

Currency Trading Basics

10 Facts You Need to Know for Forex Trading Success



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10 Facts You Need to Know to Enjoy Forex Trading Success!

In Forex trading 95% of all traders lose money and while this is a huge percentage, it's a fact that Forex trading can be learned by anyone with a desire to succeed and a willingness to work at the basics.

Someone once said to me, "Forex trading is simple but its not easy" and this statement, is very true; anyone can learn to trade but with the rewards on offer, you wouldn't expect it to be easy. The good news is anyone can be a successful Forex trader and for the effort you have to put in, no other business can reward you with so much in terms of profits.

Forex trading remains the final frontier of the free market economy and is one of the few ventures in life, where traders can start with small stakes and build serious wealth quickly.

If you read and understand the Forex facts below, you could soon be on you way to a great second or even life changing income.

Cheap Forex Robots and Expert Advisors Lose Money

The most common way for new traders to seek currency trading success is to buy one of the cheap Forex software packages sold online. These Forex Robots and Expert Advisors however don't work and anyone who buys them losses their money quickly and the reason why is obvious:

These systems all claim that for just a hundred dollars or so, they can give you better gains than the world's top fund managers achieve with less draw down; the track records would make even the super traders like George Soros or Warren Buffet look average and yet, you can do better than them with no effort and for spending a hundred dollars! Doesn't quite add up does it? It looks to good to be true and it is:

If you look closely at the systems, NONE of them produce a verified track record of real gains – so where do the track records come from? The answer is simple, the vendors make them up. Look at most and all you see are simulated back tests, over historical data knowing the closing prices! We would all be millionaires, if we knew tomorrow's price today but we don't and that's what makes Forex trading such a challenge. Other vendors put out figures they say are real but as there from the vendor, they should be ignored - ask him for verification from a third party and you won't get an answer. These systems are so cheap, because they don't work, if they did 95% of traders wouldn't lose money. The only one who makes the regular income with these systems is the vendor selling the system. Forex Robots and Expert Advisors give the Forex industry a bad name and sadly, thousands of traders fall for the hyped marketing copy and trust their money to them and lose.

If you want an automated Forex trading system which actually does make money, you can get one for free on our site " The 4 Week Rule" by Richard Donchian will beat any of the cheap Robots above and is a great system, if you accept you will have periods of losses and you look long term; it's worked for some of the top traders in the world for over a quarter of a century and will work for you too.

You Don't need to work Hard or be Intelligent to achieve Success

After the traders who think they can get rich with no effort, we have a group who think the expect opposite and think that working hard or the fact that their intelligent, guarantees them success but nothing could be further from the truth. Hard work and intelligence are not the

criteria you are judged on, how much money you make is. To learn Forex trading should only take a few weeks, if you get the right education and because Forex trading is simple to learn, you don't need a college education either. When learning Forex you need to work smart not hard and once you have learned your strategy, you are all set to be making big profits in around 30 minutes a day. Forex trading is simple so don't try and make it more complicated than it really is.

There is no scientific Way to Predict Forex Prices

There are lots of people who believe that Forex markets can be predicted in advance, with the help of scientific formulas. The problem is - prediction is simply hoping and guessing in Forex markets and it should be pretty obvious to anyone, that if there was a way to predict them with science, there would be no market, as we would all know the price in advance! Prices move due to uncertainty not certainty.

The three big theories to avoid are the ones sold by disciples of Gann, Elliot and Fibonacci. These theories all claim to be scientific but if they know the future and can predict it, why do systems based on these methods ever have a losing trade? If you use any theory which claims it can predict the future, the predictions will end up as accurate as your horoscope.

Never try and predict, simply trade the reality of price change as it occurs on a Forex chart; while you may not win every trade, if you trade high odds set ups, cut your losses and run your profits, you will make a lot of money.

Simple Systems are more Likely to Succeed than Complex Ones

There is a myth that the more complex a system is, the more likely it is to make money but the opposite is true - simple systems work best because they are more robust than complex ones and have fewer elements to break in the brutal world of Forex trading. If you want proof of this consider this fact:

50 years ago 95% of traders lost money and today guess what? 95% of traders still lose money! This is despite all the advances in technology we have seen in the period which include:

PC'S that now have more processing power than Mission Control which helped put man on the moon, complex software packages are now able to process huge amounts of data at lightening speed, more and better news available and instant price information is available to anyone at the click of a mouse but despite all these advances, it has made no difference to the number of people who win.

