade moves in your favor. You can typically set your trailing stop-loss to trail at a certain distance from current market price, it will not start moving until or unless the price moves greater than the distance you specify. For example, if you set a 50 pip trailing stop on the EURUSD, the stop will not move up until your position is in your favor by 51 pips, and then the stop will only move again if the market moves 51 pips above where your trailing stop is, so this way you can lock in profit as the market moves in your favor while still giving the trade room to grow and breath. Trailing stops are best used in strong trending markets.

Good till Cancelled order (GTC) – A good till cancelled order is exactly what it says…good until you cancel it. If you place a GTC order it will not expire until you manually cancel it. Be careful with these because you don’t want to set a GTC and then forget about it only to have the market fill you a month later in a potentially unfavorable position.

Good for the Day order (GFD) – A good for day order remains active in the market until the end of the trading day, in Forex the trading day ends at 5:00pm EST or New York time. The exact time a GFD expires might vary from broker to broker, so always check with your broker.

One Cancels the Other order (OCO) – A one cancels the other order is essentially two sets of orders; it can consist of two entry orders, two stop loss orders, or two entry and two stop-loss orders. Essentially, when one order is executed the other is cancelled. So, if you want to buy OR sell the EURUSD because you are anticipating a breakout from consolidation but you don't know which way the market will break, you can place a buy entry and stop-loss above the consolidation and a sell entry with stop-loss below the consolidation. If the buy entry gets filled for example, the sell entry and its connected stop loss will both be cancelled instantly. A very handy order to use when you are not sure which direction the market will move but are anticipating a large move.

One Triggers the Other order (OTO) – This order is the opposite of an OCO order, because instead of canceling an order upon filling one, it will trigger another order upon filling one.

- **Lot size / Contract size**

In Forex, positions are quoted in terms of 'lots'. The common nomenclature is 'standard lot', 'mini log', 'micro lot', and 'nano lot'; we can see examples of each of these in the chart below and the number of units they each represent:

Lot	Number of Units
Standard	100,000
Mini	10,000
Micro	1,000
Nano	100

- **How to calculate pip value**

You probably already know that currencies are measured in pips, and one pip is the smallest increment of price movement that a currency can move. To make money from these small increments of price movement, you need to trade larger amounts of a particular currency in order to see any significant gain (or loss). This is where leverage comes into play; if you don't understand leverage totally please go read Part 1 of the course where we discuss it.

So we need to know now how lot size affects the value of one pip. Let's work through a couple examples:

We will assume we are using standard lots, which control 100,000 units per lot. Let's see how this affects pip value.

1) EUR/JPY at an exchange rate of 100.50 (.01 / 100.50) x 100,000 = $9.95 per pip

2) USD/CHF at an exchange rate of 0.9190 (.0001 / .9190) x 100,000 = $10.88 per pip

In currency pairs where the U.S. dollar is the quote currency, one standard lot will always equal $10 per pip, one mini-lot will equal $1 per pip, one micro-lost will equal .10 cents per pip, and a nano-lot is one penny per pip.

• **How to calculate profit and loss**

Now, let's move on to calculating profit and loss:

Let's use a pair without the U.S. dollar as the quote currency since these are the trickier ones:

1) The rate for the USD/CHF is currently quoted at 0.9191 / 0.9195. Let's say we are looking to sell the USD/CHF, this means we will be working with the 'bid' price of 0.9191, or the rate at which the market is prepared to buy from you.

2) You then sell 1 standard lot (100,000 units) at 0.9191

3) A couple of days later the price moves to 0.9091 / 0.9095 and you decide to take your profit of 96 pips, but what dollar amount is that??

4) The new quote price for the USD/CHF is 0.9091 / 0.9095. Since you are now closing the trade you are working with the 'ask' price since you are going to buy the currency pair to offset the sell order you previously initiated. So, since the 'ask' price is now 0.9095, this is the price the market is willing to sell the currency pair to you, or the price that you can buy it back at (since you initially sold it).

5) The difference between the price you sold at (0.9191) and the price you want to buy back at (0.9095) is 0.0096, or 96 pips.

6) Using the formula from above, we now have (.0001 / 0.9095) x 100,000 = $10.99 per pip x 96 pips = $1055.04

For currency pairs where the U.S. dollar is the quote currency, calculating profit or loss is pretty simple really. You simply take the number of pips you gained or lost and multiple that by the dollar per pip you are trading, here's an example:

Let's say you trade the EURUSD and you buy it at 1.3200 but the price moves down and hits your stop at 1.3100….you just lost 100 pips.

If you are trading 1 standard lot you would have lost $1,000 because 1 standard lot of pairs with the U.S. dollars as the quote currency = $10 per pip, and $10 per pip x 100 pips = $1,000

If you had traded 1 mini-lot you would have lost $100 since 1 mini-lot of USD quote pairs is equal to $1 per pip and $1 x 100 pips = $100

Always remember: when you enter or exit a trade you have to deal with the spread of the bid/ask price. Thus, when you buy a currency you will use the ask price and when you sell a currency you use the bid price.

Part 4: What is Professional Forex Trading?

• What is a professional Forex trader?

A professional Forex trader is someone who uses price movement in the Foreign exchange currency market to make profit. The aim of any Forex trader is to win as many trades as possible and also to maximize those winning trades. A professional Forex chart technician uses price charts to analyze and trade the market. By trading with an EDGE in the market, professional traders can put the odds in their favor to successfully trade price movement from point A to point B.

Caution: Forex trading is not a 'get-rich-quick' scheme and it is more difficult to make money in Forex than what most popular Forex system-selling websites would have you believe. To trade profitably we must not only have winning trades, but we must also cut our losing trades short so that our winners out-pace our losers. You see, losing is an enviable part of trading the Forex markets, and you must learn to lose properly by taking small losses relative to your winners. This means you must A L W A Y S trade with a stop loss on E V E R Y trade you take and make sure the dollar amount you have at risk is an amount you are 100% comfortable with losing.

Professional Forex price-chart traders have a winning edge which is developed via Technical Analysis (more on this in Part 4). There are also Fundamental Analysis traders and traders who use a combination of both analysis techniques; we will discuss all of these later.

A professional Forex trader understands that reading a price chart is both art and skill, and as such, they do not try to mechanize or automate the process of trading as each moment in the market is unique, so it takes a flexible and dynamic trading strategy to trade the markets with a high-probability edge.

• How do pro traders trade the Forex markets?

There are many different trading strategies and systems that pro traders use to trade the markets with, but generally speaking, professional traders do not use overly-complicated trading methods and rely mainly on the raw price data of the market to make their analysis and predictions. To be comprehensive, I wanted to give you guys a brief overview of all the primary different styles and ways people trade the Forex market:

Automated / Robot Trading: Software-based trading systems, also known as forex trading robots, are created by converting a set of trading rules into code that a computer can make use of. The computer will then run this code via trading software that scans the markets for trades that meet the requirements of the trading rules contained in the code. The trades are then executed automatically via the trader's broker.

Discretionary Trading: Discretionary Forex trading depends on a trader's 'gut' trading feel or discretionary trading skill to analyze and trade the markets. Discretionary trading allows for a more flexible approach than automated trading but it does take a certain amount of time to develop your discretionary trading skill. Most professional Forex traders are discretionary traders because they understand the market is a dynamic and constantly flowing entity that is best traded by the human mind.

Technical Trading: Technical trading, or technical analysis, involved analysis of a market's price chart for making one's trading decisions. Technical analysis traders use price patterns or 'technical signals' to trade the market with an edge. The common belief amongst technical analysis traders is that all economic variables are represented by and factored into the price movement on a price chart.

Fundamental Trading: Fundamental trading, or news trading, is a trading technique wherein traders rely heavily on market news to make their trading analysis and predictions. Fundamental news does 'drive' price movement, but often times the market will react differently than what a particular news release would imply due to the fact that market participants often buy on expectations of future events and sell once the reality of said future event occurs. This is another main reason many pro traders rely more heavily on technical analysis than fundamental analysis, although many do use a combination of the two.

Day Trading: Traders who day-trade the Forex market are in and out of the market within one day. This means they typically buy and sell currencies over a very short period of time and they may enter and exit numerous trades in one day.

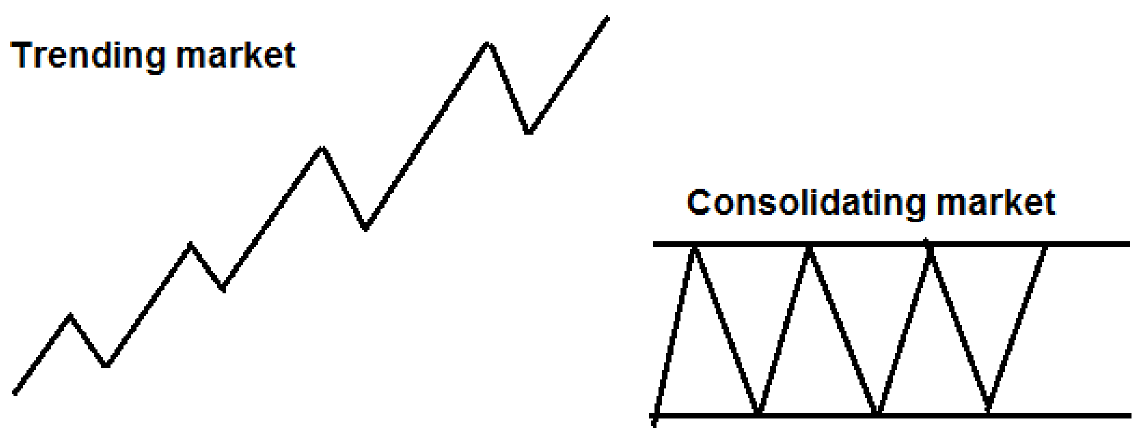
Scalping: Scalping is similar to day-trading but it relies on more frequent and shorter-term trades than even day-trading does. It is a trading style that refers to jumping in and out of the market many times a day to 'scalp' a few pips here and a few pips there, generally with little regard for placing logical stop-losses. Scalping is generally not recommended by experienced / pro traders because it is essentially just gambling.

