

# INDIA Forbes

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## FOREX TRADING

WHAT YOU NEED  
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# WHAT IS FOREX?

## A QUICK GUIDE FOR NOVICE TRADERS

**You keep hearing about Forex and how even people with small investments are making money, but you're not even sure what Forex is exactly. No worries, here is a quick guide to get you up to speed on Forex and how to get started with it.**

In recent years, the popularity of trading in Forex markets (Foreign Currency Exchange) has continued to grow and not just for those investors with large bank accounts either. Increasingly, small investors are taking advantage of online brokerage services with low minimum deposits to earn some extra money. The biggest question for many of these new investors is how to get started without getting ripped off by some shady entities. Most people want to go into a new endeavor with some basic understanding of what they're doing before diving in.

If you're not completely clear on what Forex is, then here is a simplified breakdown of the market. The concept is fairly intuitive, especially if you have ever travelled abroad.

First of all, it is important to understand that when we speak about Forex we are usually speaking about currency pairs such as the U.S. Dollar (USD) and the Euro (EUR) or similarly the Great Britain Pound (GBP) and the Japanese Yen (JPY). There are hundreds of pairs and the market size of each is based on the global demand for those currencies.

Second, trading currencies is not that complicated when you break it down. Essentially, one trader wants to buy a certain currency at an exchange rate he prefers and he must find a seller that will take his currency in exchange for it at the given price. If you got off a plane in New York, you would want to find somewhere to exchange your currency for the local USD. The exchange service gives you a price they are willing to sell at, but you are pretty much stuck accepting their price. Trading in Forex allows the buyer to decide when and at what price they want to buy

those dollars instead of being dependent on a single seller's price.

The market will have thousands of sellers. So, if a person thinks that U.S. dollars will be cheaper to buy now than in 2 months when they go to New York, they can buy them now and save money. If they cancel their trip to New York, they can always sell the dollars back and if the dollars are worth more, then they make a profit. Many different events affect the exchange rate between currencies. One example is the impact of Brent Crude Oil price movements on the Russian Ruble. When the price of oil per barrel goes up in U.S. Dollars, those dollars will buy less oil.

Trading in Forex allows the buyer to decide when and at what price they want to buy those dollars instead of being dependent on a single seller's price. **The market will have thousands of sellers.**



And since Russia is a major producer and exporter of oil, the Russian Rubles become stronger as more U.S. Dollars will be required to buy the same amount of oil in Ruble terms. Conversely, due to the same connection between the U.S. Dollar, crude oil, and the Russian Ruble, if the price of oil drops, the U.S. dollar will buy more Rubles. As a result, keeping a balance in the currency exchange rate is essential for the health of the Russian economy, its oil companies and the government. Understanding these correlations, helps Forex traders to gauge when to buy and sell different currencies.

Forex is the largest market in the world and online trading now represents over 50% of the total trades done in Forex markets. What is even more impressive is the increased involvement in trading from countries outside the Western and Asian financial powers. Small and medium sized investors around the globe are taking advantage of the technology that gives them access to the same tools that previously, only professionals had access to.

**If you're looking to put some of your money to work for you instead of the other way around, keep reading this supplement.**

**OLYMP TRADE**

# Feel the thrill of trading

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**FEEL THE THRILL**  
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**ENJOY THE SPEED**  
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**TRUST THE PRECISION**  
Flawless execution on any device



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# TRADE FOREX LIKE A PRO AND LEAVE YOUR EMOTIONS IN YOUR SOCK DRAWER

Successful traders in Forex know that although the market can be erratic at times, its behavior is mostly logical and explainable. **That is to say that the Forex market doesn't behave much like many of the people who are trading on it.** Most traders get consumed by emotions when opening and closing positions and this commonly leads to losses.



Figure 1

In this chart, if a trader jumped in too soon they would have been punished with a bad result. The strategy is to let the pink line cross the blue line in either direction before opening a position. Inexperienced traders often try to outsmart the market by “getting in early” and it’s a classic example of emotion over analysis.

