Introduction

What is Forex?

Forex stands for Foreign Exchange (FX) and is the largest and most liquid financial market in the world, with an over $5.4 trillion a day trade volume. This means that this is the amount of money that changes hands in the foreign exchange market every day.

Currencies are what is traded in the FX market, with currencies being bought and sold relative to their strength or weakness compared to other currencies. You will buy a currency if you feel that it is gaining strength (appreciating) and you will sell it if you feel that it is becoming weak (depreciating). Currencies are always quoted in pairs, because whenever you want to know the value of a currency, you would want to know the value of that currency compared to another i.e. you would want to know how much the US dollar ($) is compared to the South African rand (R) if you were to be travelling to the United States from South Africa.

Market Structure

The Forex market is made up of Market makers, a dealer(s) in securities who undertakes to buy/sell at specified prices at specific times, as well as of Retail Trader(s), an individual investor who buys/sells securities for their personal account, not for another company or organization. Market makers collectively controls about 95% of the liquidity in the market while retail traders control only 5%.

24 Hour Market

The Forex market is a 24-hour market, which opens Sundays at 23H00 South African Time and closes Fridays at 23H00 again. This means you can trade anytime during the day, and you can customize your trading times to suit your style of trading as well as at a time that is most convenient to you.

There are three different sessions in the Forex market, with 23H00 to 02H00 known as a Dead Gap, where nothing really happens in the market, its relatively quiet. 02H30 till 09H00 is the **Asian Session**, where Asian markets are open and you will see movement is Asian currencies; 09H30 till 15H00 is the **London Session**, and during this session there will generally be a lot of movement in most currency pairs, with the Pound and the Euro and other European currencies with the most movement. The last session of the day is **NewYork**, starting at 15H30 and ending at 23H00.

Brokers

Brokers are firms that provide foreign exchange/currency **traders** with access to a trading platform that allows them to buy and a sell foreign currencies. A currency trading **broker**, also known as a retail **forex broker**, or **forex broker**, handles a very small portion of the volume of the overall foreign exchange market.

Types of Brokers

There are two main types of brokers, one, brokers that are **Market Makers** and two, **ECN** brokers, which stands for **Electronic Communications Network**. The role of an ECN broker is to match buyers and sellers by putting orders through their communications network. ECN brokers play no role in actually providing liquidity, all they do is provide a medium where buyers and sellers can find each other, so they also play no role in manipulating market prices in any way.

We will be opening accounts with ECN type brokers, as these handle a smaller volume of the overall liquidity in the forex market, and they typically don't require that much for you to open an account.

Currencies &Currency Pairs

Currency means money, so a currency of any country is the money that is used in that particular country, for example in South Africa we use the South African Rand and in the United States of America, they use the Dollar etc. Some of the worlds currencies are considered MAJOR currencies, owing to their belonging to major countries and economies of the world and to the fact that they are the most widely traded ones; others are called MINOR currencies, they belong to smaller economies and are also not as widely traded.

Currencies are quoted in pairs e.g. USD/ZAR and the first listed currency to the left of the "/" is called the BASE currency (USD), and the second listed currency to the right of the "/" is called the COUNTER or the QUOTE currency (ZAR). The base currency however forms the basis for the decision to either buy or sell, and you would buy the base currency if you think that the base is going to strengthen relative to the quote; and you would sell the base if you feel it will weaken relative to the quote or counter.

The relationship between the base and the quote/counter currency is also important in helping us figure out the **Spread**. Currency pairs are always quoted with two different prices, the **BID** and the **ASK** price. The BID is the price at which you will sell the base, and the ASK is the price at which you will buy the base currency. These two prices are always slightly different, and the difference between them is known as the Spread. The Spread is what the broker charges you per trade that you place, which explains why your trades will always start off at a slight loss/negative.

Long/ Short

When the price of any financial instrument or currency is moving up, its value appreciates and one should buy. Another term for buy in the forex market is **Long, going Long or taking a Long position.** In the case where the price is moving down, one would sell the instrument or currency, and another term for sell in the market, is **Short**, **going short or taking a Short position.**

Major Currencies

Symbol	Country	Currency
JPY	Japan	Yen
USD	United States	The Dollar
GBP	Great Britain	The Pound
EUR	The Euro Zone	The Euro
NZD	New Zealand	The Dollar
AUD	Australia	The Dollar
CAD	Canada	The Dollar

The Currencies are represented in symbols; the first two letters of the symbol represent the country that the currency belongs to and the third letter represents the name of the currency e.g. **USD**, the **US** stands for **UNITED STATES**, and the **D** stands for **Dollar**.