Swing Trading / Position Trading: This style of trading involves taking a short to mid-term view on the market and traders who swing trade will be in a trade anywhere from a few hours to several days or weeks. Swing or position traders are generally looking to trade with the near-term daily chart momentum and typically enter anywhere from 2 to 10 trades per month, on average.

Range Trading: Range trading involves trading a market that is consolidating between obvious support and resistance levels. By watching for trading signals near the support and resistance boundaries of the trading range, traders have a high-probability entry scenario with obvious risk and reward placement.

Trend Trading: Trend traders are traders who wait for the market to trend and then take advantage of this high-probability movement by looking for entries within the trend. An uptrend is considered to be in place when a market is making higher highs and higher lows, and a downtrend is in place when a market is making lower highs and lower lows. By looking for entries within a trending market, traders have the best chance at making a large profit on their risk. Traders who continually try to trade against the trend by trying to pick the top and bottom of the market, generally lose money quite quickly. Professional Fx traders are largely trend-traders.

Counter-trend Trading: Trends do indeed end, and if you are a savvy and skilled trader you can successful trade a counter-trend move, but this should not be tried until trend-trading has been mastered as counter-trend trading is inherently more risky than trend-trading and there can be many false tops or bottoms in a trend before the real one emerges.



Carry Trading: Carry trading, or simply 'the carry trade' as it is called, is the strategy of simply buying a high interest-rate currency against a low interest-rate currency and holding the position for what is usually a long period of time. Forex brokers will pay traders the interest rate difference, or 'swap', between the two currencies for each day the position is held. The trick here is that higher-yielding currencies are susceptible to large sell-offs if the market loses risk appetite since these currencies are generally considered riskier than safe-haven currencies like the U.S. dollar or Japanese yen, so it's a good idea to trail your stop loss up to lock in profit as the carry trade moves in your favor.

• **Professional Forex traders vs. amateur Forex traders**

Professional Forex trading might seem like something of an elusive or difficult goal for those of you struggling to trade profitably or just beginning to trade. But, there are a few key differences between pro traders and amateur traders that you should be aware of to help you improve your trading or get started on the right track if you are a newbie:

Professional Forex Traders:	**Amateur Forex Traders:**
Have mastered an effective trading strategy	Have not mastered an effective trading strategy
Have and use a Forex trading plan	Don't have a trading plan and / or don't use one
Have and use a Forex trading journal	Don't have a trading journal and / or don't use one
Manage risk effectively on EVERY trade	Don't manage their risk or money effectively
Do not become emotional before, during or after a trade	Often become emotional in the markets
Take or lock in profits as they become available	Hold profitable trades until they turn into losers
Never lose more than they are comfortable with per trade	Often lose more than they are comfortable with
Don't over-trade	Often over-trade

• **The important role of Banks in Forex trading**

Banks play a very important role in FOREX trading. In fact, most of the market plays against larger banks, hedge funds and big-money players. Commercial banks (such as Deutsche Bank and Barclays) provide liquidity to the Forex market due to the trading volume they handle every day. Some of this trading represents foreign currency conversions on behalf of customers' needs while some is carried out by the banks' proprietary trading desk for speculative purpose. The bottom line is that we retail Forex traders are small change compared to the bigger players like commercial banks, hedge funds, and other big players. We can profit from the moves these big players cause in the market by finding our own edge in the market and trading it with discipline.

Part 5: What is Fundamental Analysis?

What is Fundamental Analysis?

• Fundamental Analysis

Fundamental analysis is the study of how global economic news and other news events affect financial markets. Fundamental analysis encompasses any news event, social force, economic announcement, Federal policy change, company earnings and news, and perhaps the most important piece of Fundamental data applicable to the Forex market, which is a country's interest rates and interest rate policy.

The idea behind fundamental analysis is that if a country's current or future economic picture is strong, their currency should strengthen. A strong economy attracts foreign investment and businesses, and this means foreigners must purchase a country's currency to invest or start a business there. So, essentially, it all boils down to supply and demand; a country with a strong and growing economy will experience stronger demand for their currency, which will work to lessen supply and drive up the value of the currency.

For example, if the Australian economy is gaining strength, the Australian dollar will increase in value relative to other currencies. One main reason a country's currency becomes more valuable as its economy grows and strengthens is because a country will typically raise interest rates to control growth and inflation. Higher interest rates are attractive to foreign investors and as a result they will need to buy Aussie dollars in order to invest in Australia, this of course will drive up the demand and price of the currency and lessen the supply of it.

• Major economic events in Forex

Now, let's quickly go over some of the most important economic events that drive Forex price movement. This is just to familiarize you with some more of the jargon that you will likely come across on your Forex journey, you don't need to worry too much about these economic events besides being aware of the times they are released each month, which can be found each day in my Forex trade setups commentary.

Gross Domestic Product (GDP)

The GDP report is one of the most important of all economic indicators. It is the biggest measure of the overall state of the economy. The GDP number is released at 8:30 am EST on the last day of each quarter and it reflects the previous quarter's activity. The GDP is the aggregate (total) monetary value of all the goods and services produced by the entire economy during the quarter being measured; this does not include international activity however. The growth rate of GDP is the important number to look for.

Trade Balance

Trade balance is a measure of the difference between imports and exports of tangible goods and services. The level of a country's trade balance and changes in exports vs. imports is widely followed and an important indicator of a country's overall economic strength. It's better to have more exports than imports, as exports help grow a country's economy and reflect the overall health of its manufacturing sector.

Consumer Price Index (CPI)

The CPI report is the most widely used measure of inflation. This report is released at 8:30 am EST around the 15th of each month and it reflects the previous month's data. CPI measures the change in the cost of a bundle of consumer goods and services from month to month.

The Producer Price Index (PPI) Along with the CPI, the PPI is one of the two most important measures of inflation. This report is released at 8:30 am EST during the second full week of each month and it reflects the previous month's data. The producer price index measures the price of goods at the wholesale level. So to contrast with CPI, the PPI measures how much producers are receiving for the goods while CPI measures the cost paid by consumers for goods.

Employment Indicators

The most important employment announcement occurs on the first Friday of every month at 8:30 am EST. This announcement includes the unemployment rate; which is the percentage of the work force that is unemployed, the number of new jobs created, the average hours worked per week, and average hourly earnings. This report often results in significant market movement. You will often hear traders and analysts talking about "NFP", this means Non-Farm Employment report, and it is perhaps the one report each month that has the greatest power to move the markets.

Durable Goods Orders

The durable goods orders report gives a measurement of how much people are spending on longer-term purchases, these are defined as products that are expected to last more than three years. The report is released at 8:30 am EST around the 26th of each month and is believed to provide some insight into the future of the manufacturing industry.

Retail Sales Index

The Retail Sales Index measures goods sold within the retail industry, from large chains to smaller local stores, it takes a sampling of a set of retail stores across the country. The Retail Sales Index is released at 8:30 am EST around the 12th of the month; it reflects data from the previous month. This report is often revised fairly significantly after the final numbers come out.

Housing Data

Housing data includes the number of new homes that a country began building that month as well as existing home sales. Residential construction activity is a major cause of economic stimulus for a country and so it's widely followed by Forex participants. Existing home sales are a good measure of economic strength of a country as well; low existing home sales and low new home starts are typically a sign of a sluggish or weak economy.

Interest Rates

Interest rates are the main driver in Forex markets; all of the above mentioned economic indicators are closely watched by the Federal Open Market Committee in order to gauge the overall health of the economy. The Fed can use the tools at its disposable to lower, raise, or leave interest rates unchanged, depending on the evidence it has gathered on the health of the economy. So while interest rates are the main driver of Forex price action, all of the above economic indicators are also very important.

- **Technical Analysis VS. Fundamental Analysis**

Technical analysis and Fundamental analysis are the two main schools of thought in trading and investing in financial markets. Technical analysts look at the price movement of a market and use this information to make predictions about its future price direction. Fundamental analysts look at economic news, also known as fundamentals. Now, since nearly any global news event can have an impact on world financial markets, technically any news event can be economic news. This is an important point that I want to make which many fundamental analysts seem to ignore…

One of the main reasons why I and all of my members prefer to trade primarily with technical analysis is because there are literally millions of different variables in the world that can affect financial markets at any one time. Now, Forex is more affected by macro events like a country's interest rate policy or GDP numbers, but other major news events like wars or natural disasters can also cause the Forex market to move. Thus, since I and many others believe that all of these world events are factored into price and readily visible by analyzing it, there is simply no reason to try and follow all the economic news events that occur each day, in order to trade the markets.

One of the main arguments that I have read that fundamental analysts have against technical analysts is that past price data cannot predict or help predict future price movement, and instead you must use future or impending news (fundamentals) to predict the price movement of a market. So, I thought it would be a good idea to give my response to these two arguments against technical analysis:

1) If fundamental analysts want to try and tell me that past price data is not important, then I would like them to explain to me why horizontal levels of support and resistance are clearly significant. I would also like to ask them how myself and many other price action traders can successfully trade the markets by learning to trade off of a handful of simple yet powerfully predictive price action signals:

Looking at the daily spot Gold chart above, we can clearly see that support and resistance levels are important to watch. Any Fundamental analyst, who wants to say that charts don't matter, is simply wrong, and you will come to this conclusion on your own when you spend more time studying some price charts.

