Forex Investing

for Beginners

How to Find the Right Managed Account and Generate Returns on AutoPilot



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Introduction

I want to thank you and congratulate you for downloading the book, “Forex Investing for Beginners: How to Find the Right Managed Account and Generate Returns on AutoPilot” . This book contains proven steps and strategies on how to make money by trading foreign exchange without necessarily experiencing the hassles that come with the exercise.

Foreign exchange trading is the biggest and the most active trading market in the world. It is also the most liquid market. By studying currency movements, people who do foreign exchange trading choose specific currency pairs that they expect to change in value and place a trade on it accordingly. Many factors affect currency movements, but the essence of the trade is that you earn if the currency you bought increases in price relative to your buy rate and you are able to make a sale based on your target price.

Foreign currency trading is an exciting market as you gain big returns if you read the market right. However, no matter how diligent you may be in your readings, forces beyond your control may push prices towards the other side and you may amass big losses as well. Here, we will show you how you can go into the forex business without necessarily emptying your coffers. Prudence is what makes for a good trader and we will share with you tips on how to make a "good" trade. Thanks again for downloading this book, I hope you enjoy it!

Chapter 1

What is Foreign Exchange Investing?

Foreign exchange investing is a type of investing where investors or traders buy and sell currencies expecting these currencies to change in value, which could either result to the trader maximizing profits or minimizing losses. Trading is done in the foreign exchange (forex) market where participants may range from countries, to banks, to companies and even trading individuals. The term forex market is just used to denote that there is actually trading of currencies that is happening as transactions are electronically done (over the counter or OTC) and is not regulated by centralized body.

The forex market is the world's largest market, accounting for over $4.0B traded volume in a day. It is also the most liquid as transaction involves outright transfers of cash from one account to the other (spot trade), although a small percentage involves the issuance of contracts on future dated transactions (forwards and futures). It is one market that almost never sleeps, operating 24 hours a day and 5 1/2 days a week. The reason for this is trading is done across borders, so while some countries may end trading on their end, other countries from other parts of the world would start trading.

Why is There a Need to Trade Currencies?

Trading currencies is inevitable because trade transactions involve the payment of goods and services with the currency of the selling country (exporter). Thus, for the US to buy coffee from Brazil, the US has to pay Brazil in its currency, the Brazilian Real. Trade transactions though are mostly conducted through the bank's import /export facilities so that banks would normally be the one active on the forex market.

How Does the Forex Market Work?

To enter the foreign exchange market, the trader either goes through a market maker or a broker. The market maker may be a big bank that has the capacity to dictate the bid and the asked prices owing to the resources that it has. The broker may also be a bank or a company who does trades for smaller investors and usually earn their income through commissions.

Foreign exchange trading always involves two currencies, called currency pairs. The most traded currencies are the US Dollar, the British Pound, the Euro, the Swiss Franc, the Canadian Dollar, the Australian/ New Zealand Dollar and the Japanese Yen. However, in terms of pairs, there are four major pairs that dominate the foreign currency

trading as follows:

1. EUR/USD

2. USD/JPY

3. GBP/USD

4. USD/CHF

When you start to trade, you will choose a currency pair that you expect increases in process over a period of time. You may choose trading anyone of the four major pairs, deciding which you will trade in the long (buy) and in the short (sell). An example would be trading in the EUR/USD pair. At some point in time, you bought 500 Euros at US$700. After six months, your 500 Euros could fetch a price of $US800.00. If you decide to end your trade at that point and was successful, then you would have earned US$100 over a period of six months.

Trading pairs though are not limited to the four major pairs as movements in the market, news or anything that could affect currency rates might make a forex trader decide on other foreign currencies to trade. Trading pairs not involving US dollars are called cross currencies. If you are doing forex investing and would want to trade on a cross currency (say GBP/JPY) but only have dollars, you can actually trade your dollars for the GBP and after this trade is done, you can proceed with trading the British Pound for the Japanese Yen. In this example, there are two trades have to be completed. Therefore the broker has to compute a margin or spread for both trades and then adds them together. To avoid paying this, some brokers require a minimum deposit in the foreign currency, in this case, the British Pound, from the trader.

