Forex For All
garnettrade

A Beginner's Guide

THE BASICS OF FOREX

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THE BASICS OF FOREX

Part 1: Currencies

When traders trade on FOREX, they buy or sell in currency pairs. Each pair is constantly in a battle with each other currency and the exchange rates fluctuate according to which currency is stronger at the moment of the trade. The trades are expressed as one currency against another currency and are notated as currency 1/currency 2. For instance, if you were trading the euro against the U.S. dollar, it would be notated as EUR/USD.

The major currency pairs are all pairs that contain the U.S. Dollar (USD) as one of the pair. They are the most frequently traded pairs on FOREX. They are also the most liquid pairs available. Here is a chart of the major currency pairs. Also included are the terms FOREX traders use to verbally refer to these pairs.

Pair	Countries Involved	Trader Term
EUR / USD	Euro Zone / United States	Euro dollar
GBP / USD	United Kingdom / United States	Pound dollar
USD / JPY	United States / Japan	Dollar yen
USD / CAD	United States / Canada	Dollar loonie
NZD / USD	New Zealand / United States	Kiwi dollar
USD / CHF	United States / Switzerland	Dollar swissy
AUD / USD	Australia / United States	Aussie dollar

When currency pairs do not contain the U.S. dollar as one of the pair, they are referred to as cross-currency pairs or crosses. They can sometimes be referred to as the "minors". All cross-currency pairs contain one of the three major non-U.S. dollar currencies. Here are the charts for the euro, yen and pound.

Euro Cross-Currency Pairs

Pair	Countries Involved	Trader Term
EUR / CHF	Euro Zone / Switzerland	Euro swissy
EUR / NZD	Euro Zone / New Zealand	Euro kiwi
EUR / GBP	Euro Zone / United Kingdom	Euro pound
EUR / AUD	Euro Zone / Australia	Euro aussie
EUR / CAD	Euro Zone / Canada	Euro loonie

Yen Cross-Currency Pairs

Pair	Countries Involved	Trader Term
EUR / JPY	Euro Zone / Japan	Euro yen
NZD / JPY	New Zealand / Japan	Kiwi yen
GBP / JPY	United Kingdom / Japan	Pound yen
AUD / JPY	Australia / Japan	Aussie yen
CHF / JPY	Switzerland / Japan	Kiwi yen
CAD / JPY	Canada / Japan	Loonie yen

Pound Cross-Currency Pairs

Pair	Countries Involved	Trader Term
GBP / CHF	United Kingdom / Switzerland	Pound swissy
GBP / NZD	United Kingdom / New Zealand	Pound kiwi
GBP / AUD	United Kingdom / Australia	Pound aussi
GBP / CAD	United Kingdom / Canada	Pound loonie

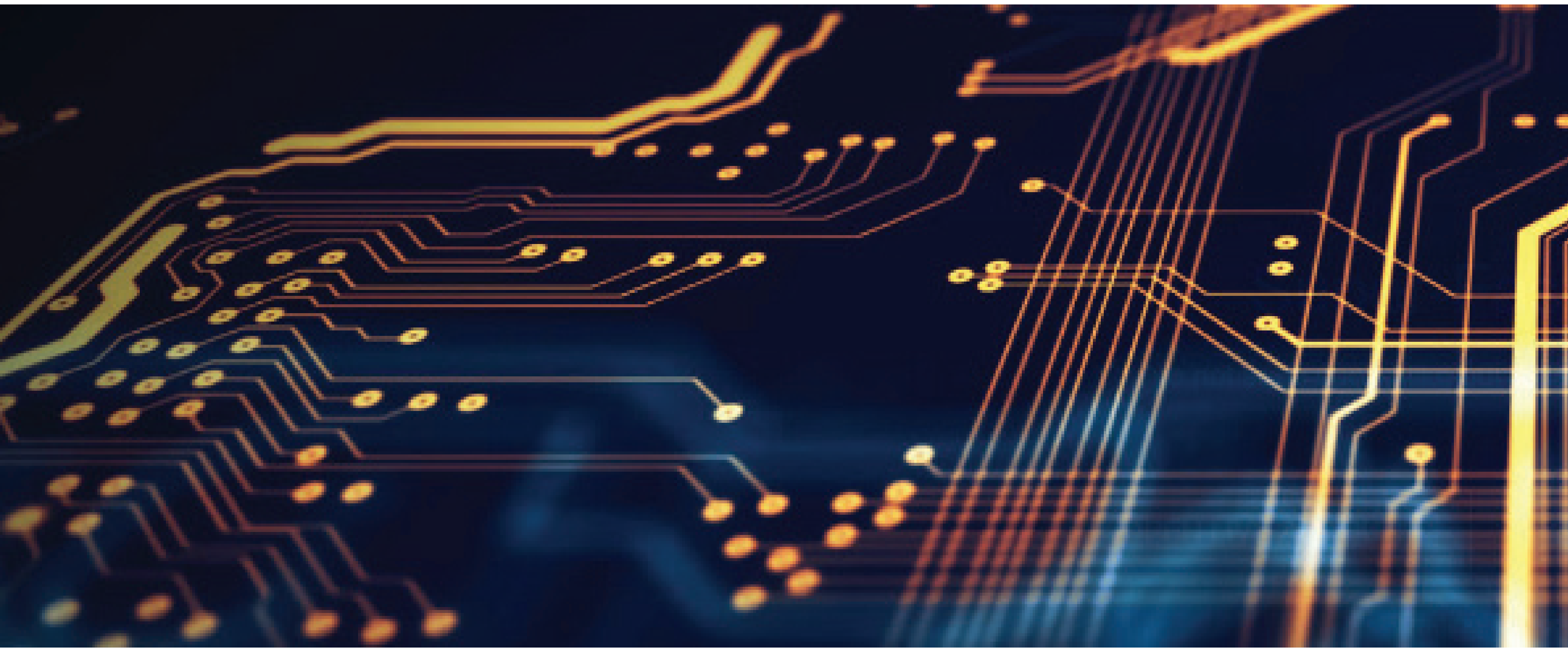
Other Cross-Currency Pairs

Pair	Countries Involved	Trader Term
AUD / CHF	Australia / Switzerland	Aussie swissy
AUD / NZD	Australia / New Zealand	Aussie kiwi
AUD / CAD	Australia / Canada	Aussie loonie
NZD / CAD	New Zealand / Canada	Kiwi loonie
NZD / CHF	New Zealand / Switzerland	Kiwi swissy
CAD / CHF	Canada / Switzerland	Loonie swissy

Of course there are many other currencies that can be exchanged on FOREX besides the majors and minors. These are the currencies of emerging countries. When the currency of a major currency is paired with an emerging currency, it is called an exotic currency pair. Not all brokers offer exotic currency pairs, and if they are offered, the transaction costs are typically more. However, it is a good idea to be familiar with some of these pairings. Here is a chart of the most common exotic currency pairs.

Pair	Countries Involved	Trader Term
USD / HKD	United States / Hong Kong	Dollar Hong Kong dollar
USD / SEK	United States / Sweden	Dollar Swedish krona
USD / SGD	United States / Singapore	Dollar Singapore dollar
USD / NOK	United States / Norway	Dollar Norwegian krone
USD / ZAR	United States / South Africa	Dollar rand
USD / DKK	United States / Denmark	Dollar krone
USD / THB	United States / Thailand	Dollar baht
USD / MXN	United States / Mexico	Dollar peso

When trading exotic currency pairs, you could see spreads that are significantly larger than the spread for USD/JPY or EUR/USD, so that needs to be factored into your decision to trade one of these pairs.