2) The next argument that Fundamental analysts use is that you can more accurately predict a market's price movement by analyze impending forex news events. Well, anyone who has traded for any length of time knows that markets often and usually react opposite to what an impending news event implies. Are there times when the market moves in the direction implied by a news event? Yes, absolutely, but is it something you can build a trading strategy and trading plan around? No.

The reason is that markets operate on expectations of the future. This is actually an accepted fact of trading and investing, so it's a little strange to me that some people still ignore technical analysis or don't primarily focus on it when analyzing and trading the markets. Let me explain: if Non-farm payrolls is coming out (the most important economic report each month, released in the U.S.) and the market is expecting 100,000 more jobs added last month, the market will likely already have moved in anticipation of this number. So, if the actual number is 100,000 even, the market will probably move lower, instead of higher…since there were not MORE added jobs than expected. So, while 100,000 new jobs might be a good number, the fact that the actual report did not exceed expectations is bad for traders and investors (can you see how this junk gets confusing now? I almost confused myself writing this…).

AND NOW FOR MY FINAL POINT: Since all of the preceding expectations of a news release have already been carried out and are visible on the price chart, why not just analyze and learn to trade off the price action on the price chart?? What a novel idea! You see, even after the news is released we can still use technical analysis to trade the price movement, so really technical analysis is the clearest, most practical, and most useful way to analyze and trade the markets. Am I saying there is no room for Fundamental analysis in a Forex trader's tool box? Absolutely not. But, what I am saying is that it should be viewed and used as a compliment to technical analysis and it should be used sparingly, when in doubt consult the charts and read the price action, only use Fundamentals to support your Technical view or out of pure curiosity, never rely solely on Fundamentals to predict or trade the markets.

Part 6: What is Price Action Trading Analysis?

What is Price Action Analysis?

My definition of Price Action Analysis: Price action analysis is the analysis of the price movement of a market over time. By learning to read the price action of a market, we can determine a market's directional bias as well as trade from reoccurring price action patterns or price action setups that reflect changes or continuations in market sentiment.

In simpler terms: Price action analysis is the use of the natural or "raw" price movement of a market to analyze and trade it. This means, you are making all of your trading decisions based purely on the price bars on a "naked" or indicator-free price chart.

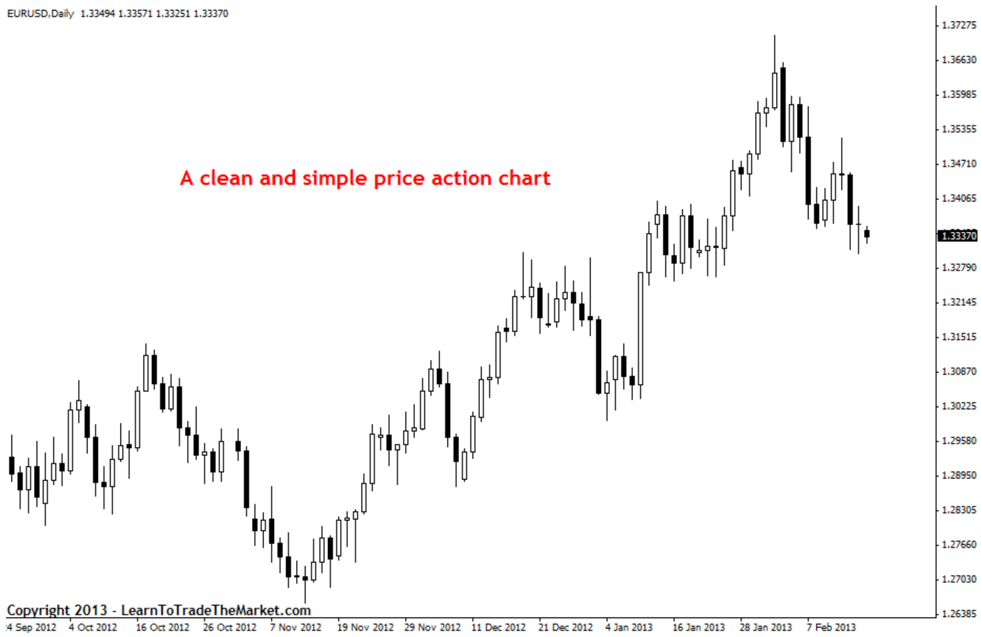
All economic variables create price movement which can be easily seen on a market's price chart. Whether an economic variable is filtered down through a human trader or a computer trader, the movement that it creates in the market will be easily visible on a price chart. Therefore, instead of trying to analyze a million economic variables each day (this is impossible obviously), you can simply learn to trade from price action analysis because this style of trading allows you to easily analyze and make use of all market variables by simply reading and trading off of the price action created by said market variables.

- **How do you apply price action analysis to the Forex market?**

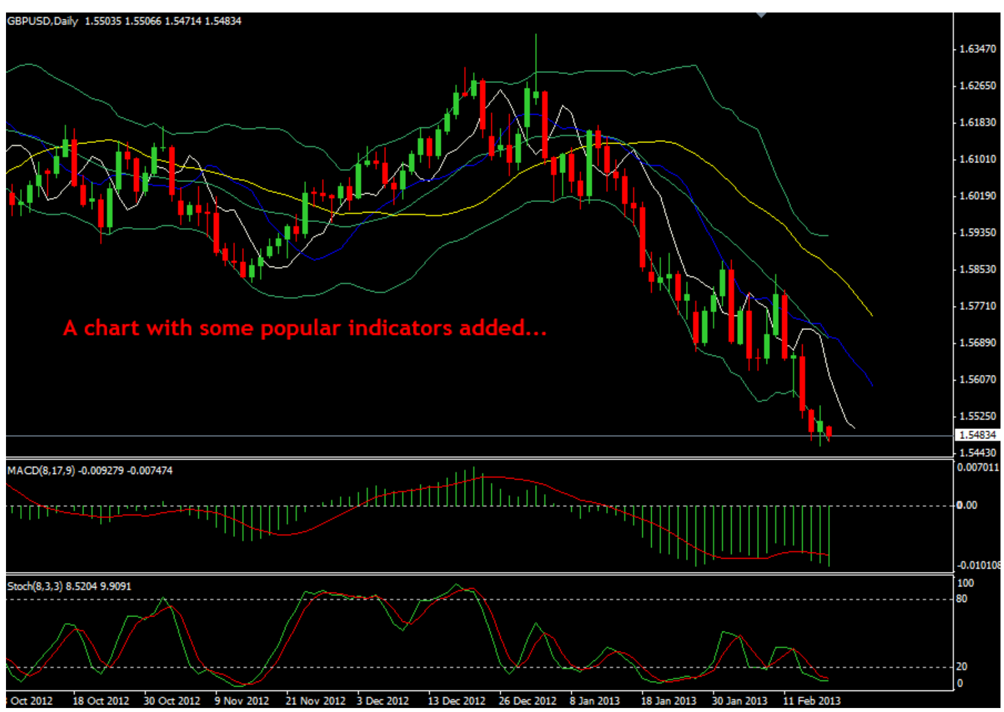
First, I want to say that price action analysis can be used to trade any financial market, since it simply makes use of the "core" price data of the market. However, my personal favorite market to trade is the Forex market, mainly due to its deep liquidity which makes it easy to enter and exit the market, and also because the Forex market tends to have better trending conditions as well as more volatility which makes for better directional trading and allows price action trading to really shine.

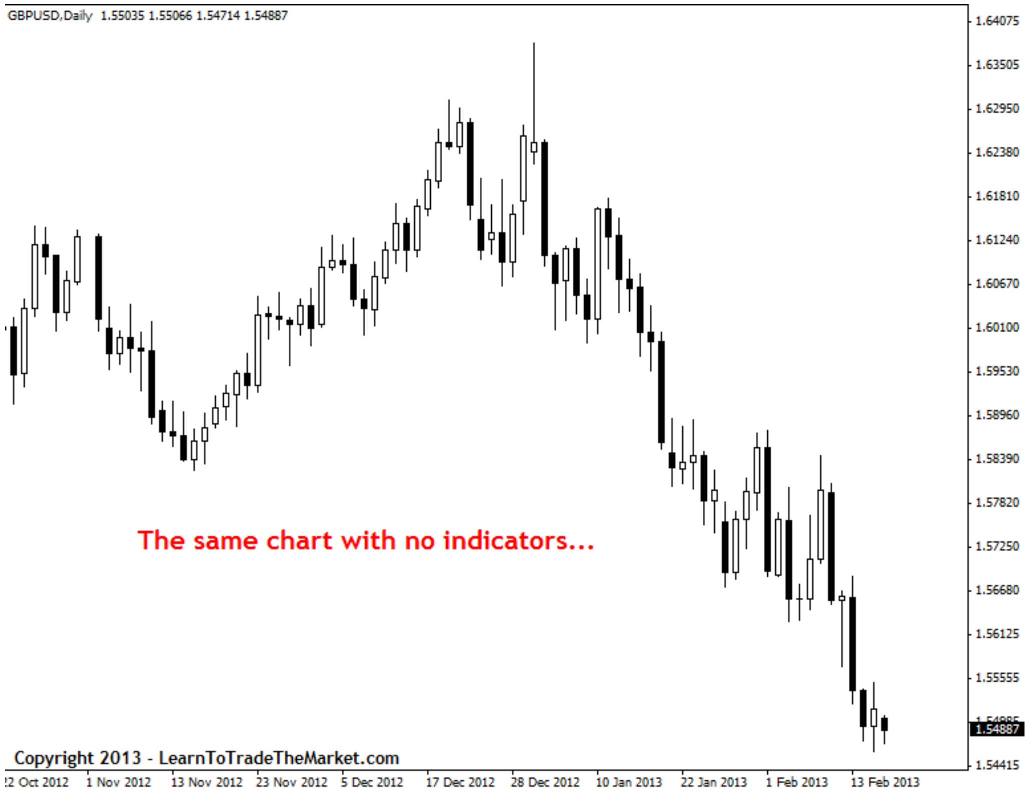
My own personal approach to trading and teaching price action trading is that you can trade effectively from a few time-tested price action setups. There really is no need to try and trade from 25 different price patterns, the Forex market moves in a relatively predictable fashion most of the time, so all we need is a handful of effective price action entry setups to give us a good chance at finding and entering high-probability trades.

