

# What is **Forex**?

Beginners Guide to FX Trading

**eBook**

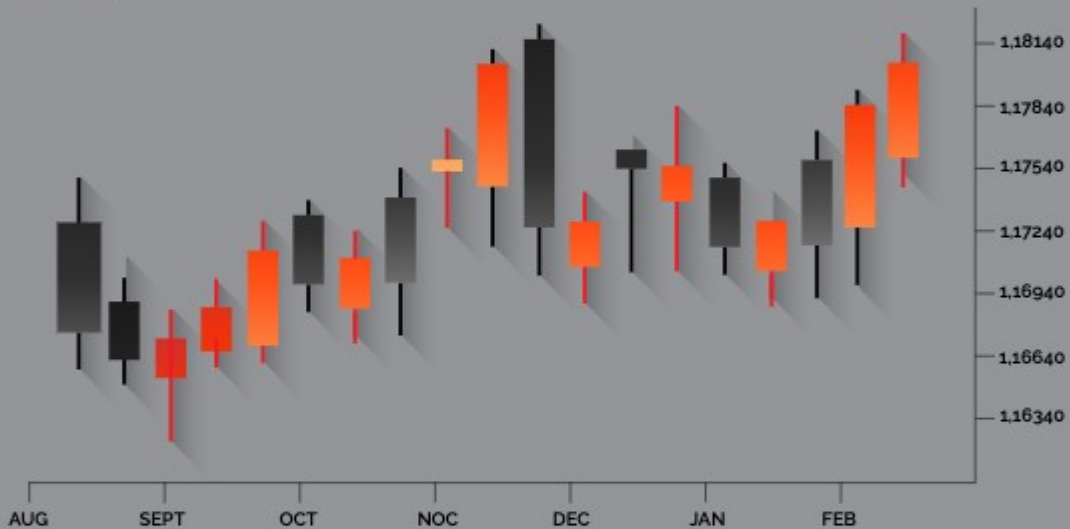




So, how do I  
make money  
from Forex  
trading?



As you can see, the price is  
constantly rising and falling.



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**Account**

The **idea behind forex** is that you **open a trade at one price, close at another** and **your profit/loss is the difference between the two**.

You can choose to either **buy** or **sell**, depending on whether you think the price is going to rise or fall.

The aim is to open buy orders when the price is low, and then close them when the price is high.

The beauty of FX trading is that you don't have to wait for the price to be increasing to make a profit.

You can actually place a sell order (without ever having to buy anything first) when the price is high, and then close when it has fallen.



So how do I know which way the price is going to go?



Well, that's the million-dollar question!

Fortunately for us traders, **forex is** a game of **strategy**, not simple luck. And **with** a little **planning and patience** you will be able to **predict the movements** to at least some level of accuracy.

There are two main ways of predicting which way the price is headed:

## 1 | Technical Analysis

This is where you look at the charts and identify patterns.

There are two basic theories to follow here. The first is that **history repeats itself**, and the other is that **once a trend (rising or falling) is established, the price will continue in that direction**.

Some important technical terms for you:



**Bullish Trend** – A rising market, time to buy!

**Bearish Trend** – A falling market, time to sell!

**Support and Resistance** – The lowest and highest prices of a range. Legend has it that the price breaking support is a strong sell signal, and price breaking resistance is a strong buy signal.

**Ranging Market** – Not much is happening.. wait for a breakout!

**Indicators** – Chart analysis tools which identify specific levels or market conditions. Popular indicators include the Moving Average (MA) and the Relative Strength Index (RSI).



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## 2 | Fundamental Analysis

This one is all about what's going on in the world, big news announcements and political events that all effect the currencies price.

Ideally you want to use a combination of both fundamental and technical analysis.

Always be up to date with the fundamentals, and if the technicals fit too, it's time to trade!

### What if I don't want to learn about the technicals and fundamentals?

Well, Forex really can be as simple as sitting in front of your computer, watching the charts and opening and closing trades minute by minute and just aiming to take of the peaks and troughs of the charts. This type of trading is called scalping, and is actually very popular with beginners. Try it out on a demo and see if it works for you.



Ok I'm ready!  
How do I actually trade?

➤ So, the stars have aligned, you've identified a signal and you open your trade.

**STOP!!**  
Have you thought about risk management?



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It's all well and good focusing on the profits, but we must always be prepared for the price moving against us.

You protect your account by using **Stop Losses (SL)**.

**ALWAYS SET A SL**, especially in the beginning. Only very experienced and high-risk traders would dream of skipping the SL and leaving their account exposed.

A good starting point is to only risk 10% of your equity per trade.



When do I close my trade?



You have two options here:

You can either sit in front of your charts and watch the price move, and close the trade when you are happy with your profit, OR set a Take Profit (TP) which will automatically close the trade for you once your desired price is reached.

A good risk/reward ratio is 2:1 – so if you're setting your SL at 10% of your equity, you'd set your TP at 20% of your equity.

**Here's a very quick example:**

You deposit 500 USD into your account. This means your Equity (or total account value) is 500 USD.

10% of 500 USD is 50 USD, so you would set your SL to trigger once your trade had lost 50 USD.

20% of 500 USD is 100 USD, so you would set your TP to trigger once your trade was in profit by \$100.

**So, that's Forex in a nutshell!**



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You open and close trades based on your market analysis, or just from simply watching the price movements in real time. You should always set a TP and a SL to protect your account from unexpected market movements, and 'emotional trading'.



- **Open a FREE Demo Account** and just practise opening and closing trades, setting SL and TPs with no real strategy in mind – just get used to the platform and its functionalities.
- Learn at least 2 technical indicators. If you can't decide which two, go for the RSI and Moving Average.
- Get familiar with the Economic Calendar so you don't get caught out by scheduled news releases that can move the market hundreds of pips in just a few seconds.
- Also subscribe to a quality financial news feed. Feedspot is a great one to start with.
- Choose only 2 or 3 instruments to follow. Monitoring only 2 or 3 makes everything less confusing in the beginning.
- A good starting point is EURUSD, BTCUSD and Gold. Get used to their daily movements, patterns, what usually happens at market close and open, their pip values etc etc.
- Make a trading plan and stick to it. A trading plan can be as simple as 'I will check the technicals and the fundamentals before every trading session. I will always set my SL at 10% of my account equity'. You can add to your trading plan as you learn and grow in confidence.
- Never stop learning! Read all the **educational material** on our website, ask our **support team** and attend our **free webinars** wherever possible.

We are here to make you succeed  
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