Technology and complexity, do not guarantee success and never will and I would bet in a hundred years time, 95% of traders will still lose. This is because Forex trading success is dependent on something else which is not based on being clever or using complex systems, you will understand what it is, by the time you get to the end of this PDF.

Keep phrase "KISS - Keep it Simple Stupid" when you trade Forex markets and don't try and be to clever.

You Cannot Trade the Supply and Demand Facts

Will Rodgers once said, "I only believe what I read in the papers" and while he was joking, it's surprising how many people listen to the opinion of so called experts on the CNBC, CNN and other news wires and trade off the opinions given. What these people need to learn is that markets always collapse when the news is most bullish and rally when it's most bearish. Keep in mind news stories tend to reflect the consensus opinion and the majority lose.

Markets don't move to the news, they move to traders opinions of the news and while we all have the same facts to look at, we all draw different conclusions from what we see and in most

instances, traders are heavily influenced by the emotions of greed and fear. An expert on the news, can always explain why something happened but there not very good with their predictions, of what will happen!

News is opinions and that's it, so forget about trying to trade the news and simply trade the reality of price action as you see it on a chart. Not only will all the news be discounted in the price, it will also reflect the opinions of all the traders at the same time so you see the price as it is and not what people may think it should be.

All Big Trends start and Continue from Breakouts

If you look at any Forex chart, you will notice big trends that last for many or longer and furthermore, you will notice that all the big trends start by, breaking to new market highs or new market lows. If you therefore buy and sell breakouts you can make a lot of money. Now while this sounds logical and a great way to make money, most traders can't trade breakouts – why?

The reason is simple and related to some of the points we have covered earlier, in that traders are obsessed with predicting in advance and getting in and out of the market at the exact low or high; this is impossible of course but it doesn't stop traders trying and they all lose.

When a good breakout occurs, they won't enter because they feel they have missed a bit of the move, so they wait for a pullback so they can get in at a better price. The problem for these traders is - the best trends don't pullback and these traders watch as the trend continues, piling up thousands of dollars and their not in it!

The smart trader went with the break and while he knew he had missed the exact trend change he wasn't worried, as he knew he had a lot more profit ahead of him. The trader who waited, just thinks of what might have been. Trading breakouts, is simple, logical and you don't have to predict anything, you simply trade the reality of price change. Many of the world's top traders, use breakouts in their Forex trading strategies and you should too.

Money Management the key to Success

If you look at any great football team, it's success is normally built on tight Defense. The logic is - if they keep the opposition at bay, the offense will get the opportunities to win and its true – there is no successful trading system which doesn't have tight and robust money management. A famous trader once said to me, that the secret of his success was that if he could keep his losses small, the profits would always take care of themselves and they do.

Most novice traders pay no attention to money management and leverage up their accounts to ridiculous levels and lose. Any broker will give you 200:1 leverage on your capital but that doesn't mean you have to use it all! In fact, as most brokers are market makers and make money while you lose, its in the interests to give out huge leverage. It's not generosity they know, that if you give a novice trader enough rope, he will hang himself and he normally does.

If you are a new trader start trading with no leverage until you have confidence and then use a maximum of 10:1, until you really feel confident to use more. Personally I never have any trade leveraged more than 10:1 and I have been trading for over 25 years. One final point to keep in mind is, the higher you leverage the bigger the commission impact on your account , A trader who uses a lot of leverage, can find very often find himself having to make 10% or more in relation to his account equity, just to break even!

When trading you are going to have losses, so you must keep them small! Most traders simply cannot do this, they let losses run and hope they turn around, as their egos get involved and this leads to a wipe out. Taking losses is actually the way to make money long term, all businesses have losses, so consider it your overhead and it doesn't sound so bad. As long as you can run your profits and there bigger than your losers, you will make a great income over

time which leads me into the next point...

You need to Have Courage to Run Big Profits

Most traders simply cannot accept big gains, even when there staring them in the face! You may be saying - surely everyone wants big gains so why can't traders accept them?

The answer is while emotions can cause traders to run losses, it also causes them to cut profits and take them to early and this also leads to disaster. When trading, you need to keep your losses small but chances are, you are going lose more trades than you win so to make a profit overall you must run your profits. I actually know traders who lose 70 -80% of all their trades and yet, they make triple digit gains overall, because they run their profits and if you want to be successful you too.