The first thing you need to do to apply price action to the Forex market, is to strip your charts of all indicators and get a "clean" price chart with only the price bars in a color you like. I choose simple black and white or blue and red for my colors, but you can pick whichever colors you like (Part 7 will cover an introduction to charting). Here's an example of my daily chart setup on the EURUSD:



Now, let's look at an example of a clean and simple price chart next to a price chart covered with some of the most popular indicators that many traders use. I want you to look at these two charts and think about which one seems easier and more logical to trade off of:





From looking at the two charts above, you will probably agree that it seems a little silly to hide the natural price action of a market with messy and confusing indicators. All indicators are derived from price movement anyways, so if we have a solid method to trade based only on price movement (price action analysis), it only makes sense that we would use that instead of trying to analyze messy secondary data.

• **What is a price action trading signal?**

Next, let's discuss how we can use price action analysis to find entries into the Forex market from a raw price chart. As a result of years of trading the markets I have boiled down all I have learned into my own unique method of trading with price action. This method consists of a handful of very specific price action entry triggers that can provide you with a high-probability entry into the market. Essentially, what we are looking for is reoccurring price patterns that tell us something about what the market might do in the near future.

For purposes of brevity and out of respect for my paid members, I won't give away all of my trading strategies and entry triggers here, but you can learn more about the trading strategies that I teach in my trading course. In the chart below, we are going to look at a particularly good price action signal for trading with trends; the inside bar strategy.

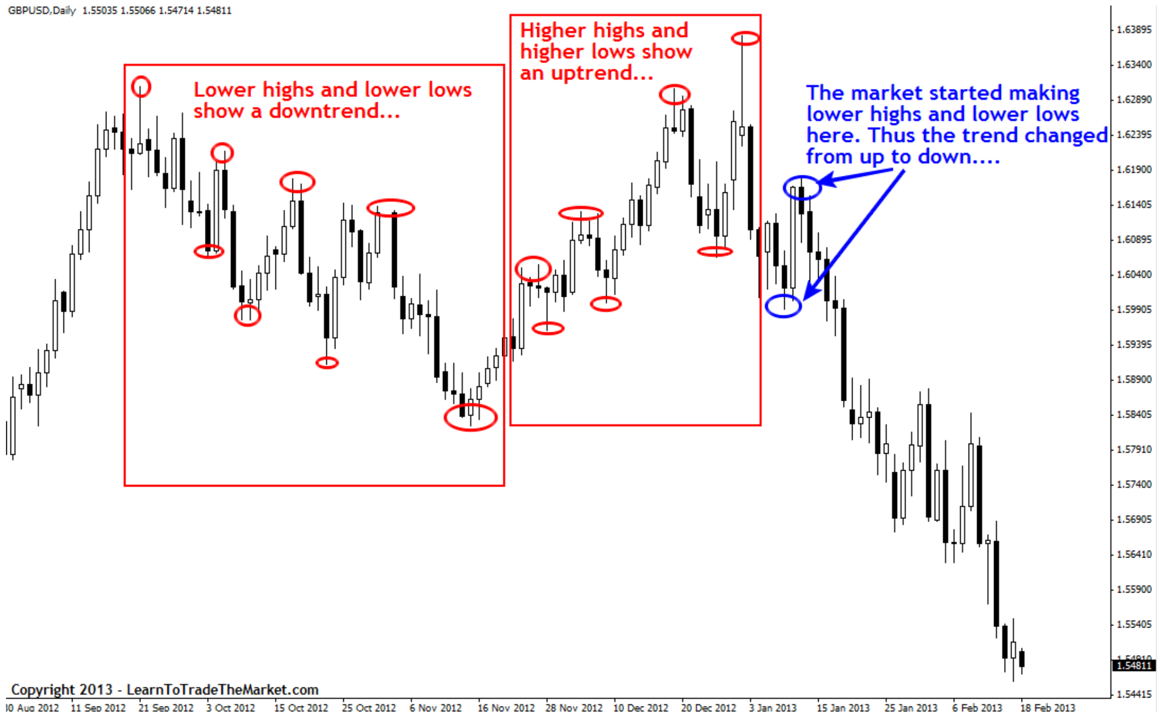
In the example chart below, we can see one price action trading signal that I like to

use in trending markets; the inside bar setup:

• **How to use price action analysis to determine a market's trend**

You will probably come across many different indicators designed to tell you what the trend of a market is. However, the most time-tested and trusted way for determining a market's trend is simply to look at the daily charts and analyze the market's price action. To identify a downtrend, we look for patterns of lower highs and lower lows, sometimes annotated by "LH and LL". To identify an uptrend, we look for patterns of higher highs and higher lows, sometimes annotated by "HH and HL".

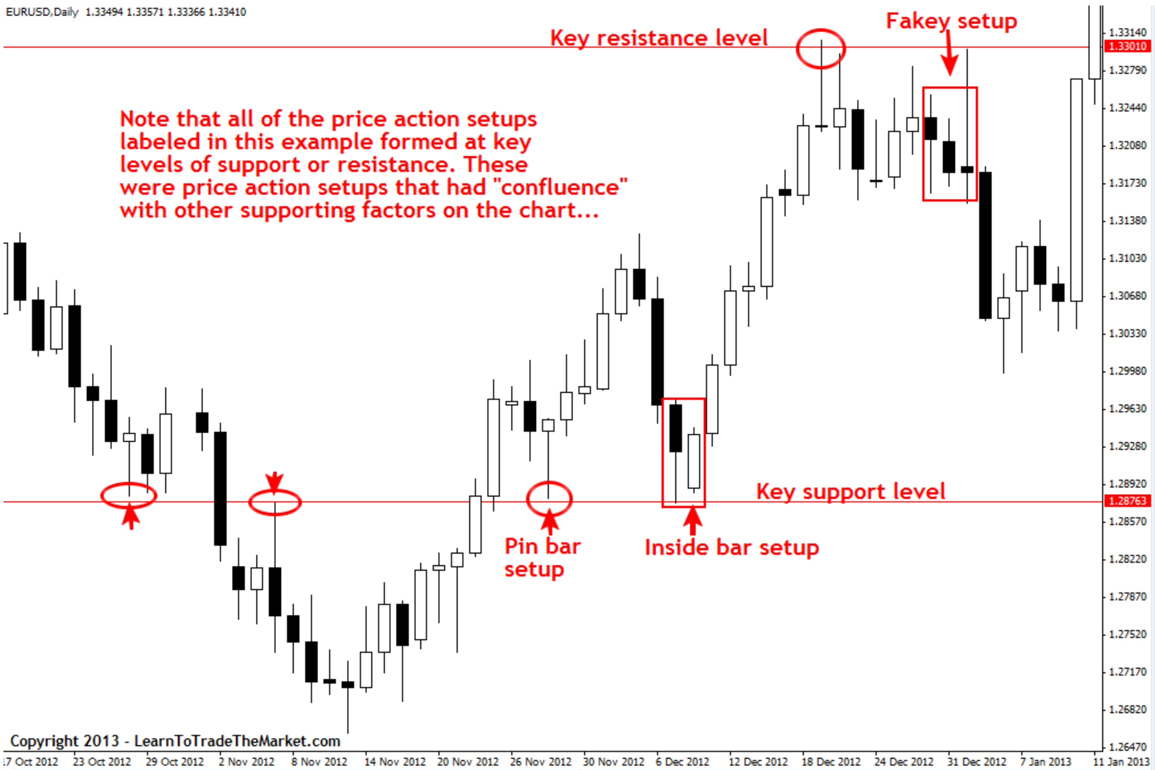
In the example chart below, we can see examples of a downtrend, an uptrend and an uptrend changing to a downtrend:



• Where and when should you trade a price action signal?

In my trading course I focus heavily on teaching my members how to trade with "confluence". When I say "trading with confluence" I am basically referring to looking for areas or levels in the market that are clearly significant. Confluence means when things come together or intersect. Thus, when we are looking to "trade with confluence" we are trying to put together an obvious price action signal with a significant level in the market. There are different factors of confluence that we can watch for, but in the chart below I am showing you price action setups that formed at key support and resistance levels in the market; support and resistance are each a factor of confluence. Note, I have shown you two more price action setups in the chart below; the pin bar strategy and the fakey trading signal.

In the example chart below, we are looking how to trade price action setups from confluent levels in the market:



In closing…

This lesson gave you a basic overview of what price action analysis is and how to use it in the markets. From here, you should proceed to the next part of this beginner's course and continue learning about Forex and price action trading. As always, if you have any questions about trading just email me here, and if you want to learn more about how to trade with price action then checkout my price action trading course for more info.