Part 2: Price

Trying to determine the price of an exchange can be daunting for new FOREX traders. It is important to train your eyes to spot the changes in mere seconds so you can make quick decisions. The first step in accomplishing this goal is to understand how to read the price of a currency. If you want to buy one currency, 100 Euros for instance, then you need to know how much of another currency you need to pay for it. The best way to learn how to read the price of a currency is to view some examples.

Example: EUR/USD 1.456

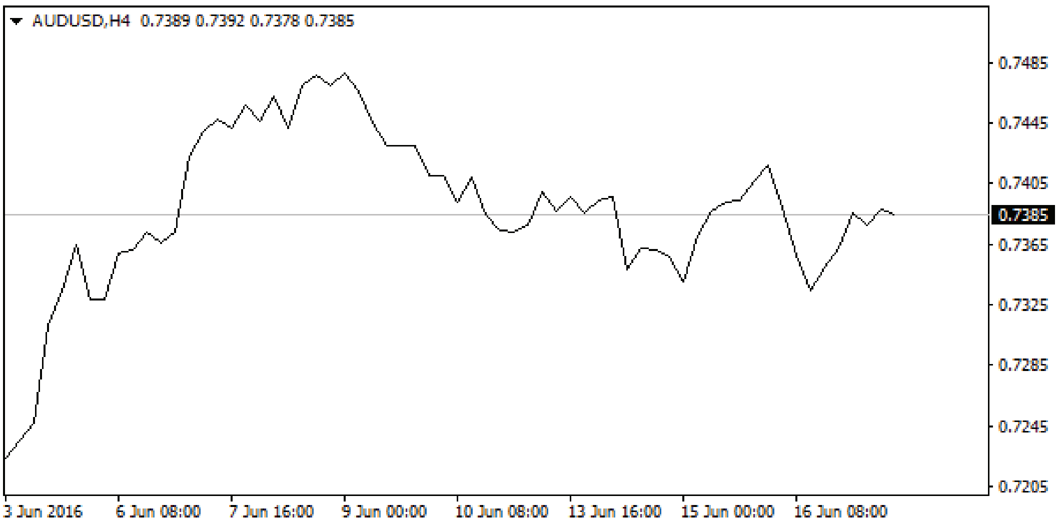
This quote tells you that one Euro can purchase 1.45 U.S. dollars. If you want to buy 100 Euros, you would have to spend 145 U.S. dollars. This quote represents the average of the prices to buy and the prices to sell for a currency pair at that specific point in time. It does not include the bid-ask spread that is set by each broker. You have to factor in the bid-ask spread, which is what you pay to buy the currency and what you would receive if you sell it.

The bid-ask price is usually very low for the major currency pairs, but it is important to note that the broker can widen the spread at any time in order to make a profit off of individual trades. Traders must keep in mind several factors when buying currencies, including the time of the year, the emotional mood of the market and the hour the trade is occurring. All of these factors can influence a quote and can render it useless within seconds.

Part 3: Price Charts

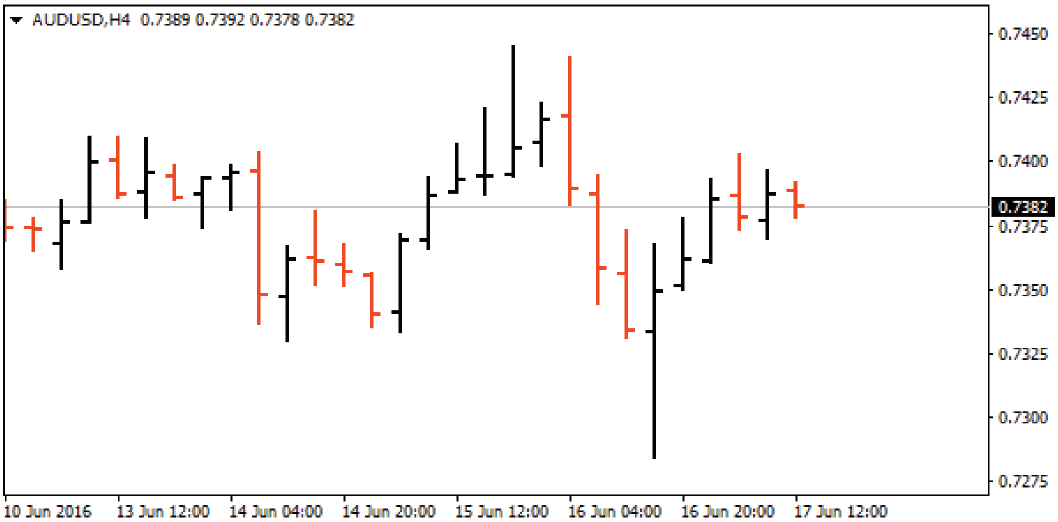
There are three main types of charts that are going to give you information as you trade FOREX. You need to analyze these charts so that you can determine which currency pairs are a good buy and which ones you should sell or stay away from.

1. Line charts. These charts give you a quick view of the major market trends in addition to support and resistance levels. Line charts are not meant to be used to trade off because they don't show you individual prices. However, if you are looking to see the market trend at a glance, line charts can be very helpful. Line charts show connections between two points in time. You can analyze a line chart from hour to hour or over a lengthier period of time.

