Trading with Strategy: Forex Currency Exchange Market Part 2

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.

This will also determine what chart period you're looking at. If you trade many times a day, there's no point basing your technical analysis on a daily graph, you'll probably famine to analyse 30 minute or hour graphs. Additionally it is valuable to know the atypical time periods as various financial centers enter and exit the market as this creates more or less volatility and liquidity and can influence market engagements.

Time your trade:
You can be appropriate about a potential market movement but be too early or too late when you enter the trade. Timing considerations are twofold, a predictable market stature like CPI, retail sales or a federal reserve decision can consolidate a movement that's already underway. Timing your move means knowing what's estimated and taking into account all considerations previous to trading. Technical analysis can help you identify when and at what price a move could occur. We will look at technical analysis in more detail later.

If in doubt, stay out:
If you're unsure about a trade and find you're hesitating, stay on the sidelines.

Trade rational transaction sizes:
Margin trading allows the fx trader a very large amount of leverage, trading at full margin faculty can make for some very large profits or losses on an account. Scaling your trades so that you may re-enter the market or make transactions on other currencies is commonly wiser. In short, don't trade amounts that can potentially wipe you out and don't put all your eggs in one basket. ACM offers the same rates regardless of transaction sizes so a customer has nothing to lose by opening small.

Gauge market sentiment:
Market sentiment is what the majority of the market is perceived to be feeling about the market and therefore what it is doing or will do. This is basically about trend. You may have heard the term 'the trend is your friend', this basically means that if you're in the right direction with a great trend you will make thriving trades. This of course is very simplistic, a trend is competent of setback at any time. Technical and fundamental data can indicate however if the trend has begun long ago and if it is strong or weak.

Market expectation:
Market expectation relates to what most people are expecting as far as imminent news is concerned. If people are expecting an interest rate to rise and it does, then there usually will not be much of a movement as the information will already have been 'discounted' by the market, then again if the adverse happens, markets will mostly react violently.

Aid what other traders use:
In a textbook world, every trader would be looking at a 14 day RSI and making trading decisions based on that. If that was the case, when RSI would go under the 30 level, all would buy and by consequence the price would rise. Needless to say, the world is not exact and not all market participants stay on the same technical indicators, draw the same trend lines and identify the same support & resistance levels. The splendid diversity of opinions and techniques used translates frankly into price diversity. Traders however have a tendency to use a limited variety of technical tools. The most common are 9 and 14 day RSI, obvious trend lines and support levels, fibonnacci retracement, MACD and 9, 20 & 40 day exponential moving averages. The closer you dig up to what most traders are looking at, the more precise your estimations will be. The logic for this is simple arithmetic, larger numbers of buyers than sellers at a particular price will move the market up from that price and vice-versa.

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