Part 7: Introduction to Forex Charting

Introduction to Forex Charting

This part of the course is going to give you a brief overview of the three primary types of charts that you will run across in your Forex trading journey. The chart type that I use, and that my members use, is candlestick charts, I feel forex candlestick charts do the best job at showing the price dynamics in a market, since their design helps you to visualize the "force", or lack thereof, that a particular price movement exhibited. So, let's go over the three main types of charts that you will likely see as you trade the markets:

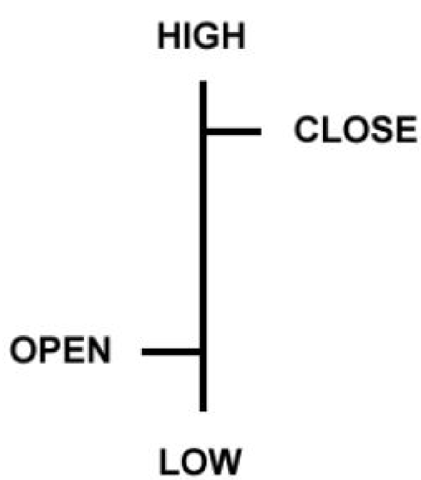
• **Line charts**

Line charts are good at giving you a quick view of overall market trend as well as support and resistance levels. They are not really practical to trade off of because you can't see the individual price bars, but if you want to see the trend of the market in a clear manner, you should check out the line charts of your favorite markets from time to time.

Line charts are made by connecting a line from the high price of one period to the high price of the next, low-to-low, open-to-open, or close-to-close. By far, line charts that show a connection from one closing price to the next are the most useful and the most widely used; this is because the closing price of a market is deemed the most important, since it determines who won the battle between the bulls and the bears for that time period. Let's look at an example of a daily line chart of the EURUSD:

• **Bar charts**

A bar chart shows us a price bar for each period of time. So if you are looking at a daily chart you will see a price bar for each day, a 4 hour chart will show you one price bar for each 4 hour period of time…etc. An individual price bar gives us four pieces of information that we can use to help us make our trading decisions: The open, high, low, and close, you will sometimes see bar charts called OHLC charts (open, high, low, close charts), here's an example of one price bar:

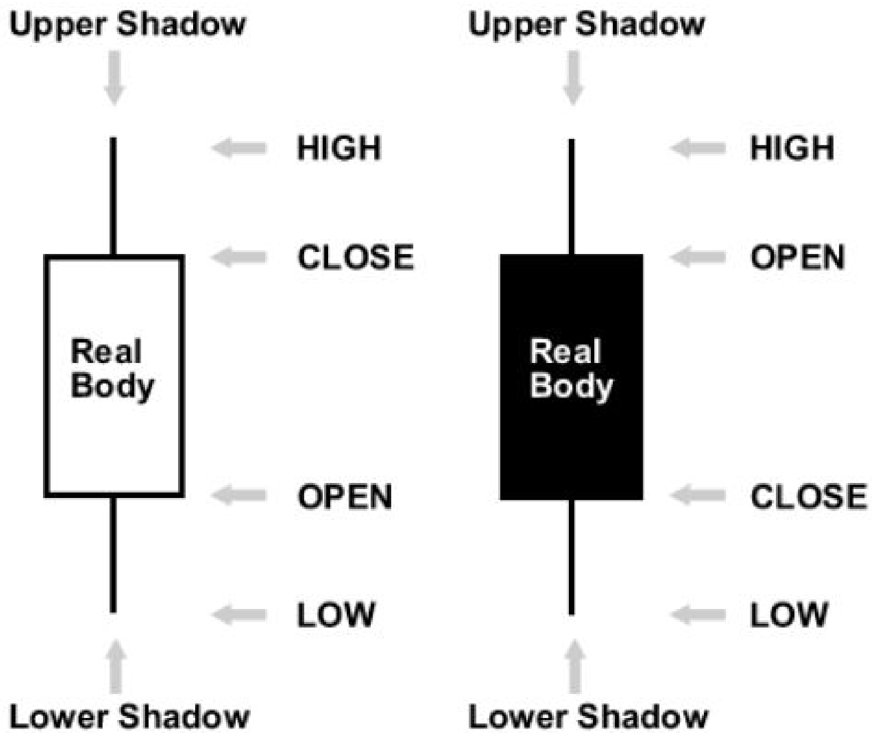


Here's an example of the same EURUSD chart we used for the line chart example but as a bar chart:

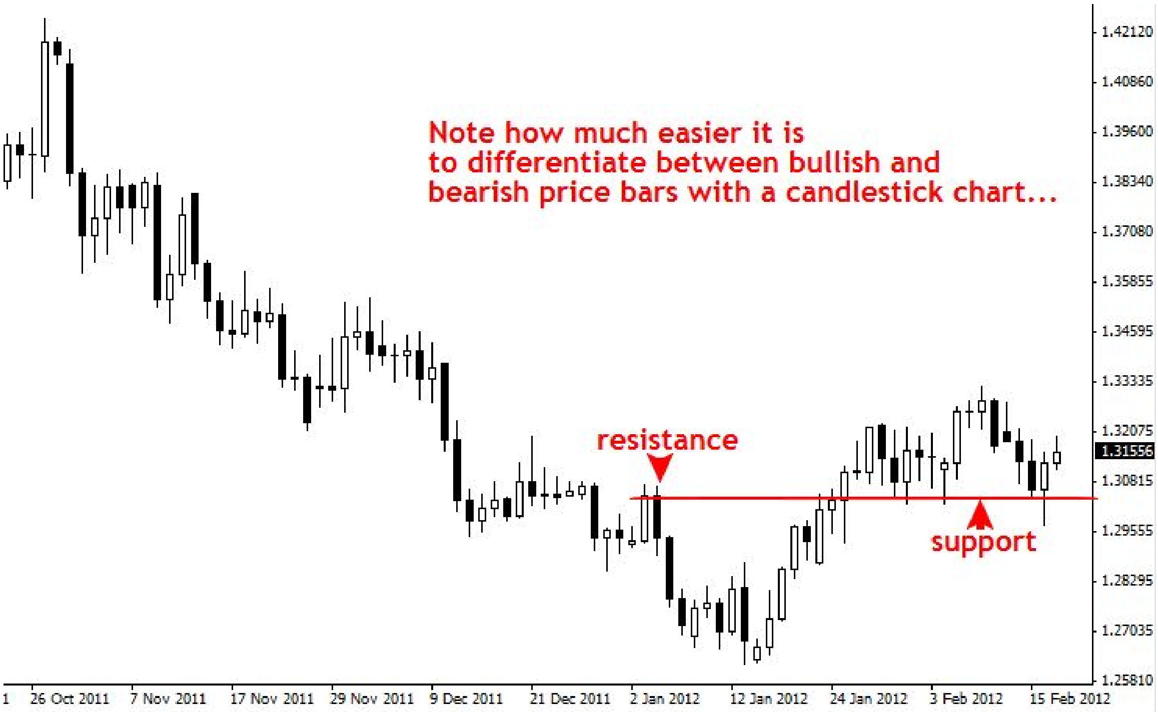
• Candlestick charts

Candlestick charts show the same information as a bar chart but in a graphical format that is more fun to look at. Candlestick charts indicate the high and low of the given time period just as bar charts do, with a vertical line. The top vertical line is called the upper shadow while the bottom vertical line is called the lower shadow; you might also see the upper and lower shadows referred to as "wicks". The main difference lies in how candlestick charts display the opening and closing price. The large block in the middle of the candlestick indicates the range between the opening and closing price. Traditionally this block is called the "real body".

Generally if the real body is filled in, or darker in color the currency closed lower than it opened, and if the real body is left unfilled, or usually a lighter color, the currency closed higher than it opened. For example, if the real body is white or another light color, the top of the real body likely indicates the close price and the bottom of the real body indicates the open price. If the real body is black or another dark color, the top of the real body likely indicates the open price and the bottom indicates the close price (I used the word "likely" since you can make the real body whatever color you want). This will all become clear with an illustration:



Now, here's the same EURUSD daily chart that I showed you in line and bar form, as a candlestick chart. Note that I have made the candles black and white, you can pick whatever colors you want, just make sure they are friendly to your eye but also that they convey bullish and bearishness to you. Bullish candles are the white ones (close higher than open) and bearish candles are the black ones (close lower than open):



Candlestick charts are the most popular of all three major chart forms, and as such, they are the type you will see most often as you trade, and they are also the type I recommend you use when you learn and trade with price action strategies. I use candlestick charts in my Forex trading course, and I recommended all my members use them when posting up charts in the members' forum, because their visual pleasantness and simplicity make it easier for everyone to learn from. **To download the same forex charts that myself and my students use visit the** Forex Chart Platform Download Page Here.

Part 8: What Is A Forex Trading Strategy?

What Is A Forex Trading Strategy?

There are many different Forex trading strategies. However, there are some basics of reading a price chart that you need to know before you can move on to learning any one strategy in-depth. Let's cover the basic building blocks of trading the Forex market from a technical analysis approach:

• **Support and Resistance levels – How to identify and plot them**

Support levels are created as a market turns higher. So, if a market is moving lower for example and it then changes direction and begins moving higher, it either has created a level of support or bounced off a previously existing level of support.

Resistance levels are created as a market turns lower. So, if a market is moving higher for example, and it then changed direction and beings moving lower, it either has created a level of resistance or bounced off a previously existing level of resistance:

Identifying and plotting support and resistance levels is by no means an exact science. Instead, it requires the use of the discerning human eye and a little bit of brain power…don't be worried though, it's really not that difficult to become proficient and confident in drawing support and resistance levels on your charts.