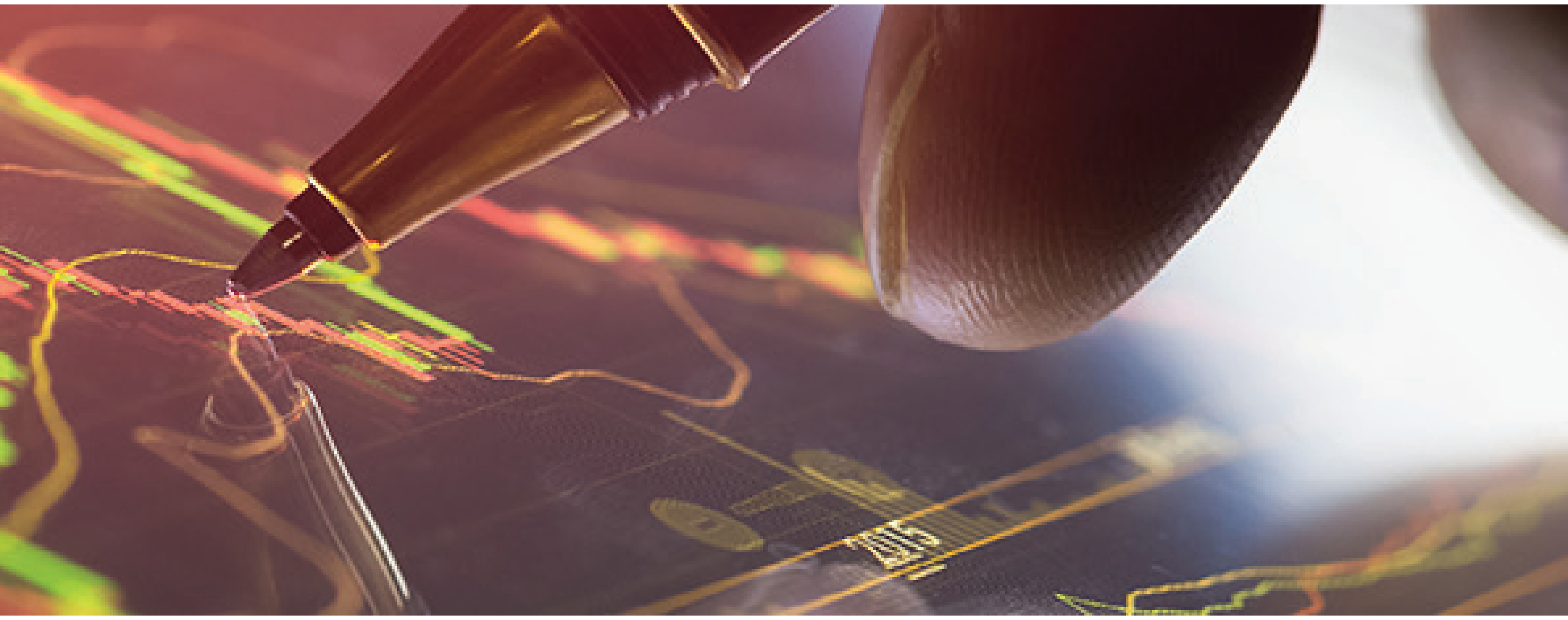


Sample line chart

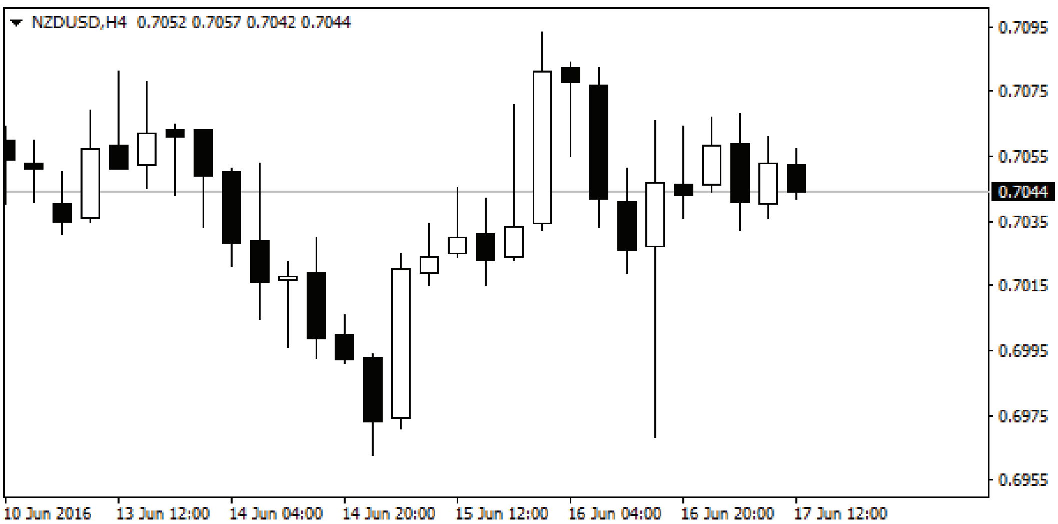
2. Bar charts. Bar charts show you a price bar for a set period of time. You can choose a yearly bar chart, which will give you a price over several years; a monthly bar chart, which will give you a price for each month; a daily bar chart, which will give you the price for the year, the month, the day; a four-hour chart, which will give you the price for each four-hour period of time. Bar charts are OHLC chart (Open, High, Low, Close), so each bar shows opening and closing prices, as well as maximum and minimum of a period. These charts are more practical for trading than line charts because they show individual prices.



Sample bar chart



3. Candlestick charts. Generally, you will get the same information from a candlestick chart that you get from a bar chart, but the format is more visually satisfying. These charts show the high and low points over a given time period using a vertical line. The top line is referred to as the upper shadow and the bottom line is referred to as the lower shadow. These can also be called the "wicks" on some charts. The major difference between candlestick charts and bar charts is how the opening and closing prices are displayed. The "body" of the candle is the range of prices between opening and closing. If the body is black or another dark colour, the price closed lower than it opened. If the body is unfilled or a lighter colour, the currency closed higher than it opened. The dark and light colours help traders see the ups and downs of a currency more quickly than any other type of chart. For this reason, candlestick charts are the most popular type of chart used in FOREX trading.



Sample candlestick chart

Part 4: Support and Resistance

Before you can trade successfully on FOREX, you must understand the concepts of support and resistance. These are referred too often when analyzing trends, so you should familiarize yourself with the terms and their meanings prior to trading.

Essentially, when a market is on an upward trend and it pulls back a bit, the highest point it reached before pulling back is called resistance. When it starts moving back up, the lowest point it reached before it restarted its upward trend is called support. These points are what give a chart its zigzag appearance.

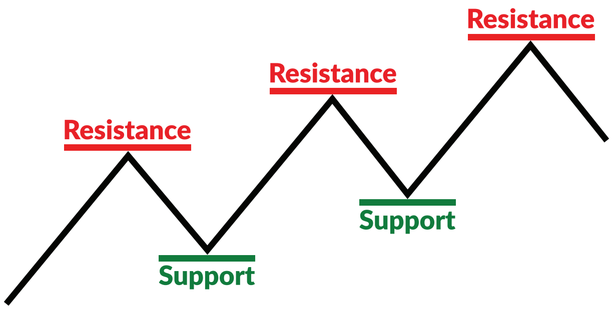
Keep in mind as you look at charts that support and resistance levels are not exact figures. You might see a support or resistance level that looks broken, but if you keep watching you will see that the market was simply testing the level. These false broken levels are referred to as tests of support and resistance and can be readily seen on candlestick charts.

In many cases, a support or resistance level is truly broken if the market closes beyond that level. However, since this is not always true, it is beneficial to look at the support and resistance points on a line chart because a line chart only shows closing prices and not the individual highs and lows. The individual highs and lows can be misleading because they can represent very temporary reactions of the market. To plot support and resistance, you only want the intentional movements and not the temporary reactions.

When you plot the support and resistance of a market, you want to divide them into zones so that you can see true peaks and valleys. These zones will help you determine true breaks in support and resistance rather than the false ones that can cause you to lose a lot of money.

Things to remember about support and resistance:

1. When a price tests the level of support or resistance often, it makes the resistance or support stronger.
2. The strength of a support or resistance break depends on how strong the support or resistance had been before it was broken.
3. When a price rises through resistance, that resistance could possibly become support later on.



Support and Resistance Illustration

Part 5: Trend Lines

Trend lines are the most prevalent method of technical analysis on FOREX. However, they often aren't used correctly, which can make them irrelevant. Trend lines must be drawn correctly in order for them to provide you with accurate information. You can't try to make the line fit the market. The market has to fit the line.

Essentially, to draw a trend line accurately, you first need to locate two major highs (resistance) and two major lows (support). Then, draw a line between the two points. It really is that simple. If you are tracking a downward trend, your trend line will be drawn on top of the peaks and if you are tracking an upward trend, your trend line will be drawn below the valleys.