How to Read a Forex Quote

Currencies are always quoted in pairs, such as GBP/USD or USD/JPY. The reason they are quoted in pairs is because in every foreign exchange transaction, you are simultaneously buying one currency and selling another. Here is an example of a foreign exchange rate for the British pound versus the U.S. dollar:

The first listed currency to the left of the slash ("/") is known as the **base currency** (in this example, the British pound), while the second one on the right is called the **counter or quote currency** (in this example, the U.S. dollar).

When buying, the exchange rate tells you how much you have to pay in units of the quote currency to buy one unit of the base currency. In the example above, you have to pay 1.51258 U.S. dollars to buy 1 British pound.

When selling, the exchange rate tells you how many units of the quote currency you get for selling one unit of the base currency. In the example above, you will receive 1.51258 U.S. dollars when you sell 1 British pound.

The base currency is the "basis" for the buy or the sell. If you buy EUR/USD this simply means that you are buying the base currency and simultaneously selling the quote currency. In simple terms, "buy EUR, sell USD."

You would buy the pair if you believe the base currency will appreciate (gain value) relative to the quote currency. You would sell the pair if you think the base currency will depreciate (lose value) relative to the quote currency.

Pips and Pipettes

Pips and Pipettes are the unit of measurement to measure the change in price. The "pip" is the fourth number after the decimal point, so if the price of a currency pair is 1.25487, the 8, being the fourth number after the decimal point is the pip. The pipette is the fifth number after the decimal point and in the example above, the 7 is the pipette. The pipette is a fractional pip and is a tenth of a pip which mean you need ten pipettes to make one pip. It is for this reason that we don't really use pipettes, so ignore pipettes.

This is true for all other currencies except when the JPY (Japanese Yen) is involved. When the JPY is involved, instead of five numbers after the decimal, there are only three numbers after the decimal, 135.214, with the second number (1) being the pip and the third number (4) being the pipette.

Leverage

Leverage is a "loan" that your broker gives you so that you can take bigger positions in the market, but you are not liable to pay back the loan in the event that you make losses nor do they levy interest on the loan. This money is not added to your account balance, but the broker calculates your profits on the leveraged amount when you are making profit.

For example, you can deposit $100 into your trading account and your broker may give you leverage up to $1000. This means if you make 2% profit on the leveraged amount, you make $20 profit, and your account will have grown from $100 to $120 dollars, a 20% increase!

Margin and Margin Call

Margin refers to the minimum amount of money that the broker requires you maintain in your account at all times, e.g. if you have a $10000 account, your broker might require that you always have $3000 of that $10000 available at any one time, which means you can only ever commit $7000 to any number of trades at any one point. Margin also refers to how much of your balance you have left over that you can use to commit to other trades, before you reach your minimum required amount.

Margin call refers to a situation where you have trades currently running at losses until the loss amounts from all of them together add up to the maximum amount of money you can have committed to any number of trades at any one time ($7000). When your account is in this kind of situation, it is referred to as your account in margin call and your broker automatically closes all of your trades even if they have not hit your stop loss(s) in order to protect the minimum amount of money they require you always maintain in your account at any one time (margin).

Orders

An order refers to the way that you would enter or exit the market. There are FIVE type of orders that are most commonly used:

Market Order

A market order is an order placed to either buy or sell at the best available price. It is also called an instant execution order because it is an order taken immediately, as soon as you click “Buy/Sell” the trade is instantly placed. If you are sitting in front of your computer and the price of the currency pair you are trading is 1.20147, then your trade will be entered at that price.

Pending Order

A pending order is an order placed to either buy below or above the market, or sell above or below the market at a certain price, having anticipated that the market will either go up or down at that price. For example, if the price of the USDZAR is 10.0000 and you think that if the price goes up to 15.0000 it will stop going up at that price and start coming down, you might want to start selling at that price. You have two choices, you could either wait for the market to get to that price, at which point you will place an instant execution order, or you can use a pending order, place the order immediately and once the market hits the price anticipated, only then does it begin to either make you or lose you money.