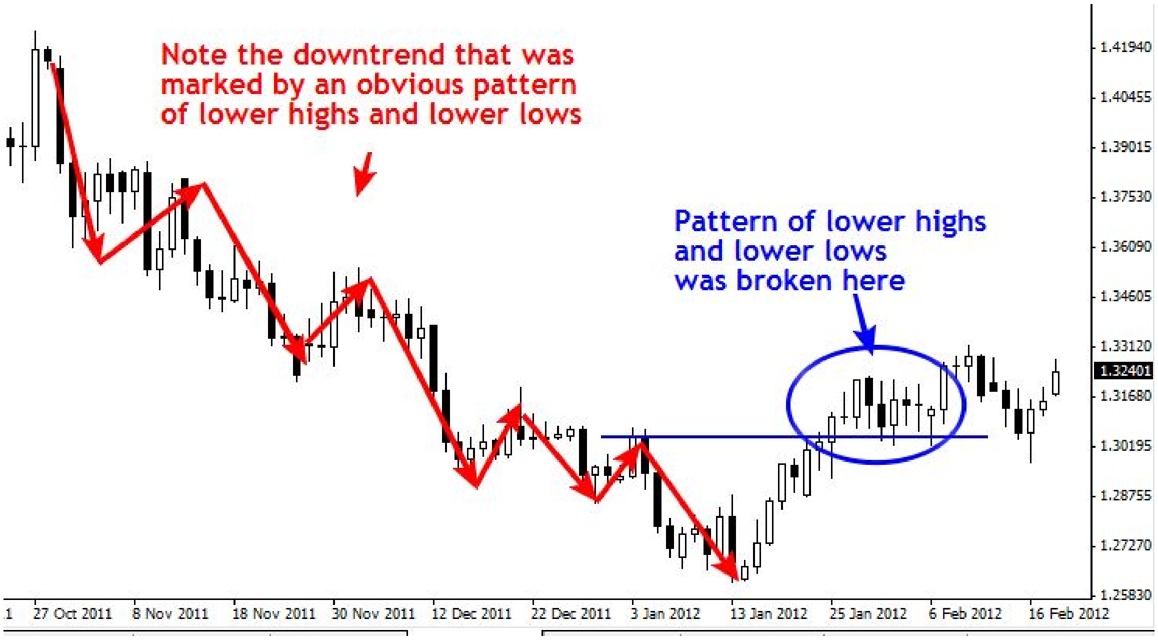
In the chart below, we can see the daily GBPUSD chart, with all the relevant support and resistance levels drawn in:

Now, one important point that I want you to know about support and resistance levels is that they are not concrete. Many traders seem to think support and resistance levels are concrete and that they should never trade a setup if there is a support or resistance level close by, this can result in them getting analysis paralysis and never entering a trade. While it is true that you need to take into consideration the key support and resistance levels in the market, you also need to look at the overall market condition. You see, in trending markets, support and resistance levels will often be broken by the trend momentum; so don't be afraid of support and resistance levels, as they will often break. Instead, watch these levels for trading signals. You see, when a Forex trading signal like a price action setup forms at a key support or resistance level, it is a very high-probability even to take notice of.

• **Trend trading**

Trending markets offer us the best opportunity to profit, since the market is clearly moving in one general direction; we can use this information to our advantage by looking to enter the market in the direction of the trend.

An uptrend is marked by a series of higher highs and higher lows, and a downtrend is marked by a series of lower highs and lower lows. Note that trends do end, as we can see in the daily EURUSD chart below, the downtrend has come to an end recently after the pattern of lower highs and lower lows was broken…



I like to trade with the near-term daily trend by looking for high-probability price action strategies forming within the structure of the market trend. What I mean by this is essentially looking for price action setups forming near support as a market rotates lower in an uptrend and near resistance as a market rotates higher in a downtrend. Markets ebb and flow, and if you can learn to take advantage of trending markets, you will have a very good shot at becoming a profitable Forex trader:

• **Counter-trend trading**

Since trends do end, we can also take advantage of this information. However, counter-trend trading is inherently riskier and more difficult than trading with the trend, so it should only be attempted after you have fully mastered trading with the trend. Some of the things to look for in a good counter-trend signal is a price action pattern or setup forming at a very obvious and 'key' support or resistance level on the daily chart, see here:

• Range-bound market trading

When a market is in a trading range it means that it is consolidating between a level of support and resistance. We can use the fact that a market is bouncing between support and resistance to our advantage. As the market approaches the support or resistance boundary of the trading range, we have a high-probability entry level, since risk is clearly defined just above or below the resistance or support of the range. When trading price action in trading ranges, you can watch for obvious price action setups forming near the boundaries of the range, see here:

· Forex candlestick charts and patterns

We discussed Forex charts in Part 7, but as they are very important to the way that I trade and teach price action, I wanted to give them a little more time. I have previously written an excellent tutorial on Forex candlestick charts that you can check out here: Forex candlestick charts

It's important to understand that candlestick patterns have certain terminology all to their self that you should become familiar with before you attempt to master a trading strategy like price action.

I have an excellent free tutorial on candlesticks that you can read here: Forex Japanese Candlestick Patterns

Here's a cool video on trading with Forex candlesticks: Forex candlestick reversal bar trading strategy

• The myth of automated Forex trading systems

While we are talking about different ways of trading the Forex market, I want to touch on what I feel is a widely believed "myth" regarding automated robot and indicator-based trading systems…

You are probably going to come across many Forex websites selling Forex software that they claim will fully mechanize the process of trading, so that all you have to do is click your mouse when the software tells you to and then rake in the profits. You need to constantly keep in mind the old saying "If it sounds too good to be true it probably is…" when you are learning to trade Forex. Like I said before, you are probably going to come across a lot of these robot websites if you have not already. You are best served by ignoring them all together.

You will probably see track records that they claim are "indisputable" evidence of the robots performance in the markets…what they don't tell you is that this track record is simply a display of a "perfect" set of data that the software was back-tested on. The point is that trading software cannot work over the long-term because the market is constantly changing and as such, it takes the discerning discretion of the human brain to effectively trade the markets over the long-term. I am not saying that computer software has no place in trading, but it cannot be the only thing you rely on, and it certainly should not be used in attempt to fully-automate the trading process. The ability to read the raw price action of a market and grow and evolve with the ever-changing conditions of the market is how I personally trade and how I teach my students to trade.

Part 9: Common Forex trading mistakes and traps

Common Forex trading mistakes and traps

There are common mistakes and 'traps' that give nearly all traders trouble at some point in their trading careers. So, let's cover the most common mistakes that traders make which keep them from making money in the markets:

• **Analysis-paralysis**

There is a virtually unlimited amount of Forex news variables that can distract a trader, as well as tons and tons of trading systems and trading software. You'll need to sift through all of these variables and forge a trading strategy that is simple yet effective, warning; this can be a very a difficult task for beginner traders.

The reason why, is that most traders seem to think that 'more is better', when in reality 'more' is actually worse, as it relates to Forex trading. There really is no need to sit in front of your computer for hours on end analyzing Forex news reports or numerous indicators. My trading philosophy is that all variables that affect a market's price movement are reflected via the price action on a price chart. So, spending your time and money on trading software, systems, or analyzing news variables is simply a waste. Furthermore, many traders get analysis-paralysis, this occurs when a trader tries to analyze so many market variables that they exhaust themselves to the point of making silly emotional trading mistakes.

• **Over-trading**

Most traders do not make money in the markets over the long run for one simple reason: they trade way too much. One curious fact of trading is that most traders do very well on demo accounts, but then when they start trading real money they do horribly. The reason for this is that in demo trading there is virtually no emotion involved since your real money is not on the line. So, this goes to show that emotion is the #1 destroyer of trading success. Traders who over-trade are operating purely on emotion.

Trading when your pre-defined trading edge is not actually present is over-trading. Trading if you have no trading plan or have not mastered a trading edge yet is over-trading. Essentially, you need to know EXACTLY what you're looking for in the market and then ONLY trade when your edge is present. Trading too much causes you to rack up transaction costs (spreads or commissions), and it also causes you to lose money a lot faster since you are purely gambling in the market. You need to take a calm and calculated approached to the market, not a drunken-gamblers approach…which seems to be the favored approach of many traders.

• Not applying risk reward and money management correctly

Risk management is critical to achieving success in the markets. Risk management involves controlling your risk per trade to a level that is tolerable for you. Most traders ignore the fact that they COULD lose on ANY TRADE. If you know and accept that you could lose on any trade…why would you EVER risk more than you were comfortable with losing??? Yet traders make this mistake time and time again…the mistake of risking too much money per trade. It only takes one over-leveraged trade that goes against you to set off a chain of emotional trading errors that wipes out your trading account a lot faster than you think. Check out this cool article on Forex money management for more.

• No trading plan and no routine or discipline

Not having a Forex trading plan is perhaps the most prevalent trading mistake the Forex traders make. Many traders seem to think that they will create a trading plan "later on" or after they start making money or that they simply don't need one or can just keep it "in their heads". All of these rationalizations are simply keeping traders from achieving the success they so badly desire. If you don't have a Forex trading plan that details all of your actions in the market as well as your overall trading approach and strategy, you will be far more likely to operate emotionally and from a gambling mindset. Beginner traders especially need a Forex trading plan to solidify their trading strategy and to create a guide that they use to trade the market from, and you can't keep it in your head…you need to physically write out your trading plan and read it every day you trade.

• Trading real money too soon or gambling it

The urge to jump into the market and start trading real money is often too much for most traders to withstand. However, the truth is that until you have mastered an effective Forex trading strategy like price action trading, you really should not be trading real money. By "mastering" the strategy, I mean you should be consistently successful with it on a demo account for a period of 3 to 6 months or more, prior to going live. However, you don't want to use demo account trading as a crutch…trading a real account is different due to the real emotions involved, so just be sure you switch to real-money trading after you have achieved success on demo…don't be afraid of trading real money, because eventually you will need to make the switch to real money trading.

Also, be sure you are not just gambling your money away. Doing the things we discussed above; over-trading, over-leveraging, not having a trading plan, etc, these are all things that gambling traders do. Traders who don't gamble in the markets are calm and calculating…they have a trading plan, a trading journal, and they know exactly what their trading edge is and when to trade it.