There are three kinds of trends that you will need to analyze as a FOREX trader:

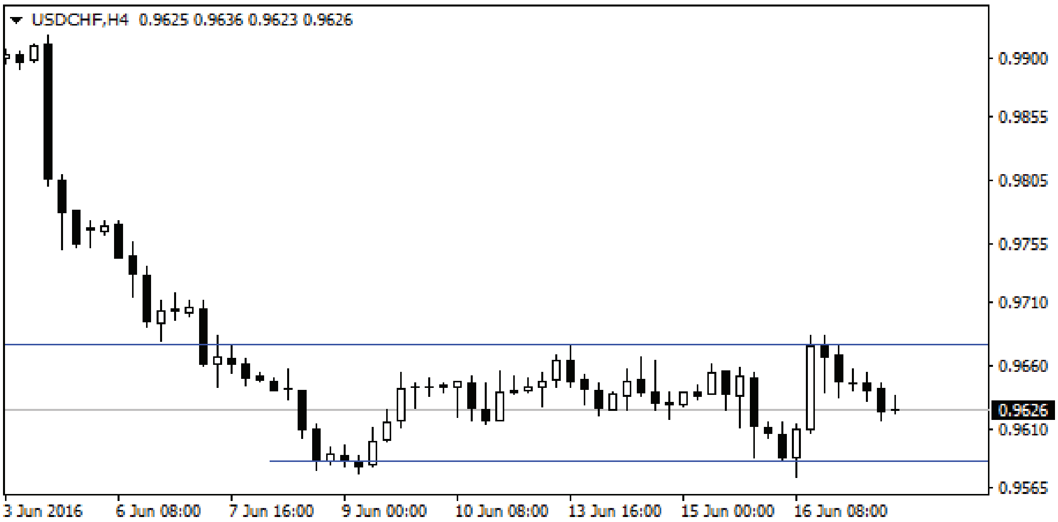
1. Uptrends (tracking an upward movement)

Sample Uptrend

2. Downtrends (tracking a downward movement)

Sample Downtrend

3. Sideways trends (tracking relative little movement either way)



Sample Sideways trend

Part 6: Chart Patterns

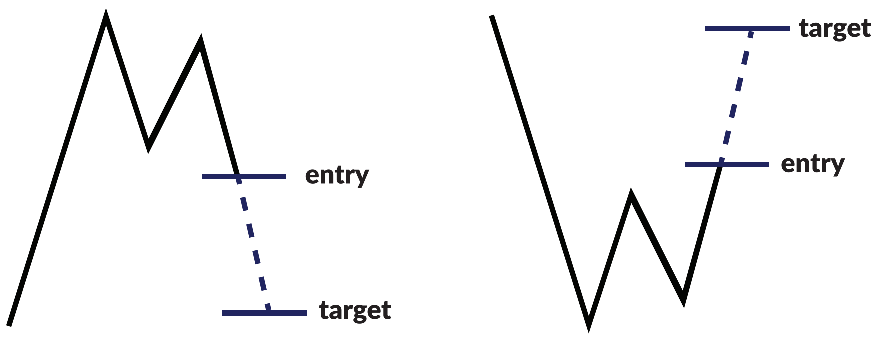
When you are trading on FOREX, you have one main goal: to spot major fluctuations in currency exchange rates before they occur. If you can do this, you can make a lot of money. In order to have the ability to spot these movements, you need to be able to read chart patterns. These patterns will help you predict when the market is about to break out and when it's about to reverse direction so you can take advantage of those fluctuations.

There are six basic chart patterns that you need to be familiar with. There are, of course, variations on all of these patterns, but when you know these six, you can make solid movement predictions.

1. Doubles

There are two types of doubles patterns you will need to recognize. First is the double top. This is a pattern that is created when there is an extended upward move. The tops are the peaks that form when the price reaches a level that can't break. Once the price hits that level, it will bounce downward slightly but then bump right back up. If it bounces downward and back up again, you get a double top. The second top is not as high as the first top. A double top is a strong indication that a reversal is about to happen because the buying pressure is almost over. You will want to look for double tops after a strong uptrend.

The other type of doubles pattern you want to know is the double bottom. This is the exact opposite of the double top. You are looking for a double bottom after a strong downtrend. The price forms two valleys because it can't go below a specific level. The second bottom won't be as low as the first bottom, an indication that selling pressure is almost over and the price is going to move upward.

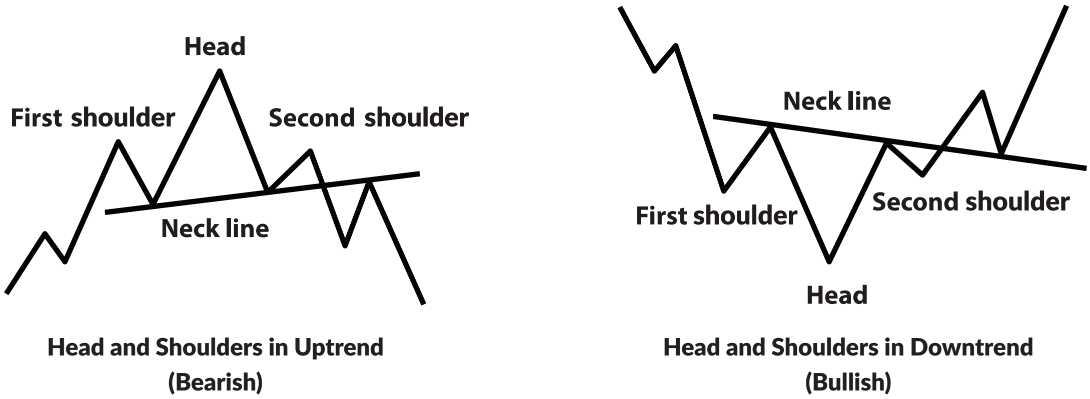


Sample Doubles Patterns

2. Head and Shoulders

This is another type of trend reversal pattern that is formed by a short peak (shoulder), followed by a higher peak (head), followed by another short peak (shoulder). You can draw a line between the lowest two points that is referred to as the "neckline". A downward slope of the neckline is a reliable indication that a reversal is about to occur. You would want to put in an order entry that falls just below the neckline to take advantage of the price before it drops.

There are also inverse head and shoulder patterns that are the exact opposite of the above pattern description. In this case, you would place an entry order above the neckline to take advantage of the price before it rises.

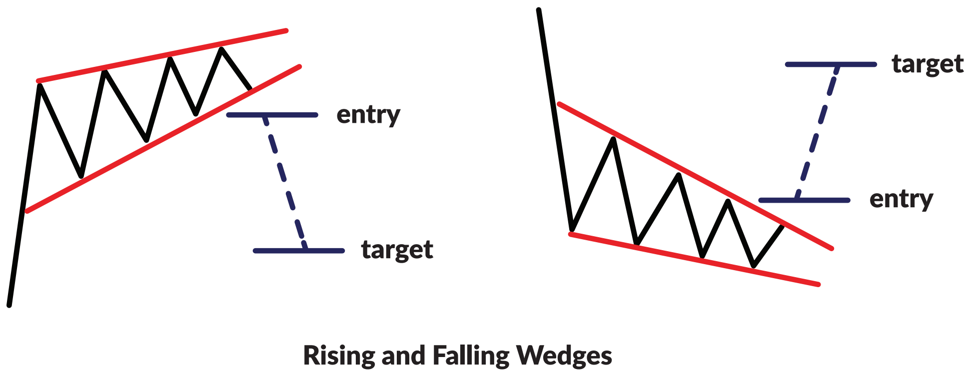


Sample Head and Shoulders Pattern

3. Wedges

There are two types of wedges that indicate a pause in a current trend. This pattern tells you that traders aren't sure where to move the currency pair next. You might see the trend reverse or continue after a wedge pattern. The first type of wedge pattern is called a rising wedge. This is when the price consolidates between support and resistance lines that are moving upward. The support line is steeper than the resistance line which signals that higher lows are forming more quickly than higher highs. This movement indicates that a breakout is about to occur. Essentially, a rising wedge that is formed following an upward trend typically leads to a downtrend. A rising wedge that is formed during a downtrend usually leads to a continued downtrend.

