

Trading with Strategy: Forex Currency Exchange Market Part 1

Trading successfully is by no means a plain matter. It requires time, market expertise and market understanding and a generous amount of self restraint. FD does not manage accounts, nor does it give market advice, that is the job of money managers and introducing brokers.

As market professionals, we can however point the novice in the exact direction and indicate what are correct trading tactics and considerations and what is total nonsense.

Anybody who says you can consistently make money in foreign exchange markets is being misleading.

Foreign exchange by nature, is a unstable market. The practice of trading it by way of margin increases that volatility exponentially. We are therefore chatting about a very 'fast market' which is genuinely inconsistent. Following that instruction, it is logical to say that in order to make a thriving trade, a trader has to take into account technical and fundamental data and make an informed decision based on his perception of market sentiment and market expectation. Timing a trade accurately is probably the most important alterable in trading successfully but habitually there will be times where a traders' timing will be off. Don't expect to generate returns on every trade.

Let's enumerate what a trader needs to do in order to put the best odds for profitable trades on his side:

Trade with money you can afford to lose:

Trading forex markets is speculative and can result in loss, it is also exciting, exhilarating and can be addictive. The further you are 'involved with your money' the harder it is to make a clear-headed decision. Money you have earned is precious, but money you need to stay alive should never be traded.

Identify the state of the market:

What is the market doing? Is it trending upwards, downwards, is it in a trading range. Is the trend fervent or weak, did it begin long ago or does it look like a new trend that's forming. Getting a clear picture of the market circumstances is laying the foundation for a thriving trade.

Determine what time frame you're trading on:

Many traders get in the market devoid of thinking when they would like to get out, after all the goal is to make money. This is true but when trading, one must extrapolate in his mind's eye the movement that one expects to take place. Inside this extrapolation, resides a price evolution during a clear period of time. Attached to this is the idea of exit price. The meaning of this is to mentally put your trade in perspective and although it is undoubtedly impossible to know exactly when you will exit the market, it is valuable to define from the outset if you'll be 'scalping' (trying to get a few points off the market) trading intra-day, or going longer period.

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