

Understanding Forex: Forex Day Trading vs. Forex Swing Trading

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You have heard all the stories regarding the millions of dollars that you can make by day trading the forex markets, how it is easier to make money with forex since it trends much better than stocks and there is further liquidity with over \$7 Trillion dollars traded a day. You have seen the advertisements asking you to sign up for a broker with only \$25 to start and your imagination begins running wild in this area.

The fact is that the foreign exchange markets are a traders hope in the same way that Las Vegas can be a gamblers hope. It is open 24 hours 6 days a week, so there's permanently action and there's always a trade that can be made. But precisely like Las Vegas it can quickly bend into a nightmare.

The truth of the matter is that it is intricate making money in forex and it is even more arduous making money consistently by day trading the forex markets. The motive being that most folks cannot think quickly and calmly as much as necessary to make the split second decisions needed to be profitable at day trading. In his book Blink, Malcolm Gladwell details a computer generated war simulation competition set up linking day traders and battle field generals. Surprisingly the day traders fared quite well against the battle-hardened soldiers at making split-second decisions that may perhaps cost thousands of simulated soldiers their digital lives. If you regard your trading resources as your soldiers and the goal is to go out and capture the enemy soldiers or other people's capital, so therefore the analogy is a pretty good one. Not surprisingly the two groups got along quite well with one another after testing their determination on the digital battlefields. What they found is that to be lucrative in either profession required a similar set of skills, namely being able to make split instant decisions, the skill to take in and process lots of information at one time and disregard extraneous unimportant information, and evidently the skill to deal with pressure calmly and "cool-y". Most folks lack these requisite skills to be successful as day traders.

Swing trading is a much easier and less stressful way to get into the markets, and you won't even have to sit in front of your computer screen for hours at a time watching indicators and squiggly lines. It's a gentler march in which the trader can set limit, or stop orders and wait for the markets to come to them. In addition in its place of having to make decisions at such a frenetic march a swing trader can be more thoughtful and deliberate in the process.

Present is money to be made in the forex markets, but it is not for everybody. If you are going to tempt these treacherous waters there are a few things that you should know first-

1. Control a well thought out trading strategy, preferably one that has been back tested and has some statistical meaning.
2. Make sure to use stop losses and you ought to also use a trailing stop loss
3. Don't use the rent money to trade with, or other money that you need to pay the bills. If you do therefore you will always make bad decisions.

If you'd like to find out more about forex trading and sign up to receive free trading signals please click on the link in resource box below.

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