Part 10: What is Technical Analysis?

• **Technical Analysis**

Technical analysis is the study of the price movement on a chart of a particular Forex currency pair or other market. We can think of technical analysis or "T.A." for short, as a sort of framework that traders use to study and make use of the price movement of a market.

The primary reason that traders use T.A. is to make predictions about future price movement based on past price movement.

Technical analysts believe that all current market variables are reflected via the price movement or price action on a price chart. So, if we believe that all market variables are reflected via price movement, it only goes to reason that we don't really need much else to analyze and trade the markets besides price. I am a technical analyst and so are the members in my trading community, we prefer T.A. because we agree with the idea that all market variables are reflected via price action, so we see no reason to use other means to analyze or trade the market. That's not to say that having some knowledge of fundamentals and news events is a bad thing, but we just don't rely on them heavily (we discussed Fundamental Analysis in Part 5).

Technical analysts look for patterns on the chart that tend to repeat themselves; they do this to develop their trading edge from. The underlying logic here is that since most price movement is driven by human beings, certain patterns will repeat themselves in the market as human beings tend to be repetitive in their emotion and interaction with the market.

Technical analysis also encompasses learning to analyze the market structure; find trends, support and resistance levels and generally learn to 'read' the ebbs and flows of a market. There is obviously discretion involved here and I will be the first person to tell you that T.A. is more of an art than a science. That said, it is something you will get more comfortable with and better at given time and practice. T.A. forms the back-bone of my core trading method of price action, which is simply a derivative or off-shoot of 'traditional T.A.", except with more clarity and more concise strategies that don't involve confusing forex indicators or things like Elliot Wave Theory that are far too messy and open to interpretation for me to believe they are worth trading or teaching.

Most traders instantly think of a price chart like the one above when someone mentions the word “technical analysis”. Price charts provide us with an amazing amount of useful data that paints a complete picture of a market’s historical and current supply and demand situation, as well as the price levels that the market participants have deemed the most important. As technical analysts we need to pay special attention to these price levels as price will tend to respect them again and again, indeed, much of my price action trading course is built around learning to identify and trade price action setups from key levels in the market. Price charts are also a reflection of all market participants’ beliefs about the market and market variables, so by focusing your analysis and trading on a market’s price chart you can streamline your trading and at the same time analyze the end result of everything that contributes to the price movement of a market.

Part 11: How to Make a Forex Trading Plan

How to Make a Forex Trading Plan

Having a Forex trading plan is one of the key elements to becoming a successful Forex trader. Many traders never even make a trading plan, let alone use one regularly. It's very important that you do both; make a trading plan and use the one you make…don't just make one and then never look at it like many traders do. Here are some important points to consider regarding Forex trading plans:

• Follow a plan, have a journal, log trades

You need to do three essential things to become and remain an organized and disciplined Forex trader. These things are the following: **1)** Create a Forex trading plan, **2)** Create (or use an existing) Forex trading journal, **3)** ACTUALLY use BOTH of them.

The process of creating a Forex trading plan around an effective trading strategy like price action trading, will work to solidify your understanding of the trading strategy and will also provide you with a blueprint for what you need to do each time you interact with the market. Having this market blueprint is essential for developing the type of ice-cold discipline that it takes to succeed in the Forex currency market over the long-term.

Logging your trades in a trading journal is critical to your success because it allows you to have a visual representation of your ability (or lack thereof) to trade the markets, it also creates a track record for you that you can use which will show you how your trading edge plays out over time, this will allow you to 'tweak' and adjust your trading strategy as you see fit.

• Trading plans contain a routine and check list

To put it simply, you NEED to have a routine in your trading activities; otherwise you will just end up running and gunning the seat of your pants. I have a trading philosophy that revolves around trading Forex like a sniper and not a machine gunner, if you want to trade like a sniper you have to have a routine that you follow, and you have to be disciplined…a sniper in the military is an extremely disciplined individual, and you need to think of the Forex market like it's a war, and you are a sniper trying to take only the 'easiest prey'; your 'prey' in the markets consists of only the most obvious trade setups.

Your trading plan should include a checklist that you follow; this will include things that you look for in the market and what you want to see before entering a trade. If you can tick all the boxes then you enter the trade, if not then you hold off until your trading edge appears again. You can actually formulate your whole trading plan as a checklist; this will make it a smooth format that allows you to quickly decide if any potential trade setup is worth taking.

• Trading plans contain written guidelines of what a trader will do and look for as well as images of trade setups

Your trading plan should contain a written description of what you will do in the markets. This includes things like what your trading edge is, how you trade it, when you trade it, what time frames you trade (I prefer daily Forex chart trading), your strategy for risk management and profit taking, and your overall goals as a trader. You should also include images of your trading edge setups, so that you are constantly reminded of what an "ideal" setup looks like. Eventually, after you follow your written guidelines and "ideal" trade setup images long enough, you will burn them into your brain to the point of knowing exactly what you are looking for in the market, which will work to build your confidence as a trader.

• Trades planned in advance and 'anticipated' work best

One of the main reasons to create a Forex trading plan is because pre-planning your trades and pre-determining what you are looking for in the markets is the best way to profit over the long-run. You will never be more objective and calm then when you are NOT in the market, so if you can plan out all your trades when you are not in the markets, you will be totally uninfluenced by market variables when you are in a trade, and this will work to protect you from becoming an emotional Forex trader.

· Be patient and wait for the conditions of a plan to unfold – don't force the issue

Patience is perhaps the most important virtue that a Forex trader can possess. When you are a patient trader it means you know what you are looking for in the markets and you wait for your trading edge to appear before you execute a trade. Trading in this manner eliminates many losing trades that are the result of trading emotionally…or without patience. A large part of trading, and perhaps the largest part, is simply waiting for an "ideal" price action setup or other trade setup to form in the market. Traders who don't wait for an ideal setup to form, end up losing their money quickly because they negate their trading edge and are simply gambling instead. Make sure you stress the importance of patience in your trading plan, this way you will be reminded every time you read it why being a patient trader is so important to making money in the Forex market.

Part 12: The Psychology of Forex Trading

The Psychology of Forex Trading

I have been a trader long enough to know a thing or two about how most people think while trading the market. You see, most people experience similar thinking patterns and emotions as they trade the markets, and we can learn many important things from the differences in the way losing traders think and the way winning traders think.

I would be lying to you if I said that success in the Forex markets depends entirely on the system or strategy you use, because it doesn't, it actually depends mostly on your mindset and on how you think about and react to the markets. However, most Forex websites trying to sell some indicator or robot-based trading system won't tell you this, because they want you to believe that you can make money in the markets simply by buying their trading product. I prefer to tell people the truth, and the truth is that having an effective and non-confusing trading strategy is very important, but it's only one piece of the pie. The bigger portion of the pie is managing your trades correctly and managing your emotions correctly, if you do not do these two things you will never make money in the markets over the long-term.

• Why most traders lose money

You have probably heard that most people who attempt Forex trading end up losing money. There's a good reason for this, and the reason is primarily that most people think about trading in the wrong light. Most people come into the markets with unrealistic expectations, such as thinking they are going to quit their jobs after a month of trading or thinking they are going to turn $1,000 into $100,000 in a few months. These unrealistic expectations work to foster an account-destroying trading mindset in most traders because they feel too much pressure or "need" to make money in the markets. When you begin trading with this "need" or pressure to make money, you enviably end up trading emotionally, which is the fastest way to lose your money.

• What emotions should you watch for in yourself while trading?

To be a little bit more specific about "emotional" trading, let's go over some of the most common emotional trading mistakes that traders make:

Greed – There's an old saying that you may have heard regarding trading the markets, it goes something like this: "Bulls make money, bears make money, and pigs get slaughtered". It basically means that if you are a greedy "pig" in the markets, you are almost certainly going to lose your money. Traders are greedy when they don't take profits because they think a trade is going to go forever in their favor. Another thing that greedy traders do is add to a position simply because the market has moved in their favor, you can add to your trades if you do so for logical price action-based reasons, but doing so only because the market has moved in your favor a little bit, is usually an action born out of greed. Obviously, risking too much on a trade from the very start is a greedy thing to do too. The point here is that you need to be very careful of greed, because it can sneak up on you and quickly destroy your trading account.

Fear – Traders become fearful of entering the market usually when they are new to trading and have not yet mastered an effective trading strategy like price action trading (in which case they should not be trading real money yet anyways). Fear can also arise in a trader after they hit a series of losing trades or after suffering a loss larger than what they are emotionally capable of absorbing. To conquer fear of the market, you primarily have to make sure you are never risking more money than you are totally OK with losing on a trade. If you are totally OK with losing the amount of money you have at risk, there is nothing to fear. Fear can be a very limiting emotion to a trader because it can make them miss out on good trading opportunities.

Revenge – Traders experience a feeling of wanting "revenge" on the market when they suffer a losing trade that they were "sure" would work out. The key thing here is that there is no "sure" thing in trading…never. Also, if you have risked too much money on a trade (starting to see a theme here?), and you end up losing that money, there's a good chance you are going to want to try and jump back in the market to make that money back….which usually just leads to another loss (and sometimes an even larger one) since you are just trading emotionally again.

Euphoria – While feeling euphoric is usually a good thing, it can actually do a lot of damage to a trader's account after he or she hits a big winner or a large string of winners. Traders can become overly-confident after winning a few trades in the market, for this reason most traders experience their biggest losing period's right after they hit a bunch of winners in the market. It is extremely tempting to jump right back in the market after a "perfect" trade setup or after you hit 5 winning trades in a row…there's a fine line between keeping your feet grounded in reality and thinking that everything you do in the markets will turn to gold.

