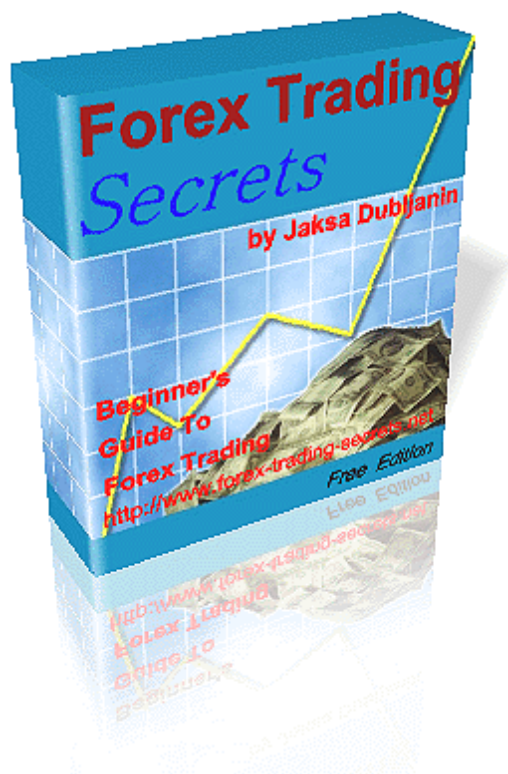


FOREX TRADING SECRETS

A Beginner's Guide to Forex Trading



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Forex trading and investing involves substantial risk for loss of capital and may not be suitable to anyone. These risks can lead to substantial or total loss of invested capital. Therefore, before engaging in any form of forex trading or investing, you should carefully evaluate your financial situation and only engage in forex trading with funds you can afford to lose.

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WHAT IS FOREX?

Forex trading (foreign exchange) is one of the biggest markets that exist in the entire world and it is growing fast. It is estimated that a daily turnover in forex market is more than US \$3 trillion dollars. Forex trading involves trading different currencies for the purpose of making profit.

The most common currencies traded are United States dollar (USD), Euro (EUR), Australian dollar (AUD), Canadian dollar (CAD), Swiss franc (CHF), British Pound (GBP) and Japanese Yen (JPY), although it is possible to trade virtually any currency of any country. Currencies are traded in pairs as buying one currency requires selling of another.

The prices of different currencies in forex market vary constantly due to many different factors, while most of the currencies are stable in domestic market. Profit is gained from forex trading by utilizing buy low/sell high technique, but it is important to understand that if you buy one currency and later the price of that currency drops, you won't be able to sell that currency for the price you bought it, but for lower price. This is good example how you can lose money with forex.

For example, you decide to invest certain amount of currency (US Dollars) to buy another currency (Euro). Now all you have to do is wait for Euro price to rise, or Dollar price to drop to a certain point and then sell Euros for Dollars. The result is that you will have more dollars than your initial investment.

Currency exchange rates in forex market are affected by many different economic and political factors including government's surpluses or deficits, inflation levels, economic prosperity, trade levels, political stability/instability, etc. There is also one factor that is very important to forex trading called market psychology and it can affect currency prices and increase/decrease demand for certain currency. For example, if one currency is generally perceived as stronger than the others, the demand for that currency will increase and the price will naturally be affected.

Forex market is very volatile market. Prices of currencies change rapidly every second, even in fractions of seconds! Prices are expressed as rates between two different currencies in pairs. If we have pair of currencies like EUR/USD, the first currency (EUR) is called base currency and the second (USD) is called the counter currency. Value of counter currency necessary to equal the value of 1 unit of base currency is represented by exchange rate. For example, if 1.4849 US dollars is equal in value to 1.0000 Euros, the exchange rate of EUR/USD is 1.4849.

Currency rates are quoted to the fourth decimal points with exception of Japanese Yen (quoted to the second decimal point). The smallest unit by which currencies may change in value is called pip. For example if price of Euro increases or price of US dollar drops, the rate between EUR/USD will increase. On the other hand if price of Euro drops or price of US dollar increases, the rate between EUR/USD will drop. If the previous rate was 1.4849 and the new rate is 1.4852, we say that the increase of rate is 3 pips. If the previous rate was 1.4849 and the new rate is 1.4845, we say that the drop of rate is 4 pips.

You can see currency rates in real time [HERE](#).

As you can see, changes of currency rates in forex market are minimal as they are measured in pips, so in order to make significant profit in forex, trader must invest large sum of money. Large amounts of money are only available to institutions such as banks, governments, large corporations, and various financial institutions. Individual – retail traders, such as you, rarely can invest large sum of money that is necessary to make a difference in forex and therefore participate in forex market through third party institutions such as forex brokers.