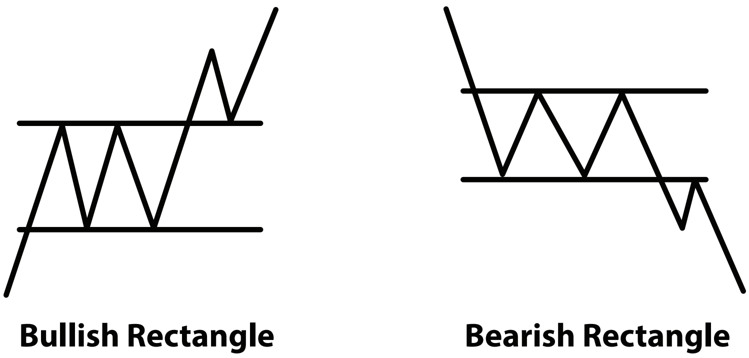
The second type of wedge pattern is a falling wedge. This can also be a signal of a reversal or continuation. If it forms after a downtrend, it will typically lead to an uptrend, but if it forms during an uptrend, it will usually lead to a continuation.



Sample Wedge Patterns

4. Rectangles

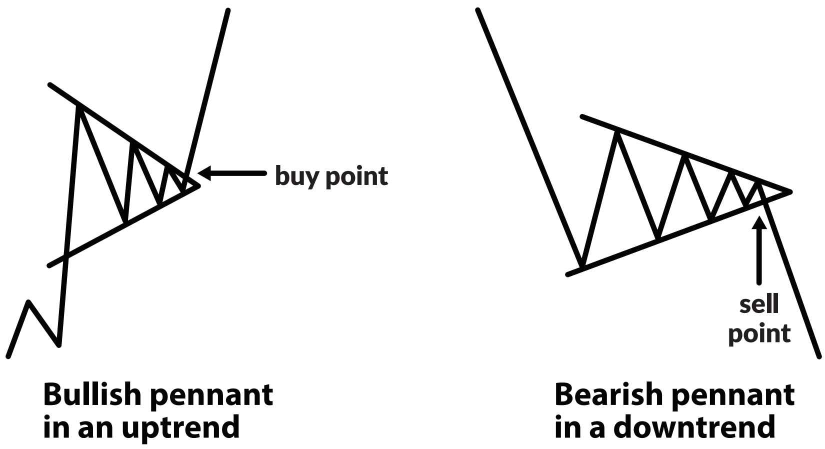
Rectangle patterns are formed when a price has parallel support and resistance levels. This is a time when there could be price consolidation or buyer and seller indecision. The rectangle is formed because the price is testing support and resistance levels over and over again before breaking out. At the point of the breakout, the price will likely trend in whichever direction the breakout occurs. A bearish rectangle is created when a price consolidates during a downtrend. Typically, the price will move even lower. A bullish rectangle is created when a price consolidates during an uptrend. This is a sign that the price will move even higher.



Sample Rectangle Patterns

5. Pennants

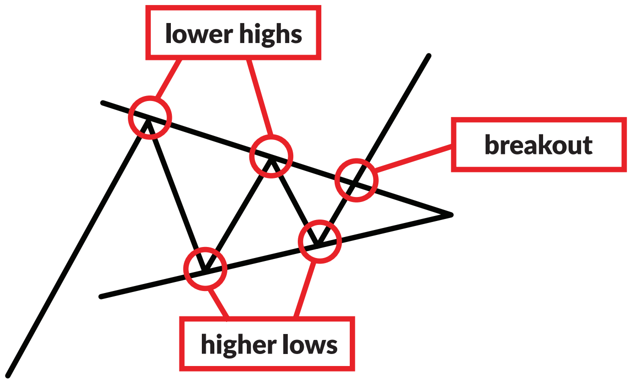
Pennant patterns are continuation patterns that are formed following strong movements. After either a strong upward or downward move, buyers or sellers allow the price to consolidate before taking the currency pair in the same direction. When this occurs, it creates a symmetrical triangle that is referred to as a pennant. During the consolidation period, more buyers or sellers (depending on the direction) get in on the action and force the price to continue in the same direction. A bearish pennant forms when there is a steep downtrend in price, whereas a bullish pennant forms when there is a steep uptrend in price.



Sample Pennant Patterns

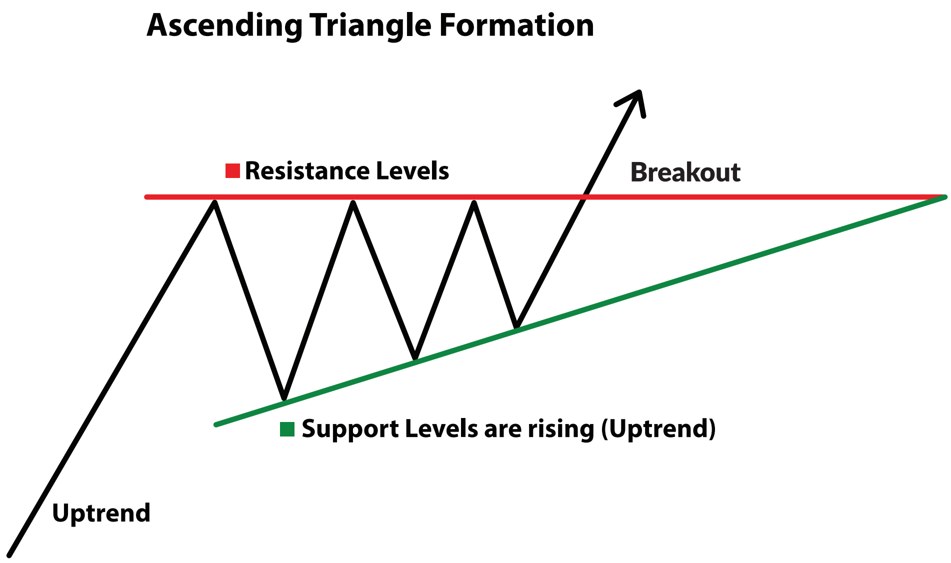
6. Triangles

Three different triangle patterns can form when trading on FOREX. The first, a symmetrical triangle forms when the slope of the highs and the slope of the lows meet together at a point. This means that the market is creating lower highs and higher lows over a period of time. It also indicates a kind of price consolidation. As the highs and lows get closer together, you can predict that a breakout is imminent. However, you don't know which direction that breakout will go. Eventually, either buyers or sellers will get their way. To take advantage of a symmetrical triangle, you will want to place an entry order above the slope of the highs and below the slope of the lows. This will allow you to profit no matter which way the breakout occurs.



Sample Symmetrical Triangle Pattern

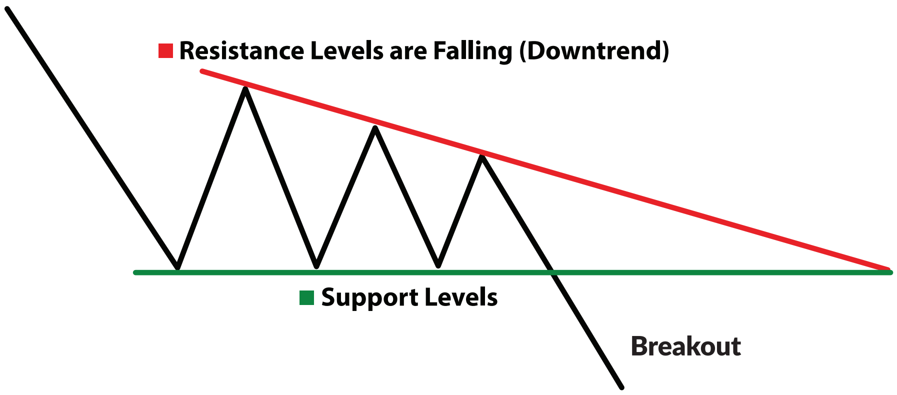
An ascending triangle forms when a slope of higher lows and a resistance level meet together at a point. This pattern indicates that buyers aren't willing to take a price above a certain point, but they are gradually pushing the price upward. They are pressuring the resistance level, which indicates a breakout is likely to occur soon. In most cases, an ascending triangle indicates that the price will move up past the resistance level, although this is not always the case.