Many traders enter into a tailspin of emotional trading and losing money after they hit a string of winners. The reason this happens is because they feel confident and euphoric and forget about the real danger of the market and that ANY TRADE CAN LOSE. The key to remember here is that trading is a long-term game of probabilities, if you have a high-probability trading edge, you will eventually make money over the long-term assuming you follow your trading edge with discipline. But, even if your edge is 70% successful over time, you could still hit 30 losing trades in a row out of 100….so keep this fact in mind and always remember you never know WHICH trade will be a loser and WHICH will be a winner.

- **How to obtain and maintain an effective trading mindset**

Obtaining and maintaining an effective Forex trading mindset is the result of doing a lot of things right, and it usually takes a conscious effort on the trader's behalf to accomplish this. It's not necessarily difficult to achieve, but if you want to develop an effective trading mindset, you have to accept certain facts about trading and then trade the market with these facts in mind…

You need to know what your trading strategy (trading edge) is and you need to master it. You have to become a "sniper" in the market instead of a "machine gunner", this involves knowing your trading strategy inside and out and having absolutely NO questions about what the market needs to look like before you risk your hard-earned money in it.

You need to always manage your risk properly. If you do not control your risk on EVERY single trade, you open the door for emotional trading to take hold of your mind, and I can promise you that once you start down the slippery slope of emotional Forex trading, it CAN be very hard to stop your slide, or even recognize that you are trading emotionally in the first place. You can largely eliminate the possibility of becoming an overly emotional trader by only risking an amount of money per trade that you are 100% OK with losing. You should EXPECT TO LOSE on any given trade, that way you are always aware of the very real possibility of it actually happening.

You need to not over-trade. Most traders trade way too much. You need to know what your trading edge is with 100% certainty and then ONLY trade when it's present. Once you start trading just because you "feel like it" or because you "sort of" see your trading edge…you kick off a roller coaster of emotional trading that can be very hard to stop. Don't start over trading and you will likely not become an emotional Forex trader.

You need to become an organized trader. If there is something that is the "glue" that holds all of the points I've discussed in this part together, it is being an organized trader. By organized, I mean having a trading plan and a trading journal and actually using both of them consistently. You need to think of Forex trading like a business instead of like a trip to the casino. Be calm and calculating in all your interactions with the market and you should have no problem keeping the emotional trading demons at bay.

Part 13: Professional Price Action Forex Trading Strategies

Nial Fuller's Professional Forex Trading Strategies

Hey traders,

Now that you've made it through my Free Beginner's Forex Trading Course, I want to give you guys a little insight into my core trading philosophy, why I trade the way I do, what I teach, and how I can help you become a better trader. I hope that you enjoyed taking this free course as much as I enjoyed making it, and you should now have a solid foundation on the basics of what the Forex market is and how it's traded.

Knowing the basics of Forex is great, and every trader needs to know them, but if you are serious about making consistent money in the markets, you need to learn real-world trading strategies that will provide you with a high-probability trading edge. Here's some more information about me and my price action trading strategies:

About Nial Fuller:

I've been trading the markets for over 10 years now, and I have learned every lesson you can imagine along the way. Perhaps the biggest lesson I've learned is that 'simple is better', and this is the main point I try to convey to my students and it's why I don't use a ton of indicators or messy trading systems. My primary mission after becoming a successful trader has been to help other traders "see the light" of simple price action trading. I am very passionate about trading Forex, and I know a lot of other people are too, but unfortunately there is so much misleading information about it, that it can be really difficult to get started on the right path. My goal as a trading mentor is to lay a simple path for all traders to follow, that path is paved with the price action strategies that I have found to be very effective over the years. Be sure to check out Part 6 of the course on price action analysis for a refresher on what price action trading is all about.

How I trade with price action

- **My core trading philosophy**

My personal trading style is completely focused on "reading" the price movement of the market in its "natural" form, or in other words: "Price Action Trading Analysis'". I don't use any indicators or confusing systems; I simply trade from a naked price chart.

I have an arsenal of powerful price action patterns that I look for within the structure of the market. For example, if a market is in an uptrend, I will be looking for price to retrace to a support level within the uptrend, this is what I consider a "value" area, and I will then watch patiently for one of my price action signals to confirm a trade entry. Whilst the majority of my trades are following the trend of the market, I will occasionally take a counter-trend trade setup or a range-bound market trade.

Regardless of what direction I am trading, the main thing I am looking for is "obvious" price patterns forming at "key" levels in the market. When I see one of my trade setups has formed at a key level in the market, I consider this a green-light confirmation signal for me to enter a trade. Given that there are only a 'few' good signals each week, I spend a lot of time just waiting patiently for a trading opportunity. I wrote a very popular article last year on the concept of being a patient trader waiting to ambush trading opportunities, you can read that article here: "Trading Like A Sniper ".

In summary, my trading approach is largely built on finding multiple pieces of "evidence" that work together to confirm an entry into the market. Professional traders call this "trading with confluence". In regards to my price action trading strategies, trading with confluence means looking for multiple factors on the chart that support the case for entering on a price action signal that has formed.

Overall, my trading strategy might appear quite simple, and frankly it is, but as I said before; simple is better in Forex trading. I'll be honest with you guys, must unprofitable or beginner traders are attracted to overly complex trading methods and this is usually what leads to their eventual failure. As a trader who has "been around the block" a few times, I know what has worked for me in the markets, and I feel it's my job to convey that information to other traders. Thus, my main priority as a trading mentor is to teach my students how to trade with a simple forex trading strategy.

Here's one of my recent videos explaining how I use one of my favorite price action signals; the pin bar trading strategy, to trade in-line with the trend:

http://www.youtube.com/watch?v=WQ4OVLlRrnM

• **My favorite markets and time frames**

If there is one lesson that you should accept right now, that will save you A LOT of time and money, it's that trading the daily charts is the easiest thing you can do to reach your goals as a trader. Now, to be a little bit more specific…if you start off your trading career trading small time frames like the 5 minute and 15 minute charts, you're going to experience a lot of frustration, lost time, and lost money. You see, these small time frames contain more variables for you to analyze (and over-analyze), this means more "noise" or random price movement that isn't really impactful or meaningful. When you move up in time frame you get a natural "filter" that works to smooth out the noise and confusion of the small time frames. The daily chart gives you the best view of the market and also provides the most effective filter against the noise of the small time frames. I also trade the 4-hour time frame quite often, and occasionally the 1-hour charts, but I NEVER look at any time frame under the 1 hour.

My favorite markets to trade are the EURUSD and AUDUSD, but each day I will typically scan through all the major Forex pairs looking for price action trading opportunities. I also trade gold and silver and occasionally look at crude oil, the Dow Jones cash market, as well as some of my local Australian stock indexes.

Why I trade the way I do

As I say often, I am very simple in how I think about and trade the markets, my years spent "in the trenches" of the markets have reinforced the necessity to eliminate unnecessary variables from my trading. Most traders over-analyze the market and confuse themselves as a result, this ends up in them trading emotionally and losing money. Thus, I have no desire to sit in front of my computer screen staring at the 5-minute chart like a strung-out zombie-trader. I prefer to trade the daily charts and trade in a relaxed and stress-free manner; if there's a trade setup that meets my pre-defined criteria, I enter the trade, if not, I walk away until the next day usually.

I really want to stress the fact that taking a slow and calculated approach to your trading is far better than trying to be a day-trader or entering 20 trades a week. If there's one thing you guys take away from this free course it should be this: you aren't going to make money fast by trading time frames under the 1 hour and by rushing your trades. *You will make money faster by being a patient trader and taking a daily-chart outlook.* Forex trading success is measured in months and years, not in days or weeks. So, if you remember nothing else from my website, remember that slow and steady wins the race.

What you will learn from me as your trading mentor.

I like to think I am a bit of a "contrarian", in my trading and probably in my everyday life to some degree too. I've often found that if you do what everyone else does you'll get what everyone else gets, and when it comes to trading, this approach simply doesn't work. The fact is that most traders struggle to make money in the markets, they get frustrated, emotional, lose money, lose time, and generally have no concrete trading strategy or forex trading plan. So, if you want to be like most other traders who are obsessed with indicators and "magic" robot trading software, you will probably lose money rather quickly, like most other traders.

I don't sugarcoat anything, and my reputation has been built on that fact. So, what I will tell you is that if you choose to learn from me, you will learn honest, long-term and sustainable price action trading methods. I will teach you how to read the natural price dynamics of a price chart and how to find high-probability entry points within it. You will develop a discretionary trading sense that will allow you to trade for yourself forever; this is a skill that you can carry with you to not only Forex but to any market.

You will never need a signal service or $5,000 trading course to teach you to trade, because I will teach you the only trading strategy you'll ever need. I firmly believe in the old saying "teach a man to fish and you feed him for life". I don't care what anyone else tells you, rigid mechanical systems will always fail over the long-run…you NEED to learn to READ and make sense of the price movement of the market, and you need to learn to ebb and flow with it. In essence, the market is dynamic and constantly changing, so you need a trading strategy that gives you the ability to trade in this type of environment. A market will change over time, and as a price action trader, you have the ability to change and adapt with it.

In closing:

I would like to extend my personal thanks to each and everyone one of you who made it all the way through this Forex introduction course. I hope that you now have a solid understanding of the Forex market and Forex trading. Whatever path you decide to take in your Forex trading career, I wish you all the best, and if you remember nothing else from my website, remember that 'simple is better' when it comes to trading.

If you would like to continue learning about the power and simplicity of Price Action, then you should consider my Professional Price Action Forex Trading Course and Trading Community here. My Students get lifetime access to all of my advanced price action Forex Courses, video lessons, webinar tutorials, daily trade setups newsletter, live trade setups discussion forum, traders support line & free ongoing course updates. For more information visit the Forex Course page here.