Forex brokers are institutions or individuals that are tied to large financial institutions and banks and can provide - lend - large amounts of money to individual traders as leverage for trading purposes. Leverage is expressed as ratio between lend capital and invested capital. For example, if a broker offers ratio 100:1, it means that if you invest US \$100,

broker will allow you to trade with US \$10.000. More than 90% of retail traders cannot afford more than a few hundred dollars for forex trading and leverage can help them make significant profit.

As using high leverage can give traders possibility to gain large profits, it can also wipe their investment clean. What is even more important, in some cases, it can even make traders responsible for losses that far out weight their initial investments, although this is very unlikely to happen. Most forex brokers have margin policies to issue stop orders and undertake certain actions to protect their interests and prevent traders from losing leveraged money. This way all they can lose is their initial investment. That is why it is very important to read and understand margin agreement of every forex broker you choose to deal with.

FOREX SCAMS

Unfortunately there are some people on the Internet (as well as in real life) that will give their best to take advantage of others. Forex market is very lucrative and tempting opportunity for anyone and therefore most scam artists will use it to lure people into their schemes and steal money from them. That is why I decided to dedicate this entire chapter to forex scams.

Why is it easy to get scammed on the Internet?

1. Because everyone and I mean EVERYONE can purchase a domain name and set up a website for less than \$100. Even if they decide to hire someone to create professional website design for them, they still can get it done for no more than \$200 - \$300.
2. Most people don't know much about forex market which makes them easy targets for potential scammers as it is very easy to promise dreams and manipulate the numbers and information presented on websites.
3. It is also very easy to hide from public and, once you are scammed, getting your money back can be very difficult or impossible.

The most common schemes relating to forex market are various investment programs, also known as High Yield Investment Programs or HYIPs. The owners of these programs often present themselves as financial experts that can bring unrealistic income through investing in forex, stocks, sports betting, etc. and offer potential investors a chance to profit on their "expertise".

People who visit their websites see great opportunity for quick cash and decide to invest money hoping to make a profit. Unrealistic returns they offer are sometimes 200% - 400% within days! But there is a catch. Every investor must wait a certain period of time before he can withdraw money. For example, if the program says the return is 200% within 5 days, it means that if you invest \$100, you have to wait 5 days before they "earn" you \$200. During that time your investment is locked which means that you can't withdraw even single cent. Of course this time is necessary for owners to "trade with invested money" and "generate profit" to investors.

What is really happening nobody knows for sure, but here is most likely scenario:

You invest certain amount of money and have to wait for 5 days before you can withdraw any money. During that time, scammers promote their program to find more potential investors. Scammers also offer you and others commissions for every new investor you bring to their program which makes promotion of their website easy.

Each and every one of new investors decides to invest certain amount of money and each and every one of them has to wait 5 days to withdraw any money. After first 5 days scammers usually collect enough money to pay you your profit and to pay their first investors. You and other first investors are happy for your profit and decide to tell everyone you know about this program.

The number of investors grows exponentially and the money scammer is receiving grows also. At one point of time, scammer has enough money to retire young and cannot afford anymore to pay investors their profits and usually HYIP collapses.

In this scenario only first investors made profit, while many more that joined this program later lost their money.

There are also scenarios where no one gets paid and scammer just collects money, makes empty promises and disappear with his program. Also many scammers return later with new looking program, under different name and

scam people again.

Some of them even offer realistic income and use that to attract more investors. But one thing you never know about these programs is **WHEN** it will stop making payments or **WHEN** it is going to disappear.

You may probably wonder if there are any honest investing programs that really trade with forex or stocks and make profit to their investors. There are, but probably less than 1% of all HYIPs and these programs are usually private and rarely accept new investors. Also their returns are low.

If you wonder whether you should invest in HYIPs or not, know this that it is nothing more than a gamble with a lot more chances of losing money and **NEVER** getting it back!

Besides High Yield Investing Programs there are also other programs, that may seem legitimate, but with only one goal – to take your money.

These programs involve various companies and shady brokers who offer foreign currency futures and option contracts, unregistered firms no one even heard about that offer unrealistic return or absolutely no risk involved. Be also very careful of any “opportunity” that guarantees success as there is no such thing.

Here are some resources where you can read more and inform yourself about forex trading scams:

<http://www.cftc.gov/enf/enfforex.htm>

http://en.wikipedia.org/wiki/Forex_scam

<http://www.forexfraud.com/>

FUNDAMENTAL AND TECHNICAL ANALYSIS

In order to make a profit in forex trading we must predict the movement of currency prices. This can be rather difficult as prices can sometimes move quite unexpectedly. The two basic approaches are fundamental and technical analysis.

Fundamental analysis focuses on major factors that are the main causes of currency price movements. These factors include various political, social and economic changes that can indicate whether the price of some currency is expected to rise or drop.

