

# The Unfair Advantage

# Why Trade the FOREX Market?

Or at least incorporate FOREX into your trading...

**FOREX** trading has become very popular in the past decade because it offers traders several advantages...

- **No Commissions or Transaction Fees** – costs are built into the Bid/Ask spread.
- **Trade easily in Rising or Falling markets** – no restrictions on short selling.
- **Liquidity** – trade easily in and out of trades.

- **More Buying Power** provides you with the opportunity to increase your **Total Return on Investment** with less cash outlay. **For example, with up to 50:1 Leverage** you only have to put up...
  - **\$20 in Margin to trade \$1,000 worth of currency in a MICRO Account** (trades in “Lot” Sizes of 1,000).
  - **\$200 in Margin to trade \$10,000 worth of currency in a MINI Account** (trades in “Lot” Sizes of 10,000).
  - **\$2,000 in Margin to trade \$100,000 worth of currency in a STANDARD Account** (trades in “Lot” Sizes of 100,000).

**Another reason to trade in the FOREX Market...**

**Low “Start Up” Costs – you can open up a “MICRO” account with typically only a \$50 minimum deposit.**

The **FOREX** market is a true 24-hour market... trading from **Sunday at 5:00 PM ET until Friday at 5:00PM ET**

Eastern Standard Time (US & Canada)																							
12 AM	1 AM	2 AM	3 AM	4 AM	5 AM	6 AM	7 AM	8 AM	9 AM	10 AM	11 AM	12 PM	1 PM	2 PM	3 PM	4 PM	5 PM	6 PM	7 PM	8 PM	9 PM	10 PM	11 PM
SYDNEY 					SYDNEY - AUSTRALIA 																		
TOKYO / ASIA 																			TOKYO / ASIAN MARKETS 				
			LONDON / EUROPEAN MARKETS   																				
								NEW YORK / NORTH AMERICAN MARKETS  															

**FOREX** trading **begins Monday morning in Sydney** and “follows the sun around the world” as each business day begins in each financial center... **first to Tokyo, then to London, and then finally to New York.**



**Trade on your schedule and in response to changes in the market!**

**The BEST Time to trade in the FOREX market is:**

- **when TWO markets are OPEN at the SAME TIME, and**
- **when the FOREX market is experiencing higher VOLATILITY and VOLUME.**

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												NEW YORK / NORTH AMERICAN MARKETS  											

For example,

- **Sydney** (Australian) and **Tokyo** (Asian) markets overlap **between 7:00PM and 2:00AM EST** and the **Tokyo** (Asian) and **London** (European) markets overlap **between 3:00AM and 4:00AM EST**.
- **London** (European) and **New York** (North American) markets overlap **between 8:00AM and 12:00PM EST**.

There are different time frames used by different **FOREX** traders depending on the type of trader they are...

# Swing Traders



# Day Traders



# What is the FOREX Market?

...it's the largest and most actively traded financial market in the world!

The **Average Daily Volume** in the **FOREX** market exceeds **\$4 trillion**.

All the world's stock markets combined average only about **\$84 billion** per day.

The **FOREX market** is an Over-the-Counter or “Interbank/Interdealer” Market. There is **NO Central Marketplace or Exchange.**

Transactions are conducted **through dealers Over-the-Counter**, for the most part, **electronically**, within a network of banks.



# What is Traded in the FOREX Market?

## Foreign Currencies (Money)

FOREX Trading is the simultaneous **BUYING** of one Currency and the **SELLING** of another Currency.

## Currencies are traded in pairs...

For example,

- the Euro-US Dollar (EUR/USD)



- the US Dollar-Japanese Yen (USD/JPY)



Most new FOREX Traders focus on one or two of the most popular Currency Pairs.

# What is a Currency Pair?

Two Currencies that make up an Exchange Rate.

The Currency on the **LEFT** is referred to as the **BASE Currency** and the Currency on the **RIGHT** is referred to as the **COUNTER Currency**.



**EUR / USD**



**BASE Currency**

**COUNTER Currency**

If the Currency Pair RISES, the BASE Currency has STRENGTHENED relative to the COUNTER Currency. When the EUR/USD RISES, the Euro has STRENGTHENED against the U.S. Dollar.



**EUR/USD**



**One EURO is now worth  
MORE U.S. Dollars**

**If the Currency Pair DECLINES, the BASE Currency has WEAKENED relative to the COUNTER Currency. When the EUR/USD DECLINES, the Euro has WEAKENED against the U.S. Dollar.**



**One EURO is now worth  
FEWER U.S. Dollars**



**EUR/USD**



## What are the Major Currency Pairs?

The **Majors** are the most common and most liquid (85% of all FOREX daily transactions) currencies... and they offer the best trading opportunities (tightest Bid/Ask spreads).