Sample Ascending Triangle Pattern

A descending triangle is just the opposite pattern of an ascending triangle. There is a slope of lows and a support level meet together at a point. This indicates that there is a price that sellers are unwilling to break, but the price is gradually being pushed downward. Most of the time, the price will eventually breakout and continue to move down. Keep in mind, though, this is not always the case and it can sometime pounce off the support line and move upward. Again, it doesn't matter to you which direction it's going to go because you simply place an entry order above the highs and below the support line and take advantage when it moves. You cancel the other order and profit from the fluctuation.

Descending Triangle Formation



Sample Descending Triangle Pattern

Part 7: Timeframes

When you start to trade on FOREX, you will need to determine your timeframe. The timeframe is the amount of time you are going to stay in a trade. The three timeframes are long-term, medium-term and short-term.

1. Long-term timeframe. This timeframe can mean a few weeks, a few months or even a few years. If you decide to invest long-term, you would analyze daily and weekly charts to make your trades. The benefits of a long-term timeframe include lower transaction fees, lower stress (since you aren't watching every peak and valley of the market) and more freedom to be away from your computer.

   The drawbacks to investing long-term are that you have to set your stop-loss a long time ahead to avoid losing a lot of money on a correction, you must be patient, you will have to have a lot of capital to support the large variation of the market and you will incur and have to endure usual weekly and monthly losses.

2. Medium-term timeframe. This timeframe can mean a few hours or a few days, so you would analyze hourly charts to make your trades. The benefits of a medium-term investment include more trading opportunities, less risk to lose money over a month and the ability to diversify your portfolio.

The drawbacks to medium-term investing are that you will have higher transaction fees, there is an overnight risk, you have to keep a regular eye on the market and higher stress levels.

3. Short-term timeframe. This timeframe can mean a few minutes to a few hours, so you would analyze minute charts to make your trades. The benefits to trading short-term include a high number of trading opportunities, no overnight risk and quick results.

   The drawbacks to short-term investing are that you will be under immense stress, you have to have a lot of time to watch the market, your profits are limited (but so are your losses) and high transaction fees because you are placing a lot of orders.

The timeframe you choose is going to depend on your personality and goals. It is best to practice using all timeframes on a demo account before you try the real thing. This will help you determine which investment style you prefer.

Part 8: Chart Indicators

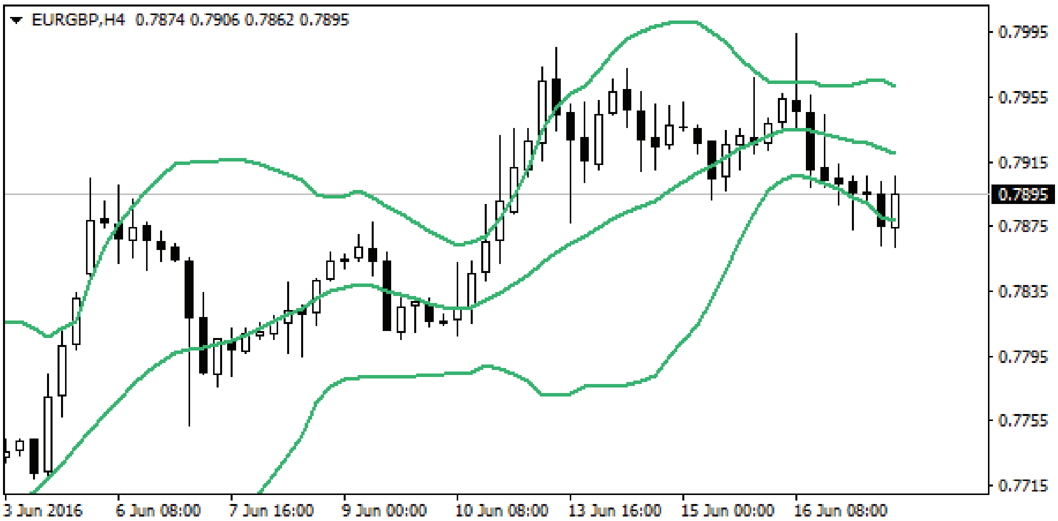
Indicators are statistics that are used to measure current FOREX market conditions and to project future market trends. They are used in analysis to predict fluctuations so that you can capitalize on market movement. Your job is to choose the best indicators and combine them in a way that will give you an advantage during trading. Ideally, you want your indicators to confirm the information you are getting from each one rather than duplicate the information. There are seven main chart indicators that are used extensively by FOREX traders. A description of each one follows.

1. Bollinger Bands

This is an indicator that was created by John Bollinger and is used to measure the volatility of a market. This tells you whether the market is loud or quiet. When the market is loud, the bands expand and when it is quiet they contract. There are several ways you can apply Bollinger bands to make more effective trades.

The Bollinger bounce is when the price returns to the middle of the bands. The reason the bounces happen is because the bands act like dynamic support and resistance levels. The bands will be stronger the longer timeframe you use.

The Bollinger squeeze is an indication that the price is getting ready for a breakout. The bands get closer together during price consolidation and if the price starts to break out below the lower band, the price will start a downward trend. If the price starts to break out above the upper band, then the price will start an upward trend.



Sample Bollinger Bands indicator

2. Moving Average Convergence Divergence (MACD)

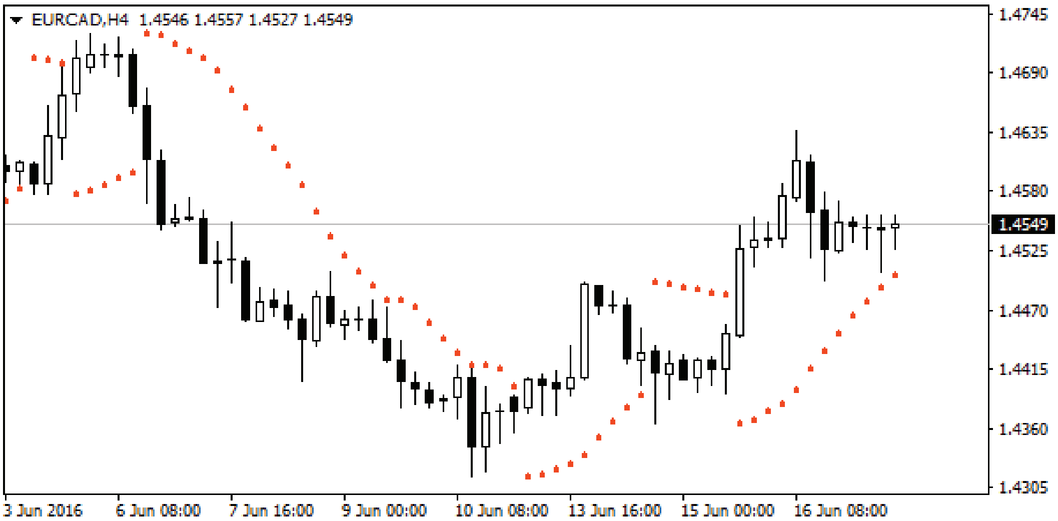
This is an indicator that is used to pinpoint moving averages that hint at a new trend. You will see three numbers on a MACD chart that will help you determine the meaning of the indicator. The first number is the number of periods that is being used to calculate the faster moving average. The second number is the number of periods that is being used to calculate the slower moving average. The third number is the number of bars that is being used to calculate the average of the difference between the slower and faster moving averages.