Chapter 2

Why Forex is Considered to Be a Good Investment

Investing in foreign exchange could be one of the good investment decisions you would ever make. Unlike stock market investing where you invest in a company and your gains depend upon the performance of the company, you buy a currency as if making a "bet" that that particular currency you bought will be worth more over a period of time. Also, with the big number of players in the market and the manner in which most of the transactions are traded (like spot), you will be sure that there will always be buyers and

sellers who will be available to do a trade on the other end.

Since currency trades are done 24/7 and 5 1/2 days a week, you can take advantage of trading on good news, even doing this at the luxury of your home. Currency movements depend largely on developments happening within the country of the currency you traded, and as you have access to news at anytime, you can stay on top of your trade by keenly monitoring the currency related news in that country.

Forex investing is all about planning. As with all other investment channels, there is a learning curve. A new investor in the forex market should at least know the basics like majors and cross-pairs, shorts and longs, spreads, pips and stop-losses as these will all form a part of your forex investment plan. As soon as you have laid out the plan on how your will execute your forex investment strategy, stick to it so that you can keep within the limits of your losses and not be dried out, should markets turn the other way. Initially, you can do the majors, so as to be on the safe side, and go long term with moderate profits, so you get to have a feel of the market. As you learn the ropes, you can be more active and trade short term.

Chapter 3 - Trading on Your Own: A Waste of Time

Although it could be a good challenge for some investors to enter the forex market on their own because of the promise of huge profits, entering the forex market unguided with very little or no knowledge could prove to be costly.

For one, the investor has to understand the terms to make an informed decision. And as the information is just too much to learn, the time spent in studying the ropes could be opportunities lost.

Others are just too eager to join the bandwagon that they rely on forums for advice. The thing is, with forums, a prospective investor is swamped with too many advices, some not even agreeing with each other, which makes the investor more confused. Furthermore, since you do not know who you are talking with in the forums, somebody posing as an authority might just be doing good on the trading game but may not have the actual experience when it comes to real trading.

Some currency forums may just get you engaged in a discussion which has no value added to you. When getting into a forum, focus on the reason why you joined in the first place and leave when you feel that the discussion is getting you nowhere near your goal. Time you spend in the forums can either be used to test your demo program or actually do real trading.

Lastly, trading on your own means that you have to be up all hours of the night to trade high volume times. As decisions need to be done quickly, the fact that you may not be 100% alert could bring you costly errors.

Chapter 4 - Using Forex Bots: Only As Good As the Market

Forex bots are trading tools that enable a trader to trade on the forex market without having to stake it out day in and day out. This comes in the form of a program which automatically gives instructions on actual trades as if it is the person actually doing the trade.

In a perfect setting, bots can be accurate up to 75% of the time and can actually rake in profits. The problem is when sudden swings in the market do happen, the bots may not function correctly as it may not have been programmed to take into account such random swings. Although bots may be a good trading tool in that it is bereft of the emotional trap that actual traders fall into, that same lack of emotion will be the Achilles heel of the program as it will continue to trade even to the point of depleting the funds.

There could be as many factors in the forex trading system as there are currencies that affect trading decisions so that it will be close to impossible for the bots to be 100% fool proof. Programmers claim that this can be addressed by doing manual confirmation, in which case, it is still the person half doing the trade.

If it is hard earned money that you are using to do your forex trading, then prudence dictates that you do not assign this to a robot, which could totally wipe you out in just a few seconds.

Chapter 5 - Managed Accounts: The Best Way to Go

For those forex traders who would not want the hassle of doing their own personal trading nor taking the risk of being struck down by a forex bot, a more conservative way of doing currency trading is by opening a managed forex account. In a managed forex account, the investor opens an account with a forex brokerage firm for purposes of trading. Accounts opened with the broker are distinct and separate from each other. The investor signs a Limited Power of Attorney Agreement (LPOA) where he authorizes the trader of the brokerage to do forex trading on his behalf.