The chart (Figure 2) shows the 60 unit SMA (blue line) and the 4 unit SMA (pink line) for the Great Britain Pound and the Swiss Franc and it forms the basis of the trading strategy being used. In the chart, the red arrows show that the chart correctly showed a safe place to trade on a trend reversal (red arrows). The green arrow is the exception. Here the price crossed, came back down, and then crossed again. It is for this reason that we use multiple indicators in our strategy.



Figure 2

The reason that not everyone is making money is because they let their emotions get the best of them while trading and this often snowballs into large losses. Let’s look at a recent example of how abandoning a strategy by using “instinct” or “gut” can cause a bad trade. Then we give you a short list of things you can do to avoid trading on emotion rather than analytics.

The following example (Figure 1) uses a combination of a Simple Moving Average (SMA), the Exponential Moving Average (EMA) and the Parabolic Stop and Reverse (SAR). This strategy isn’t perfect, but it is far more reliable than “gut instinct” when evaluating when the price is going to turn upward or downward from the trend.



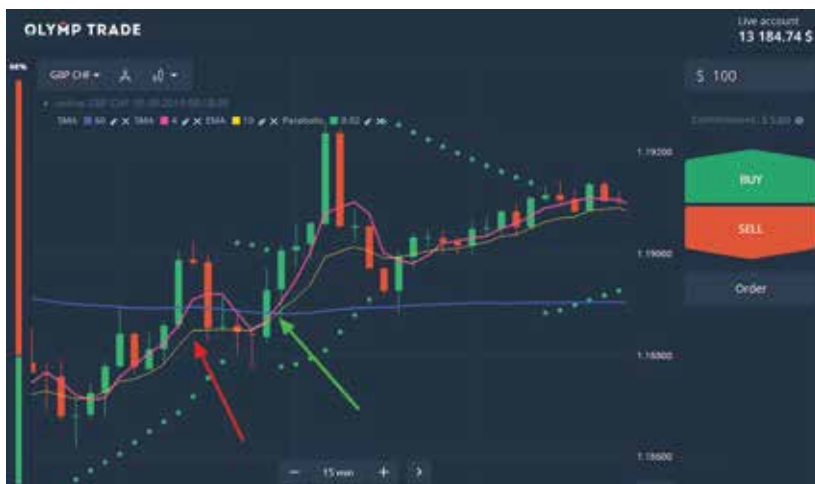


Figure 3

Taking a closer look using the other factors in our strategy (Figure 3), the EMA and the Parabolic SAR, we can see that at the red arrow, the EMA was flat and the Parabolic SAR showed that we had already missed the uptrend. If all the factors don't line up, don't open a position.

If a trader had waited just an hour later where the green arrow indicates, they would have opened a position at an optimal time because the price remained above that point for several hours providing good profit taking points. At the green arrow, all of the requirements in the strategy are met — SMA crossing upward, Parabolic trend reversal and the EMA is already trending upward.

## HERE ARE SOME OTHER WAYS TO KEEP YOURSELF FROM BECOMING **AN EMOTIONAL TRADER**:

- 1 Set a daily loss limit — If you hit your limit, walk away until tomorrow.
- 2 Stop trading for the day after 3 wins or losses in a row. At 3 wins, we think we are trading Gods and at 3 losses we are plotting revenge against the market.
- 3 If a trade is scaring you, then you are trading too much money. Only trade what you can afford to lose. You don't have to like losing it, but it shouldn't keep you awake at night.
- 4 Step away from your computer screen after you complete a trade. Go for a walk, make some tea or a sandwich, or call your mom. Demonstrate to yourself that you have control and not the market.
- 5 Stick to your strategy. Changes in strategy should not take place while trading. Experimenting in real time often leads to disaster.



**Luck favors the bold — not the foolish.** Keep your cool, use your analytical tools, and be a professional and you'll see better results in the long run in the Forex markets.

