

What to Trade: All About Forex

**So when it comes to choosing
what to trade there are 2
questions to answer...**

Which market will I trade?

And which **vehicle** will I use to
trade it?

**I'm sure you'll have heard
about a wide range of
markets...**

**The Euro/US Dollar pairing is a
market...**

**The FTSE 100 index is a
market...**

**The Live Cattle futures contract
is a market, and so on**

Vehicles are the different
portals we can use to access
those markets...

**They all have their own pros
and cons...**

**Some require hefty upfront
investment and are more
suited to well-funded
institutions**

**Others – like the one we'll be
interested in – need just a
couple of hundred pounds to
get rolling**

**So where Futures contracts,
options, CFD's (Contracts for
difference) and ETF's (Exchange
traded funds) might be the
best choice for some...**

We'll be focusing on **Spread Betting** as our vehicle and like I mentioned in the last video the markets we'll be following are the **Forex** markets

**So why Spread Bet the Forex
markets?**

**Now I'm not saying completely
blinker yourself to other
markets**

**There may be times when
markets like Gold, Silver, or
stock indices are worth a look**

**But above all, to make money
trading you need the market
to do one thing – you need it
to move!**

**And that's one of the reasons
currencies (Forex) are such a
great proposition for traders**

**There's almost always
something on the go in one of
the many, many Forex markets
to choose from**

**And once they've got the bit
between their teeth these
markets can break out into
very strongly defined
trending moves**

**When you spot one you can
just jump on board and enjoy
the ride!**

**Couple that with the tax-free
profits spread betting can offer**

**And the fact you can have an
account open inside the next
10 minutes funded with just a
couple of hundred pounds**

**And I think it's a combination
that's hard to beat**

**So what actually happens in a
Forex trade?**

**When you place a trade with a
Spread Bet firm you are simply
speculating on the direction
one currency will take against
another...**

**Will the US dollar strengthen
against the Japanese Yen?**

**Or what about the Euro – will it
weaken against the British
Pound?**

**Changes in economic outlook
for the different countries or
geopolitical areas affect the
prices in relation to each other**

**But we don't really need to
know why they move to make
money!**

**There are lots of different
Forex markets and they all
come bundled together in pairs
and priced up by the Spread
Bet firm ready for action!**

**So one trade you might do is
'buy' the GBPUSD market**

**You might buy when the price
was 1.6316 – that means one
British Pound was worth
1.6316 US dollars at the time**

**So how do you make money on
the trade?**

**You need to sell it back at a
higher price**

**So a couple of hours later the
market has gone up to 1.6398
and you exit the trade by
selling**

**And you get to profit from the
difference in price...**

$$1.6398 - 1.6316 = 0.0082$$

**Congratulations, you just made
82 pips on the trade!**

Important: A **pip is the
standard unit by which
movements in price are
measured...**

It's an abbreviation of 'point-in-percentage'

Most markets have a pip size of one unit of the fourth decimal place (I'll show you a table of them in a moment)

**But most brokers display price
to the **fifth** decimal...**

**These are just 'pipettes' worth
one tenth of a pip**

**So don't confuse them with full
size pips!**

**Here's a table of the main
markets you can concentrate
on to begin with...**

Forex Pair	Currencies	One pip is...	
EURUSD	Euro / US Dollar	0.0001	
USDJPY	US Dollar / Japan Yen	0.01	!!!
GBPUSD	British Pound / US Dollar	0.0001	
USDCHF	US Dollar / Swiss Franc	0.0001	
USDCAD	US Dollar / Canadian Dollar	0.0001	
AUDUSD	Australian Dollar / US Dollar	0.0001	
NZDUSD	New Zealand Dollar / US Dollar	0.0001	
EURGBP	Euro / British Pound	0.0001	
GBPJPY	British Pound / Japan Yen	0.01	!!!
GBPAUD	British Pound / Australian Dollar	0.0001	

**When you place an order you
specify how much you want to
speculate **per pip****

**So on our example trade if
you'd bought GBPUSD at £2
per pip you'd have made £164
on the trade...**

$$82 \text{ pips} \times \text{£}2 = \text{£}164$$

One thing to be aware of...









**Forex markets can move
quickly on economic data
releases and news items**

**The timings of scheduled
events are published in
advance – you can see them on
this website...**

**[http://www.investing.com/
economic-calendar/](http://www.investing.com/economic-calendar/)**

**Check everyday for 3 star
events that might affect the
markets you are following**

You can then manage your trades accordingly just before the report is due – I'll tell you more on this later in the course

13:00	 BRL	▼▼▼	Retail Sales (YoY) (Mar)	0.4%	1.5%	-3.3%	●
13:02	 RUB	▼▼▼	Central Bank reserves (USD)	358.5B		358.5B	
13:30	 USD	▼▼▼	Continuing Jobless Claims	2,229K	2,240K	2,229K	●
13:30	 USD	▼▼▼	Core PPI (MoM) (Apr)	-0.2%	0.1%	0.2%	
13:30	 USD	▼▼▼	Core PPI (YoY) (Apr)	0.8%	1.1%	0.9%	
13:30	 USD	▼▼▼	Initial Jobless Claims	264K	275K	265K	
13:30	 USD	▼▼▼	Jobless Claims 4-Week Avg.	271.75K		279.50K	
13:30	 USD	▼▼▼	PPI (MoM) (Mar)	-1.3%	-0.8%	-0.8%	
13:30	 USD	▼▼▼	PPI (MoM) (Apr)	-0.4%	0.2%	0.2%	
13:30	 CAD	▼▼▼	(MoM) (Mar)	0.0%	0.1%	0.2%	

**So at this stage that's all you
need to know about the
markets we'll be trading**

We'll take a look at **Metatrader
next – it's the order platform
you'll be using to trade from on
your computer**