You can use these two moving lines with different speeds to predict a trend. For instance when the difference between the two lines is zero, a crossover can occur, which can signal the start of a new trend. The only disadvantage of MACD is that the moving averages tend to be slower to react than the price, but it is still the tool of choice for many traders.

Sample MACD indicator

3. Parabolic Stop And Reversal (SAR)

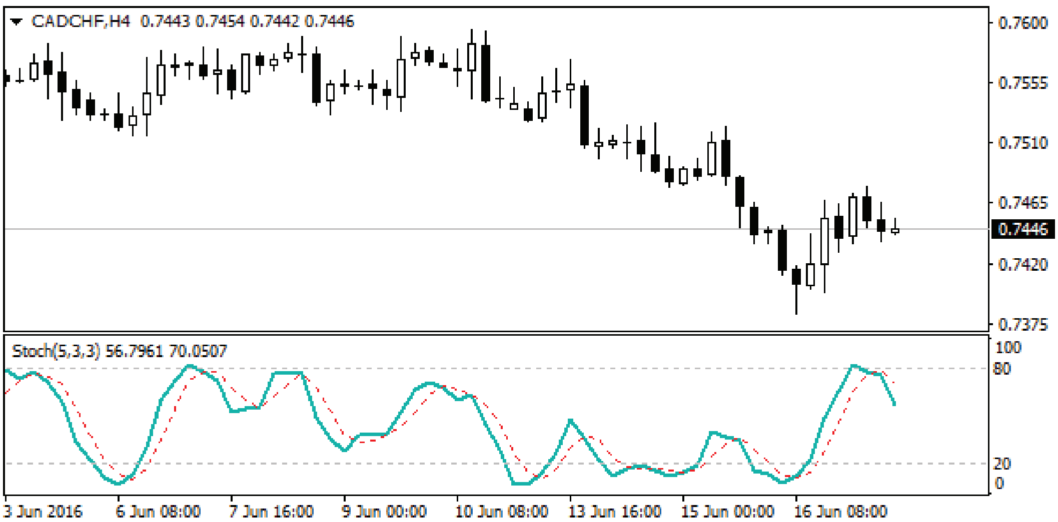
This indicator signals the end of a trend rather than the beginning of one. This is helpful for traders so they know when to exit a trade. A Parabolic SAR places dots on a chart that show traders where there are potential reversals in movement of the price. If the dots are below the candles on a candlestick chart, they are indicating a buy signal. If the dots are above the candles, they are indicating a sell signal. This indicator works best in markets that are trending either upward or downward. You should not use a Parabolic SAR when the price is moving sideways.



Sample Parabolic SAR indicator

4. Stochastic

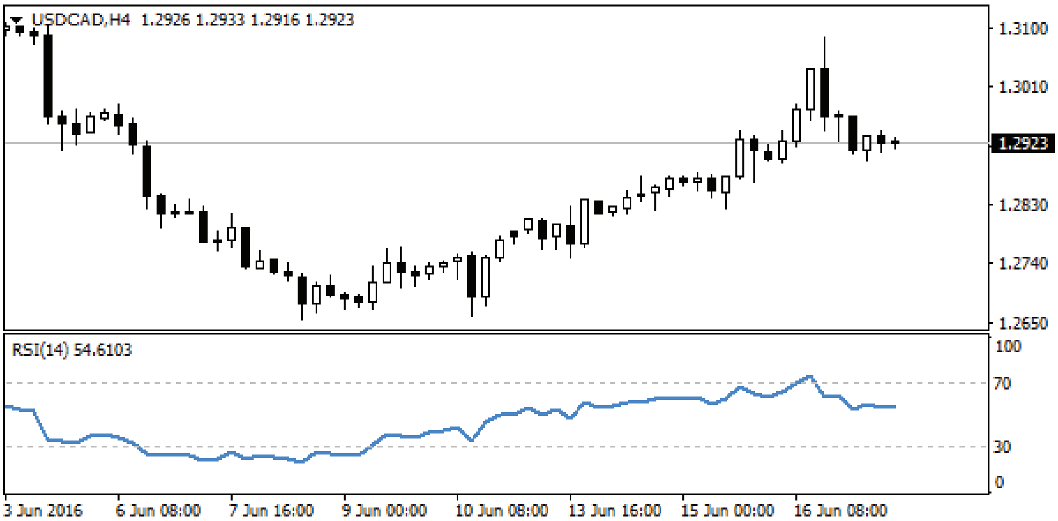
This is another indicator, like a Parabolic SAR, that can tell trader when a trend could end. It measures oversold and overbought conditions in the market. It has two lines, which is similar to the MACD lines in that one line moves more quickly than the other. The Stochastic is measured on a scale of 0 to 100. If the lines are above 80, then the market is overbought. If the lines are below 20, the market is oversold. Typically, traders buy currencies during an oversold market and sell currencies during an overbought market.



Sample Stochastic indicator

5. Relative Strength Index (RSI)

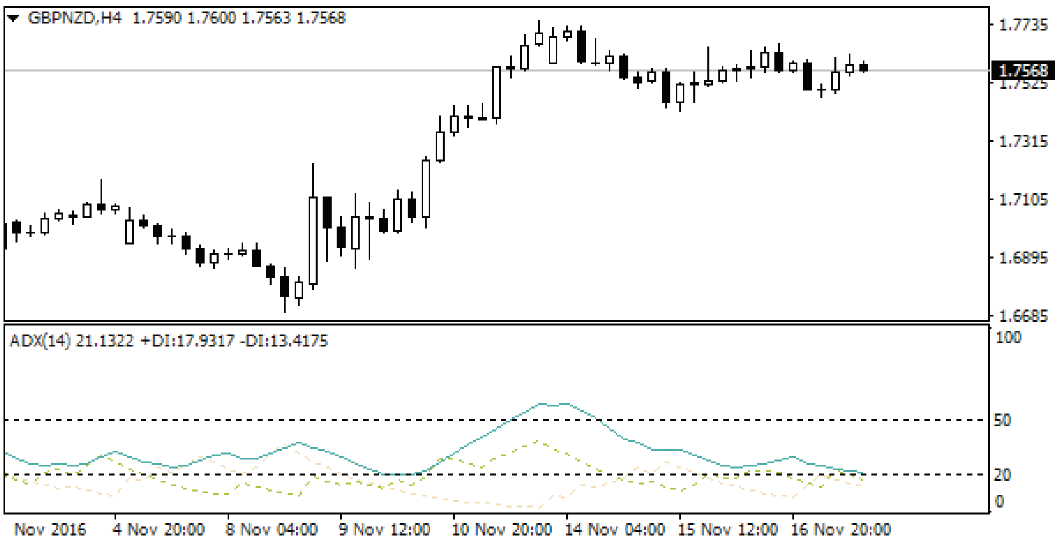
Relative Strength Index is another indicator that helps traders identify currencies that are oversold or overbought. It operates on a scale of 0 to 100. Readings over 70 indicate that the market is overbought. Readings below 30 indicate that the market is oversold. This indicator can be used to verify trends. If you believe an upward trend is possible, the RSI should be above 50. If you believe a downward trend is possible, the RSI should be below 50.