# Major Currency Pairs?

	<b>EUR / USD</b>		<b>(typically a 2 to 3 PIP spread)</b>
	<b>USD / JPY</b>		<b>(typically a 2 to 3 PIP spread)</b>
	<b>USD / CHF</b>		<b>(typically a 3 to 4 PIP spread)</b>
	<b>AUD / USD</b>		<b>(typically a 3 to 4 PIP spread)</b>
	<b>GBP / USD</b>		<b>(typically a 4 to 5 PIP spread)</b>
	<b>USD / CAD</b>		<b>(typically a 4 to 5 PIP spread)</b>

## **ALL of the Majors include the USD...**

**The USD  is the central currency against which other currencies are traded.**

**The vast majority of all FOREX market transactions involve the U.S. Dollar.**





**A lot of FOREX Traders don't realize that  
Futures contracts have expanded beyond the  
Financial Markets and Commodities...**

**There are now Futures contracts on  
Foreign Currencies (FX Futures).**

**FX Futures** are contracts of **Foreign Currency Pairs** traded electronically, virtually around the clock, on the Chicago Mercantile Exchange's (CME) Globex platform. The CME is the largest regulated **FOREX** marketplace in the world offering transparent and equal access to foreign currency trading (averaging \$112 billion in daily liquidity).

<b>FX Futures</b>	<b>Symbol</b>	<b>Tick Size</b>	<b>Exchange</b>
EUR/USD	6E	0.0001 = \$12.50	CME
JPY/USD	6J	0.0001 = \$12.50	CME
AUD/USD	6A	0.0001 = \$10.00	CME
GBP/USD	6B	0.0001 = \$6.25	CME
CAD/USD	6C	0.0001 = \$10.00	CME
U.S. Dollar Index	DX	0.005 = \$5.00	ICE



# \$AUD-USD: Australian Dollar/US Dollar @ FOREX (Daily bars)

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9/16/14 15:49 = 0.9095 (+0.0061)



## Australian Dollar Currency Pair

TradeNavigator.com

Dec-13 Jan-14 Feb-14 Mar-14 Apr-14 May-14 Jun-14 Jul-14 Aug-14 Sep-14



# G6A-067: Australian \$ (Elec) CAdj Liq @ CME (Daily bars)

www.TradeNavigator.com © 1999-2014



9/16/14 15:50 = 0.9036 (+0.0067)



## Australian Dollar Futures Contract (G6A) Minimum Price Fluctuation 1 Tick = \$10.00

TradeNavigator.com

Dec-13 Jan-14 Feb-14 Mar-14 Apr-14 May-14 Jun-14 Jul-14 Aug-14 Sep-14

In addition to the full-sized **FX Futures** contracts, the CME offers **E-mini FX** and **E-micro FOREX** products.

You can learn more about **FX Futures** at...



<http://www.cmegroup.com/trading/fx/>

# Why Trade FX Futures?

The **FX Futures** markets are also highly liquid and active markets and offer the same advantages as trading **FOREX OTC**, in addition to:

- There is one central marketplace (the CME) that offers market integrity and fully integrated clearing that matches and settles all trades and guarantees the creditworthiness of every transaction that takes place.
- Futures Brokers offer day trading margin requirements as low as \$400 to \$900 per contract for Major Currency Pairs.

If you **BUY** a **Currency Pair** or **FX Futures contract**, you hope to gain from future price increases when you offset your trade by selling the **Currency Pair** or **FX Futures contract**.

Correspondingly, if you initially **SELL** (i.e. SELL SHORT) a **Currency Pair** or **FX Futures contract**, you hope to gain if the price of the **Currency Pair** or **FX Futures contract** declines.



**Short Selling (a.k.a. “shorting” or “going short”) is the practice of selling a Currency Pair or FX Futures contract at a perceived over-valued price with the intention of “covering,” or repurchasing at a lower price.**

**The net decline in price results in a profitable transaction.**





As with any market, not only the **FOREX** market...

**Price Charts** reflect the psychological component (fear and greed) of the market. **They provide you, the trader, with information about the psychology of the market and how you should trade it.**

**Price Charts** are the most direct and easily accessible method of seeing overall supply and demand in the markets.

**My philosophy has always been, and will continue to be...**

**a Chart is a Chart is a Chart!**

**I don't care if you're looking at a FOREX Chart or  
any other market.**

**One naturally assumes that the more you know about various technical indicators, the higher the probability is that you will earn income.**

**Are your charts filled with indicators, squiggles, lines, fans, ellipses, and so forth – to the point where the actual price action barely can be discerned?!**

**This is backwards!**

**ALL commercially available technical indicators are derived from price.**

Therefore, technical indicators are “lagging;” this means that any signal generated from an indicator will come after the signal generated by price, if you know how to read price.

**My charts are relatively simple,**  
and they are not overcrowded with what I consider to be  
useless information.

# Simplicity

vs.

# Complexity



**At its core, identifying the natural “ebb and flow” of the FOREX market (or any market) is really a matter of just reading and understanding price action.**

**My METHOD works in ANY TIME FRAME, and the concepts that I teach really are at the core of what I use in ALL markets to help build an EDGE for trade entries and exits.**

As you probably already know... there are **3 primary waves or TRENDS** in the market (or 3 ways the market can move):

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- A candlestick chart illustrating market trends. The chart shows a series of price movements over time. Two horizontal green lines are drawn across the chart to highlight specific trends: one line is positioned above a peak in the middle of the chart, and another line is positioned below a trough in the middle of the chart. The chart shows an uptrend on the left, a sideways trading range in the middle, and a downtrend on the right.
- 1) UPTREND,**
  - 2) DOWNTREND, or**
  - 3) SIDEWAYS TRADING RANGE**

**Identifying which wave or TREND a market is in is vital to successful trading!**

On the next 2 videos...

I'm going to delve much deeper into understanding the natural ebb and flow of how the FOREX market...  
& ALL markets trade.

I'm also going to give you specific actionable trade strategies that you can immediately utilize in your own trading.