Let's take a typical example, of how an inexperienced or losing trader, deals with a potentially profitable trade:

When he enters the trade, he is pleased to have a profit of course and as it starts to get bigger, normal volatility means that there are dips in open equity and the trader gets nervous. He doesn't want to lose his profit and thinks, I better take it now before it gets away and the bigger the profit becomes, the more tempted he is to take it, despite the fact that the long term trend is up. As the profit grows he does one of two things, he simply snatches it and banks it, or moves his stop within normal volatility and gets stopped out. What happens next? The trend continues the way he thought, piles up thousands of dollars in profit and he's not in!

If you want to make big profits, you have to take open equity dips and NOT have your stop to close, you need give the market room to breathe and keep your stop outside of normal volatility sure, you will give back a bit at the end of the trend but as no one can predict when a trend might end that's not a problem, your aim is to make money not be perfect. You need to have the courage and confidence to hold through open equity dips and focus on the long term if you want to win.

If you don't do the above, you probably won't make enough in profits to cover your losses and this will mean you lose long term. If you look at any Forex chart, you will see the big trends last for weeks, months or in some instances years and if you can hold them you can make a lot of money. So long as the chart formation in relation to your Forex trading strategy, indicates the trend will continue, stick with it and have the courage to hold the big trends and milk them for all there worth.

Patience is the key to Hitting High Odds Trades

I often read people say, you can make a steady monthly income trading Forex but this is nonsense – you can't. You need to look at Forex long term and the market won't give you high odds set ups and profits all the time. A major mistake of novice traders is to trade to much, they think the more they trade, the more profit they will make but this is simply not true. If you try and trade to much, you will end up taking low odds trades and lose. You need to be patient and wait for the highs odds trades and trade them and this requires patience.

Another point I want to make here is - never day trade or try Forex scalping, its one of the dumbest ways to trade and will see you lose. In days gone by, the floor trader had an advantage, in that he had the price before the vast majority of traders and could use this window of opportunity to scalp a quick profit. Today this advantage has gone and the reason is the internet delivers price information in a split second at the click of a mouse to all traders.

The reason you can't win at day trading is due to the fact that all volatility in daily time frames is random, you can't get the odds on your side so you are destined to lose. If you want to win at Forex trading, trade the long term trends or if you want a bit more action, try FOREX swing trading which trades overbought and oversold levels, which generate trades typically lasting a few days to a week.

Patience is a virtue, as the old saying goes and its very true in Forex trading, never trade for the sake of trading. Focus on trading only high odds set ups and you will make more money with less effort and that's what all Forex traders really want!

Confidence and Discipline is the Foundation Success is Built on

Earlier in this PDF, we noted that 95% traders lost 50 years ago and 95% lose today and also noted that technology advances had made no difference to the number of winners. We said success was dependent on something else and that something else is, trading discipline and the success of any trader is based upon the following simple equation:

Simple Robust Method + Executed with Discipline = Forex Trading Success

Trading discipline is essential because, if you can't execute your trading method with discipline , you don't have one!

Many traders have heard the word discipline mentioned but don't really understand how essential it is in terms of making money and when they trade, their discipline soon breaks down. A lack of discipline causes the following to occur:

A trader gets frustrated or angry, when he starts to lose and he either, runs his losses , engages in revenge trading to make back previous losses, changes systems frequently, cuts profits because he doesn't have the courage to hold them or is so grateful for any profit after an string of losses, he banks to soon to make them look better!

Trading discipline is the elusive quality, that separates winners from losers. Discipline is the ability to keep your emotions out of your trading and stick to your trading plan. A trader with good discipline, accepts losses and keeps them small and has the courage and conviction, to run is big profitable trades when he has them.

If you think trading discipline is easy, you probably haven't traded! it's not easy but if you adopt the right mindset, leave your ego behind and get confidence in what your doing, you can trade with discipline. Once you have the right mindset in place your all set to make a great second or even life changing income.

Understand the 10 Facts Above? Well if You do, You are on the Road to Currency Trading Success!

As I said at the start of this PDF, Forex trading is simple but it's not easy and now you will probably understand exactly what I meant by that statement.

The good news of course is that anyone has the potential to become a successful currency trader from home and if you want to win you can. All you need to do is have a desire to succeed, a willingness to learn and to make the effort to adopt the right mindset and the rewards open to you are enormous.

No other business can offer you such great rewards as currency trading; you don't need to be smart or clever and as we shown in this document, trying to be clever can actually hinder your chances of success. You don't need to work hard either, you simply need to work smart and get the right Forex education. You can learn to trade Forex in just a few weeks and then start making a great second or even life changing income, in the world's biggest and most exciting business – global Forex trading.

So if you want to change your financial future, trading currencies can help you do just that; thank you for reading my PDF and I wish you good luck and good trading!

**Best wishes
Sacha**

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