Sample Relative Strength Index indicator

6. Average Directional Index (ADX)

The ADX indicator has a range of 0 to 100. Readings that are below 20 indicate a weak trend. Readings above 50 indicate a strong trend. This is different from the Stochastic because the ADX simply measures how strong the current trend is. This indicator is used to determine whether a market is starting a new trend or if it's ranging. It's not going to tell you whether you should buy or sell, but it does tell you whether or not it's safe for you to start trading in a continuing trend.



Sample Average Directional Index indicator

7. Ichimoku Kinko Hyo (IKH)

This indicator is made up of five lines that gauge future price momentum and future areas of resistance and support. It is mainly used for pairs that include JPY currency.

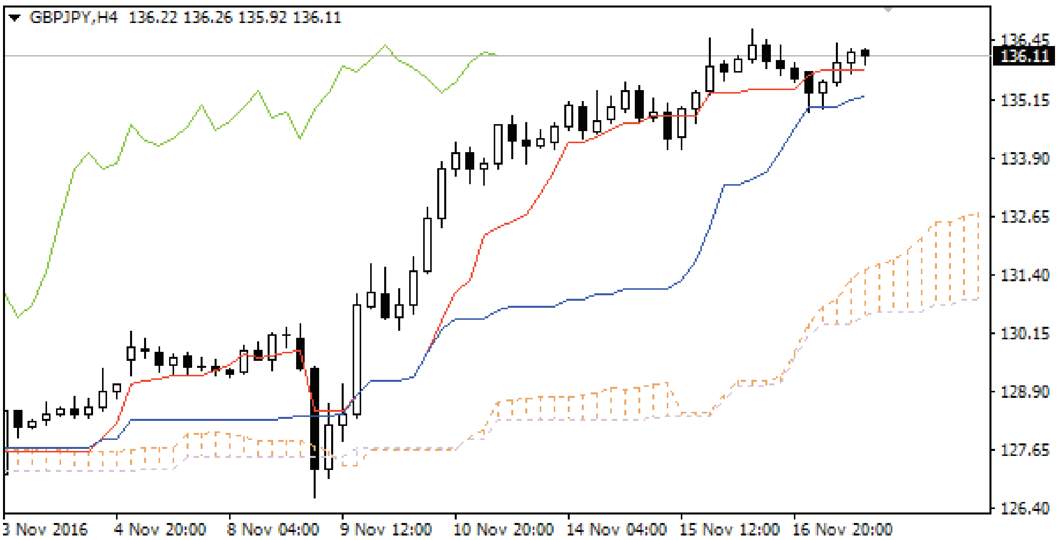
Kijun Sen (blue line): This is the base line that averages the highest high and the lowest low over the previous 26 periods.

Tenkan Sen (red line): This is the turning line that averages the highest high and the lowest low over the previous nine periods.

Chikou Span (green line): This is the lagging line, which is the current day's closing price that is plotted 26 periods behind.

Senkou Span (brown and beige lines): One Senkou line averages the Tenkan Sen and the Kijun Sen plotted 26 periods ahead. The other Senkou line averages the highest high and lowest low over the previous 52 periods and is plotted 26 periods ahead.

Essentially, the IKH rolls support and resistance, trend indicators, crossovers and oscillators all in one chart. Once you learn how to read it properly, it can give you a ton of information at once.



Sample Ichimoku Kinko Hyo Indicator

Most traders use at least three different indicators to make their trades on FOREX. Unless and until all three indicators are giving them the same signal, they won't make a trade. The indicators you ultimately use will depend on which ones work best for you. So you'll need to give them all a try until you find the right combination.

Part 9: Time Zones

As mentioned previously, the FOREX market is open 24 hours a day between Sunday night and Friday night. This means it is an excellent opportunity for traders to trade whenever it is most convenient for them. However, as traders gain more experience, the time of the trade becomes more critical. This is because the best time to trade is when the most trades are being made. This will give traders a great chance to take advantage of good trading opportunities and reap the profits. Slow markets can actually be a waste of time and effort.

You need to know when the various markets are open so you can find the busiest time of the trading day to make your move.

New York FOREX market:	**8:00 a.m. to 5:00 p.m. EST**
Tokyo FOREX market:	**7:00 p.m. to 4:00 a.m. EST**
Sydney FOREX market:	**5:00 p.m. to 2:00 a.m. EST**
London FOREX market:	**3:00 a.m. to 12:00 p.m. EST**

When you look at these hours of operation, you can see that there are three sessions that overlap. New York and London overlap between 8:00 a.m. and 12:00 p.m. EST, Sydney and Tokyo overlap between 7:00 p.m. and 2:00 a.m. EST and London and Tokyo overlap between 3:00 a.m. and 4:00 a.m. EST. So, if you are looking for the best times to trade, the EUR/USD and the GBP/USD currency pairs would likely provide good profits during the 8:00 a.m. to 12:00 p.m. EST overlap session. You are going to find the most trades during this time and other overlap times. These are the times you will have more opportunities to make good trades.

Part 10: Types of FOREX Orders

The word “order” refers to the ways in which you will enter or exit a trade on the FOREX market. You will want to verify which kinds of orders your broker will accept before you decide which ones you want to use.

1. Market order. This is an order to buy or sell a currency at the best available price. For example, if the bid price for EUR/USD is 1.215 and the ask price is 1.219 and you want to buy this currency at market, you would be buying it at the ask price of 1.219.
2. Pending Limit order. This is an order that you would place to buy a currency below the market or sell a currency above the market at a specific price. For instance if EUR/USD is trading at 1.2070 you will want to go short if the price gets

to 1.2090. You can sit at your computer and patiently wait for it to get to that point and use a sell market order. Or, you can set a sell limit order at that price and you can go do something else. Your order will be automatically executed at the price you set.

3. Pending Stop order. You would place this type of order to sell below the market or buy above the market at a specific price. You use this type of order if you think that a price is going to move in one direction.

4. Stop-loss order. This is an order that is designed to help traders keep from losing additional money if the price goes against what you thought. This order will remain in place until you have to use it or until you cancel it. This kind of order is very useful if you don't want to sit in front of your computer all day, constantly worrying about losing all your money.

5. Trailing stop. This is a specific kind of stop-loss order that moves as the price moves. Your trade will stay active as long as the price does not move against you by 20 pips. If your trailing stop is hit, your stop-loss will be triggered and your trade will be closed.

Be aware that some brokers will charge rollover fees if you keep a trade active for more than a day. It is important to check with your broker before you place any orders.

Part 11: Pips

A pip is a unit of measurement that expresses the change in value between a currency pair. For instance, if EUR/USD is at 1.2360 and it moves to 1.2361, that .0001 increase in value is one pip. Typically, a pip is the last decimal place of a quote. Most currency pairs are quoted to four decimal places, but some pairs, like pairs involving the Japanese Yen, are only quoted to two decimal places.

Some brokers will quote currency pairs that go beyond four decimal places, which means they are quoting fractional pips, which are also referred to as pipettes. If the EUR/USD moves from 1.23600 to 1.23601, the .00001 would be called one pipette.

You will need to calculate the value of a pip for each currency pair you are considering trading because each currency's value is different when going against a second currency.

To determine the pip value of your account, you will need to multiply or divide the "found pip value" by the exchange rate of the currency in your account. However, brokers almost always do these calculations for you, so you won't need to do the math yourself. Even so, it is beneficial to know how they calculate it just in case you find a discrepancy.

Part 12: The Importance of News

In addition to being able to analyze charts, trends and indicators, you should also know what causes movement in the FOREX market. World news is the underlying force of market movement. It affects the decisions traders make. Unlike on the stock market, the earlier you hear or see news that will affect the FOREX market, the better it is for your trades. You will not go to jail for insider trading. In fact, you can greatly profit from it.