# PUTTING YOUR DREAMS INTO ACTION

## A FOREX GUIDE FOR NEW INVESTORS

That seminar told you that you need to “make your money work for you and not just you work for your money.” Now you’ve decided that Forex is the best vehicle to reach your dreams. You’re motivated and ready to go, but just how do you get started?

We’ve all seen this many times. You go to some seminar on improving your life and getting out of your day to day rut where you just trade your labor and brainpower for not enough money. Then they ask you for more money. Does that sound about right? Great news is here and reading further won’t cost anything unlike that self help, “total empowerment” seminar you spent the whole weekend at and a weeks pay.

With any luck, you escaped with your wallet intact and found your way here wanting to learn how to really take control of your investment savings by trading in the Forex markets. You haven’t made a bad choice because while there is an amount of risk, you will be in control of how your investment performs and not anyone else.

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*Rule number one of trading Forex and handling money in general — nobody cares about your money as much as YOU care about your money. Therefore, you should stay in control of your money.*

So, how do you get started in Forex if you’re not familiar with brokers and investing in general. Luckily, it isn’t nearly as complicated as it might seem and here we provide a quick checklist of things to do and look for when starting out in Forex trading.

Keep in mind that you don’t need thousands of dollars to start trading in Forex and if you follow the checklist, you’ll find a broker that will help you maximize the investment amount you do have.



**Find an online broker. The right broker that meets the following criteria will help you turn your nestegg into financial independence. Other brokers will gladly take your nestegg and move on to another client. Some things to look for with a broker:**

- **Low** minimum deposit.
- **No deposit or withdrawal fees** — this is why we suggest an online broker. Reduced costs.
- **Transparent/Upfront Commissions** — don’t settle for vague answers on how much you will pay for each trade. Make sure it is clear how much your commissions are before you open a trade and before you close it.
- **Online** account setup.
- **Multiple deposit options** like bank cards, Skrill, Fasapay, etc.
- Access to **a variety of markets** like traditional currency pairs (USD, GBP, EUR, etc.), but also Exchange Traded Funds (ETFs), and commodities like Gold and Silver.
- **Leverage** — how much do you get with them and how does it work? This is extremely important to know beforehand. Some online brokers will multiply your trade by up to 500 times at no cost such as Olymp Trade where others have systems where you borrow money from your broker against your own margin. Be sure to ask.
- **Free Demo Account** with virtual money — this is your practice money to get familiar with the platform so you don’t accidentally click away your kid’s university fund. Some of these brokers give you as much as \$10,000 USD in virtual money to try out on their platform.
- Access to **professional tools** and **charts** and **tutorials** to show you how to use them.

**Get educated about trading. Maybe you’ve got some experience and that will speed up the process, but Forex has its own twists compared to typical stock or bond markets. If you’ve chosen a good broker, then you already have access to their professional educational resources.**

Additionally, they may provide training on their platform by professionals or have live webinars with financial analysts where you can ask questions. Make sure you check these things before setting up an account and then take full advantage of the free resources they provide you. There you have it. A short list to get you on your way to trading Forex and it didn’t take you all weekend or require you to purchase a bunch of books or tapes.

## TRADING PIONEER —

# JESSE “THE GREAT BEAR” LIVERMORE

## Farm Boy Turned Trading Genius

People love a good rags-to-riches story and when it comes to trading, Jesse Livermore may be one of the best stories out there. If you're unfamiliar with “The Great Bear” as he was often called, then read on because Mr. Livermore is one of the true innovators of trading and his story is one for the ages.

Born to a farming family in 1877, Jesse excelled at mathematics and ran away from home at the age of 14 to escape the doldrums of farming life. He soon found a job at a local exchange in Boston where he worked as a “chalk boy”. He would write the stock prices on a large board as they came in via telegram.

