

What is Forex, What FOREX Broker?

Trying to decide what broker is preeminent for you is a hard one, so this article hopes to bring to light some of the things that you need to consider.

With the dawn of further FOREX retail traders in the market, competition amongst brokers has led to a multiplication in platform flexibility and features. Therefore, every broker over the preceding few years has tried to provide a better and easier way into the foreign exchange market in support of the beginner. I will pose various of the more obvious questions you need to find out from or ask your broker.

First and foremost are 'spreads' and how the broker deals with them. Spreads are valuable as the beginner needs to minimise his chance and reduce any expenses when entering and exiting a trade. Frequently, spreads are quoted by the broker as being 'fixed' or 'variable' for every currency pair. I have noticed that these days, spreads are continuously 'variable' and few brokers offer really fixed ones. Although they may say EUR/USD has a 3 pip spread, what they mean is so as to this is the minimum spread. You can be guaranteed that in times of high volatility, as prices are moving quickly, the spread will expand. Note furthermore, that some brokers boost their spreads if the 'lot' size is lower - see the types of account beneath. This seems a bit odd as this certainly will not promote new business for the broker!

One point to bring up is that although this point is valuable for the beginner trader, as you get extra experience, spreads turn into less of an issue while choosing a broker as they become less important and more skilled traders will point out other features over spreads when taking into account what broker to pick out. Here are lots of websites listing broker details such as <http://www.etoro.iwow.us> so do your homework before choosing!

The next entity is whether the broker offers all three of the 'standard' accounts - regular, mini and micro. Regular accounts deal with full 'lots' (\$10 loss or profit for each pip movement in the currency, if trading a USD pair) and therefore require the principal amount of opening capital of around \$5000. Although mini accounts (\$1 loss or gain for each pip movement) are now abundant and ordinary, they still require a certain amount of capital to open so as to may be further than some new traders. Micro accounts (Only 10c loss or gain for each pip movement) deal with such small sums of money that they are better than trading demo, but the chance is low when it comes to losing capital. Consequently, they require the smallest amount start-up capital in the region of only a couple of hundred dollars.

Various checks will be made when you open an account, and if the company is based in another country, you will need to fill in various tax exemption forms such as a W-8BEN previous to the account will be opened, don't let this put you off!

A further check you could wish to do previous to considering a broker is to check their performance at the Commodity Futures Trading Commission website www.cftc.gov to ensure they are listed and have the vital minimum turnover and liquidity. Any sizable court cases will also be listed.

If you expect to carry out 'position' or 'swing' trades, such that you will be holding overnight positions, you might want to check what rates of interest will be paid/debited from your account. This is now and again hard to find on some websites, but can be very informative as generally brokers offer poor 'carry' interest if you are in a trade for a lengthy period of time.

Check to ensure what currency pairs they offer - again, generally companies offer most of the most commonly traded pairs but it's nice to see how 'established' they are by seeing if they offer other trades such as gold, S&P, futures etc.

Unfortunately, something you can't check is the kind of service the broker offers. Mainly will be 'discount' brokers, which basically means that they offer no trade advice or all-purpose help and if you address to anybody on the trading floor about your trade, they will be usually be brief and 'to the point'.

Try to find a broker who has downloadable free software that you trade from on your computer. The other way is to trade 'live' from a website, but I discover this inflexible, especially if you constantly need to click between screens as this usually requires the loading of a new webpage and makes everything quite 'clunky' even if you maintain a fast broadband connection.

Various brokers offer trading platform software and separate charting software, so you can use the best looking charts from one company and the platform from a different - watch for variations in price quotes though!

About the author:

I am a private full time FOREX trader and have a blog at <http://www.weselldomains247.blogspot.com> along with other Foreign Exchange information and products to help with your Foreign Exchange trading.

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