

Forex Sentiment - Overview

The **Forex Sentiment tool** is essential for traders who practice sentiment analysis. It provides data on the buyer-to-seller ratio for different currency pairs and gathers information from various sources. This tool not only reflects the collective mindset of traders but also provides actionable trading signals, making it an indispensable asset for both novice and experienced traders.

This tool is very flexible. By analyzing the data and integrating it into your strategy, you can get signals, guidance for trade direction, or confirmation for your trading setups.

How to read Forex Sentiment

The histogram bars on the tool show a percentage that reflects the difference between the number of buying and selling trades. Importantly, trades that are already closed do not influence the indicator's readings.

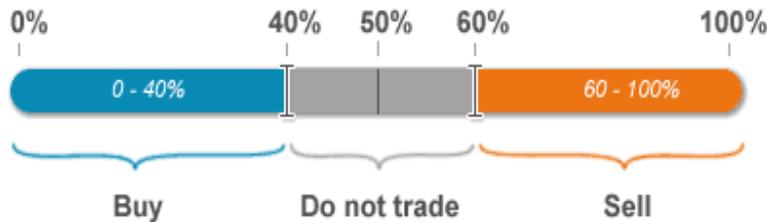


- The **blue bar** indicates the percentage of Buy trades,
- The **orange bar** displays the percentage of Sell trades.

If you look at the signal arrows to the right of the histogram, you can see the contrarian mechanics behind the indicator's strategy. Let's explore the logic behind this.

A common belief is that approximately 95-99% of traders lose money in the market, meaning they trade at a loss. **Therefore, trading in the opposite direction to the majority of traders could be profitable.**

This indicator was specifically designed for a rapid evaluation of the current sentiment among the majority of traders.

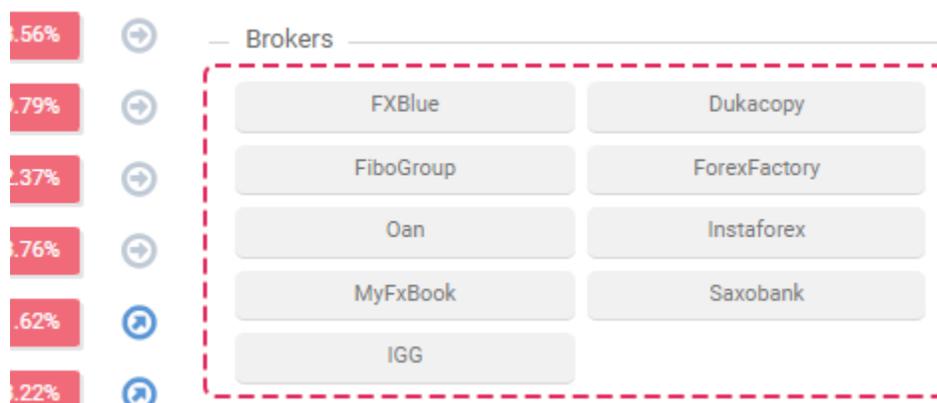


The image above demonstrates the simplest way to analyze using this indicator. If you observe more than 60% of buyers in the market, you should consider a Sell trade. Conversely, if there are 60% of sellers, you should be looking for a Buy trade.

Note that 60% is a flexible threshold and can be adjusted based on your requirements. Lowering this value will result in more signals, though they may be less accurate. Conversely, a higher value will yield fewer signals, but with greater accuracy.

What is the benefit of analyzing several sources of Forex Sentiment?

In this tool, we have aggregated data from multiple sources to enhance the overall effectiveness and potential output.



The FX Sentiment tool by FXSSI includes data from the following well-known brokers and services:

- Oanda,
- Ducaksopy,
- IG Group,
- Fibo Group,
- Instaforex,
- MyFxBook,
- FXBlue,
- FXSSI,
- ForexFactory.

Now, let's get to the main point. By analyzing data from multiple brokers, you reduce the risk of relying on potentially misleading data from a single source. For instance, a large trade at one specific broker could skew the indicator's readings in a way that doesn't reflect the whole forex market.

Additionally, your confidence in the data increases when all sources agree, compared to when they are divided, with some indicating to buy and others to sell. This allows you to assess the potential risk of a trade more accurately, based on how many sources confirm your trading setup.

What does the Market Sentiment data actually show?

As we've mentioned at the beginning of this article, FX Sentiment shows the percentage of buyers and sellers.

But what kind of buyers and sellers are they?

After all, we know that any trade in Forex involves two participants. If you're buying, then someone else is selling to you. So, how, in this case, can the ratio of buyers to sellers be any different from 50 to 50?

The thing is that the positions ratio that we are talking about is the ratio among retail traders. That is, the number of commercial and professional participants is excluded from this indicator.

At the beginning of this article, we discussed how FX Sentiment displays the percentage of buyers and sellers.

But who exactly are these buyers and sellers?

After all, we know that any trade in Forex involves two parties: if you're buying, someone else is selling to you. So, how can the buyer-to-seller ratio differ from 50 to 50?

The key point here is that the ratio we're referring to is specific to retail traders. This means that the numbers do not include commercial and professional participants; they are excluded from this indicator.

Therefore, FX Sentiment doesn't just reveal the overall ratio of buyers to sellers; it specifically displays the ratio between retail buyers and retail sellers.



How do we tell retail traders apart from professional ones? Most sources for client positions on the internet come from brokers and services that work mainly with small retail traders.

It's generally true that the combined position of big institutional traders mirrors what retail traders are doing. This concept is at the heart of trading based on sentiment ratio.

When you trade against the majority, you're essentially trading in the same direction as the professional traders. Statistics show that these professional traders are usually more successful than retail traders.