

Advantages of trading forex versus other markets

The foreign exchange currency market is extremely liquid.

With average daily turnover of more than \$3.2 trillion dollars the forex market has by far the most liquidity of any market in the world. This means there is virtually no slippage; in other words, the price you see is the price you get.

24x6 hours of liquidity in a week.

The forex market is unique from other markets in that a trader can place a trade 24 hours a day 6 days a week. Where as stock and futures markets have specified trading times their respective exchanges are open, forex markets allow for trading at any time of day. This provides for more time to test strategies and larger samples of data to work off of, as well as the ability to take advantage of other world city's active trading times.

No centralized market.

Since forex trading can be done from right inside your own home there is no centralized trading market. The advantage this provides to the retail forex trader is that there are no broker's commissions or fees. Forex brokers, known as market makers, collect the difference between the bid and ask price on a currency trade, this is known as the spread. The effect on the trader is that their position will start off being between 1 and 10 pips negative, depending on the volatility of the currency pair being traded. However, to the trader with a consistently profitable trading method, this small burden is hardly noticeable.

It is impossible for your forex account to go negative.

Forex market makers generally all offer trading platforms that automatically close out a client's open position if they have an open loss that exceeds the margin requirement. This means there is no risk of your account going negative at which point you might actually owe money to the exchange, which can happen in futures trading

Low margin requirements allow for leverage.

In forex trading a trader can get leverage up to 400:1 on a micro account. This means they can control 400 times the amount of money they are risking on a trade. This is called leverage and provides the opportunity for very large profits relative to account size, but also for very large losses.

Widely available demo account trading.

Almost every single forex broker you will encounter offers a free demo account to learn how to trade from. If properly utilized a demo account can teach you the mechanics of trade execution as well as give you time to develop and test your own personal trading method. A forex method that consistently makes money on a demo account, if traded the same way, should make money on a real account. The difference lies in the fact that real money trading is much more emotionally difficult on people. However, if you take the time to test your trading method on a demo account and really take it seriously, the transition to trading real money in the forex market can be relatively seamless.

About the Author

Nial Fuller is a Respected Trader and Forex Coach. He runs a Forex Training and Education Website, Visit his site here [Forex Trading Training](#)

Source: <http://www.forexarticlecollection.com>