The LPOA gives the brokerage firm the authority to have the funds placed on a master block, so that the brokerage can trade individual accounts one time. This is not to be likened to co-mingled funds as the individual accounts still maintain their identity even when put in the master block. Further, in the course of the trade, funds are taken directly from the individual account and should proceeds of sale be credited, these are directly placed into each individual investor's account, not on the broker's account. This provides the investor peace of mind that his funds are safe, he has control over his funds and he has knowledge of every movement in his account. Another thing going for the investor in the managed forex fund is the fact that should they not be pleased on how the broker is managing the fund, they can choose to discontinue the agreement with the broker at any time as there is no minimum time within which they should keep the agreement.

As the trader invests the individual investors' account as one big block, he may use any of the three software used by leading forex brokers to trade these accounts. The differences lie in how gains, losses and fees are distributed. The simplest is the PAMM (Percent Allocation Management Module) where allocation is based on the percentage of the funds invested with regard to the total block. Thus percentage gains or losses and fees are uniform for each of the accounts. The other software that is used to trade forex is the LAMM (Lot Allocation Management Module). Here, the investment funds are divided into lots so that the broker assigns different trade lots to each investor. This allows the trader to spread assignment of lots based on investor preferences. The MAM (Multi-Account Manager) leverages on benefits of both the PAMM and the LAMM giving the trader more flexibility in terms of handling managed accounts under him. These are all part and parcel of the LPOA so that investor is not bothered by the extra burden of having to look after his account.

The individual investor in a managed account can see movements on his account real time either though the internet or through the trading platform. Aside from movements,

he can see his balances and profits (losses) as well. However, for as long as the LPOA is in force, he cannot do any trades as this has been delegated to the trader. To date, the Managed Forex Account is the only trading platform that could best address the customers' need for control, transparency and flexibility in their account.

Chapter 6 - How to Choose a Good Broker

To enter into the foreign exchange market, we would have to accept the fact that we would need the services of a forex broker. It could be daunting for a neophyte trader to choose which broker could best serve his needs as brokers abound and unfortunately, there are a handful of bogus ones. The following is a simple way to help you initially find a broker to attend to your forex brokering needs. As you grow into the market, you may change your broker taking into account your history of successes, spreads, the broker's ability to make good on your orders and such other factors that could impact

your bottom line.

A sure fire way of getting a decent broker is to call the National Futures Association, which regulates the activities of the brokers in the forex market. It maintains a very high standard for its brokers. True to its mission, it has a complaint and disciplinary procedure to police erring members.

Another way to get a good broker is to use your stock broker if they have access to forex trading. If they do not, then you can ask for recommendations which you need to do a check on.

You may also talk to an in-house broker who can furnish your details of how they charge for services, their requirements on deposits and such other details that may be required before entering into the market.

The above criterion may not give you the best of brokers available but following these tips could definitely shield you from unscrupulous brokers who are just out there to bleed you.

A broker is your partner in achieving sound financials. As you rely heavily on the decisions they make for you, it is a must that you screen your broker through the eye of the needle as he could make or break you. As you get to know more about the intricacies of forex trading, it may be a wise decision to scout for another broker should you feel that your needs are not being met.

Conclusion

Thank you again for downloading this book!

I hope this book was able to help you to get out of your shell, and start expressing yourself through the clothes you wear, and the way you wear them!

The next step is to continually evolve and pick up new things, new knowledge, and get to know new friends. Because ultimately that is what being fashionable is. That is to come out, show your individuality, and welcome others individuality as well.

Finally, if you enjoyed this book, please take the time to share your thoughts and post a review on Amazon. It'd be greatly appreciated!

Thank you and good luck!

http://www.successwiththommy.com

Preview Of ‘The Home Business Success Kit

Every business, whether brick and mortar or online, goes through a critical startup phase that can make or break its success. Thankfully, an online business has a significant advantage in this area.

This kit is designed to set the right foundation and mindset, as well as share the various tools I have used to grow my business.

Click here to check out the rest of The Home Business Success Kit on Amazon.

Or go to: http://www.amazon.com/dp/B00F7B1DIU

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Business Networking Events: The Ultimate Guide To Turning Cold Prospects into Warm Prospects

Gay Fashion 101: The Ultimate Guide for the Fashion-Less Gay(or Straight) Man

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