For example, inflation is very good indicator for fundamental analysis. If inflation occurs or is about to occur in some country, very smart move is to spend that country's currency to buy another, more stable currency. Also, if economy of some country starts to grow rapidly, buying currency of that country is also smart move as it is expected to rise in value.

Technical analysis on the other hand focuses on studying currency price movements that happened already. Studying these movements we can sometimes find certain patterns that can help us determine if some currency has tendency to rise or fall in value. And based on these tendencies we can make a forecast.

The most important tools for technical analysis are charts. Charts are graphical images that represent currency price movements during different time frames (1 minute, 1 hour, 4 hours, 1 day, 1 week, etc.). Most forex brokers offer traders charts with indicators which can be used to determine future price movements. Strategies various traders use are different, but in my opinion, using too many indicators can only be confusing and that is why number of indicators should be no more than 5.



This is example of 1 hour GBP/JPY chart which shows changes in currency rates between Great Britain Pound (GBP) and Japanese Yen (JPY) within 1 hour time frame.

When analysing charts, it is very important to determine trends of currencies and even more important to recognize exact

starting and ending points of certain trend development. If the currency value is in rising and you recognize the starting point of this trend development, this is the best time buy that currency. When the rising trend reaches ending point, best action is to sell that currency.

There are many strategies forex traders use to determine exact starting points of trend development. One of the best is the use of pivot points as described in [Peter Bain's Forex Mentor Course](#).

PETER BAIN'S FOREX MENTOR COURSE



Whether you are new trader or already experienced one, this is something you should take a look at. Peter Bain is professional and successful forex trader and he holds live forex trading courses and seminars all over the world. Attending his seminars sometimes cost more than \$3000 and not many people can afford it.

That is why he has developed [Forex Mentor](#) course to make it available to general public and aspiring forex traders in DVD and CD format for a fraction of the cost.

Peter Bain's strategy, he teaches in his course, is exactly as one used by banks and other large financial institutions to make profit in forex. It is based on "pivot points" system which indicates imminent price changes and traders can use them to determine exact entry and exit points to make a profit.

The real value of [Forex Mentor](#) program is that you can get 1on1 personal mentorship and get answer to every question you might have with your own trades.

For more information about [Forex Mentor Course](#), click [HERE](#).

ACTUAL TRADING

When you decide to start actual trading, you'll need to find forex broker, open account, invest money and start trading. At first invest smaller amount of money and trade with it. Some forex brokers offer demo accounts for training purposes where you can trade with virtual money and see if you are able to generate profit from forex market. Many experts are against demo accounts as it is possible that results are not realistic.

Most forex brokers offer a wide range of leverage options, but you should avoid brokers with higher leverage than 300:1. Also pay close attention to spreads of forex brokers. The spread is the difference between the price at which some currency can be purchased and the price at which it can be sold at any point of time. The spreads are calculated in pips and they allow brokers to earn money. You should choose forex brokers with lower spreads as it will save you money.

Forex brokers should be regulated by globally recognized institution that oversees OTC market and must be able to provide registration/license number. OTC means Over The Counter market and refers to exchange market where traders trade over the phone or electronic network (Internet) and there is no central exchange or meeting place.

Before choosing any online forex broker, you should be advised to obtain a clear understanding and be fully aware of all the associated risks. In case of any doubts, you should seek advice from financial expert.

One of the brokers you can use for forex trading is [Easy Forex™](#). [Easy Forex™](#) is completely web based forex broker and you don't have to download any software. Registration is free and you can start trading with only \$50. Deposits and profit withdrawals are made via Credit Card, or PayPal. [Easy Forex™](#) also offer free live forex training as soon as you register your account. Visit [Easy Forex™](#) website for more information.

Thread carefully in forex market and always invest only what you can afford to lose. Also avoid using high leverage, especially in the beginning. Small leverage (up to 10:1) won't bring you much profit, but it will also prevent you from losing much money. When you become better in trading you can trade with higher leverage, but even then, you should never go beyond 100:1. Greed is one of the main downfalls in forex trading. Better slow profit than a quick loss.

FINAL WORDS...

Thanks for reading so far. There is much more information about forex trading that can be put in one e-book. I hope I managed to create an overview of forex market with some guides that can help new traders understand better how it works and how to recognize and avoid potential scams. It is very important that you do not stop here, but continue to learn as much as you can about forex.

There are many different strategies and approaches, when it comes to forecasting currency prices, out there and each and every one has some uses but personal experience cannot be substituted and can only be gained through actual trading.

If you liked my e-book, feel free to recommend and give it to others. Also visit [my website](#) periodically for the latest editions of this ebook.

If you have some suggestions or comments, you can drop me a note at:

<http://www.forex-trading-secrets.net/contact.php>

Good luck!

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