There are two different types of pending orders, **Limit Entry** orders (buy below the market or sell above the market at a certain price) of which there are **Buy Limit** and **Sell Limit** orders; and **StopEntry** orders (buy above the market and sell below the market at a certain price) of which there are also Buy Stop as well as Sell Stop orders.

Stop Loss Order

A stop loss order is the single most important order there is, because this type of order protects you from unnecessary losses in the market. It literally stops your trades in the event they are going in the opposite direction, closing your trade with a relatively small loss rather than potentially losing all of your money if the market continues to move against you. When you are buying, when the market is moving up, you will place your stop loss below your entry price (the price you are buying from) to protect yourself in case the market moves in the opposite direction (down). And when you are selling (when the market is moving down) you will place your stop loss above your entry price (the price you are selling from) to protect yourself if the market goes in the opposite direction (up).

The stop loss is fixed at a certain price, and will remain at that price until the trade is closed either manually, or by hitting the take profit or even the stop loss itself. This means the price could potentially move up if you are buying, your stop loss below your entry of course, for example by 100 pips, and your stop loss 20 pips below the entry price. If the price comes back down to the entry, and even move below it all the way down to your stop loss, you have lost all the pips you made (100) plus the (20) pips for your stop loss.

Trailing Stop Loss Order

Stop losses are there primarily to protect your money from continued losses that can blow your whole account if the price continues to move against your directional bias, but a secondary use for stop losses is to protect profits! Trailing stops are stops that unlike traditional stops that are fixed at certain price points, these stops move (trail/follow) with the price by a fixed number of pips. As per the above-mentioned example, the stop is 20 pips below the entry price, and since it trails/follows the price, it will do so by 20 pips which means it matters not by how many pips the price moved up, the trailing stop will always be 20 pips below.

When the price has moved by 100 pips up, the stop will be 20 pips below the price, at 80 pips above the entry price. This means if the price should ever move back down to the stop (trailing) the trade will be closed at a stop that is now 80 pips above the entry price, so essentially whatever pips you have that are between the entry and the stop you have essentially banked, you will not be losing those pips!

Market Analysis

Market analysis has to do with studying the market in order to make a decision whether to buy or sell in any particular currency pair, and you would do this just by looking at the market and figuring out whether it's going up or down, and you will buy if the market is going up and sell if it's going down. There are three ways to analyse the market:

- **Technical Analysis**: this type of analysis involves studying actual charts on your platform, to figure out whether the market is moving up or down, and take decisions to buy or sell accordingly. The market moves in waves and patterns and once you are able to recognize these patterns, you will begin to identify them when they form again, and formulate trade decisions based on these patterns. Patterns in the forex market are self-fulfilling in the sense that traders will most probably all be recognizing the same pattern when it forms and all take the same type of trade, and the market will react accordingly (if the majority of traders are buying, the market moves up and if they are selling, the market moves down; demand and supply).
- **Fundamental Analysis**: fundamental analysis pertains to the study of the overall economy of a country in order to get a sense of what the market will do based on factors that play a role in the economy. Factors such as interest rates, unemployment, the GDP, the money supply, social as well as political forces all play a role in the economy and can affect it positively or negatively, thereby directly affecting the value of the country's currency. It is for this reason that as a trader, you must also have a sense of what is happening in the economy as a whole.
- **Sentimental Analysis**: this type of analysis focuses on people's thoughts, hopes and emotions. With the market reacting directly to what the majority of traders are doing, whether buying or selling, understanding what other traders are currently or

expecting to be trading like, based on analysis done technically as well as fundamentally, will help you get a better sense of what the market is likely to do and begin to formulate trade ideas based on this information as well.

PlatformOrientation

The word "platform" refers to the software that you will download onto your device and use to place trades, and is known as **Metatrader 4.** On metatrader, you will find all the different tools you will need to analyse the market as well as to place your trades.

Please refer to Module One on the Webinar Series for a demonstration of how to download and set up metatrader 4 on any device.

@ https://t.me/joinchat/Tjaqqb4IV7H6dZ4Z

My selection of Currencies and indices differ on a daily basis. Currencies. (Usd, Gbp, Cad, Eur, Aud, Jpy, Nzd, Cad, Zar,). Gold & Silver, Oil, Nasdaq & Dow Jones & SPX500, Dax & UK 100 , Nikkei225 & Synthetic Indices.

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Website: http://www.mawandepartners.co.za/about.html

XM live account Registration. You will receive a free $30.

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