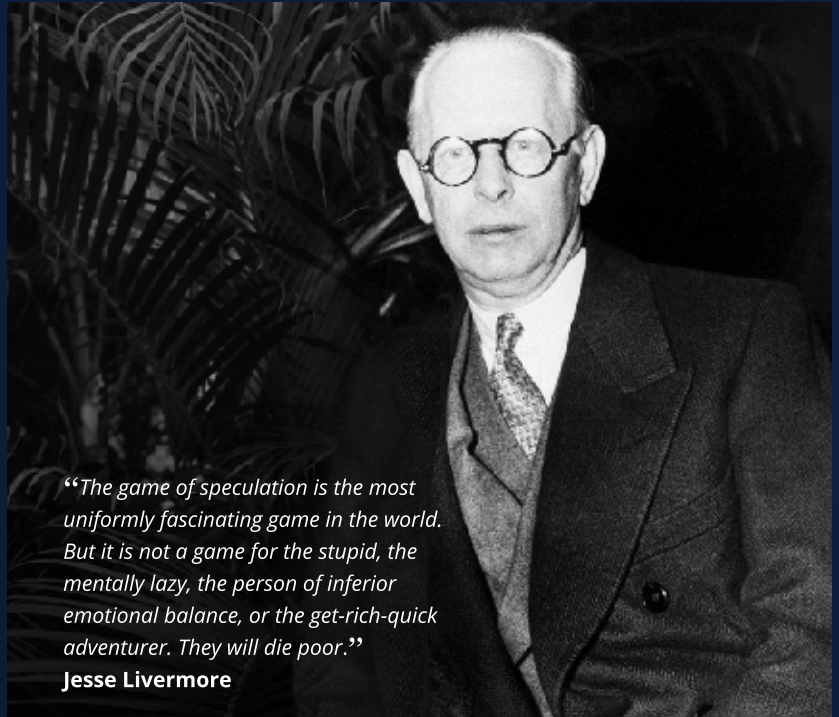
It wasn't long before Jesse began seeing trading patterns and he kept a log of the daily prices and tracked their progress. He soon started trading what little money he had at small exchanges called “bucket shops”. He was so successful at these places that he was soon banned from them.

## Learning the Hard Way

Livermore went off to Wall Street with a stake of \$10,000 which he had made from the “bucket shops”, but 6 months later he was broke. Trading on the “Street” was a different game and Livermore had to adjust.

He got back into the game soon after and traded long on some railroad stocks and then shorted the market on several other occasions. Some of his legendary trades include shorting the railroad market the day before the San Francisco Earthquake in 1906 making \$250,000 USD and shorting the market before the big crash of 1907 that ended up netting him \$3 million USD.

He also was one of the few people to make out well, following the crash of 1929 when he shorted the market again. This earned him the nickname of the “Great Bear” when he made a cool \$100 million USD off the worst economic period in U.S. history.



*“The game of speculation is the most uniformly fascinating game in the world. But it is not a game for the stupid, the mentally lazy, the person of inferior emotional balance, or the get-rich-quick adventurer. They will die poor.”*

**Jesse Livermore**

## Trading is Work and Not for the Faint of Heart

Livermore wasn't lucky. To him, a man makes his own luck and the people that work the hardest get the luckiest. He studied the market, played the trend, tested out theories before going big on positions.

He treated trading like a very serious game. He once cornered the cotton market just to see if he could. When he was called to the White House by President Woodrow Wilson about his dominant cotton position, he sold his positions back at breakeven.

## The Legacy of Livermore

Whether you realize it or not, if you're a trader then you're likely utilizing some of Livermore's techniques. He was one of the first to identify support and resistance cycles and capitalize on them.

He wrote a book on trading aptly named *How to Trade in Stocks* and another was written about him by a colleague, Edwin Lefevre, named *Reminiscences of a Stock Operator* which is still in print today.

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*“All through time, people have basically acted and reacted the same way in the market as a result of: greed, fear, ignorance, and hope. That is why the numerical formations and patterns recur on a constant basis.”*

**Jesse Livermore**



# Trade seamlessly wherever you are



**Low Barriers**  
to Entry



**Built-in**  
**Analytical Tools**



**Training in Different**  
**Languages**



**The Power**  
of the **Multiplier**  
**up to x500**

