HOW TO START TRADING THE FOREX MARKET AS A BEGINNER

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INTRODUCTION TO FOREX

Forex, also known as the Foreign Exchange market, is the largest financial market in the world. Every day, about $5.8 trillion is traded in Forex, making it the most liquid market globally. In comparison, the New York Stock Exchange—the second-largest market—handles $169 billion in daily trading. Meanwhile, the entire cryptocurrency market has a total value of just $262 billion, which is much smaller than Forex's daily trading volume.

These numbers show how massive and important the Forex market is compared to other financial markets. You can easily verify these facts with a quick online search.

What Do We Trade on Forex?

In the Forex market, we trade currency pairs from different countries. The aim is to buy and sell these currency pairs to make a profit.

What Is a Currency Pair in Forex?

A currency pair represents the value of one currency relative to another. For example, GBP/USD reflects the value of the British pound compared to the U.S. dollar.

Examples of Currency Pairs

- EUR/USD: Euro/U.S. Dollar
- USD/JPY: U.S. Dollar/Japanese Yen
- GBP/USD: British Pound/U.S. Dollar
- USD/CAD: U.S. Dollar/Canadian Dollar
- USD/CHF: U.S. Dollar/Swiss Franc
- AUD/USD: Australian Dollar/U.S. Dollar
- NZD/USD: New Zealand Dollar/U.S. Dollar

Note: These are the major currency pairs.

FOREX BROKERS & THEIR FUNCTIONS

Forex brokers are companies that connect traders like us to the Forex market, allowing us to buy and sell currencies. When we sign up with a broker, they provide us with a trading account where we can deposit money and start trading. Brokers also offer various tools, platforms, and customer support to ensure that our trading experience is smooth. Some of the popular Forex brokers include XM, FBS, and HotForex, each offering different account types, spreads, and services to meet the needs of different traders.

Forex Trading Sessions

Since the Forex market is open 24 hours a day, trading happens around the clock. However, this doesn't mean all hours are equally active. The market is divided into different trading sessions based on the busiest financial centers in the world. These sessions are named after the major cities where the most transactions occur during that time. They include:

1. **London Session**
2. **Frankfurt Session**
3. **New York Session**
4. **Sydney Session**
5. **Tokyo Session**

- **London Session**: Represents trading activities in the United Kingdom and surrounding countries like Ireland and Iceland. It opens at 7 AM GMT and closes at 4 PM GMT.
- **Frankfurt Session**: Named after Frankfurt, Germany, and represents trading activities in Europe. It opens at 8 AM GMT and closes at 5 PM GMT.
- **New York Session**: Named after New York, USA, and represents trading activities in the Americas. It opens at 1 PM GMT and closes at 10 PM GMT.
- **Sydney Session**: Named after Sydney, Australia, and represents trading activities in Australia and nearby countries in that time zone. It opens at 9 PM GMT and closes at 6 AM GMT.
- **Tokyo Session**: Also known as the Asian Session, it represents trading activities in Japan and some other Asian countries. It opens at 11 PM GMT and closes at 8 AM GMT.

Note: "It is always best to trade the market when two sessions overlap."

VOLATILITY IN FOREX TRADING

Volatility is always high when two or more sessions are open simultaneously. In Forex, increased volatility means more opportunities to make money. As a Forex trader, it's important to avoid trading in a quiet market, as there won't be much movement, and it's those movements that generate profits.

For example, when the London and Frankfurt sessions are both open, with the Tokyo session briefly overlapping, you will notice an increase in volatility. As potential Forex traders, always aim to trade during periods when two or more sessions are active.

FOREX TERMINOLOGIES & JARGON

Every field has its own set of unique terms, whether it's law, sports, business, or any other area. To communicate effectively, you need to familiarize yourself with these terminologies.

Forex is no exception. Understanding Forex terminology is crucial for communicating with market analysts, interpreting the news, and interacting with fellow Forex traders.

- **Bullish Market**: A market that is moving upwards.
- **Bearish Market**: A market that is moving downwards.
- **Ranging Market**: A market with no clear direction, neither moving upwards nor downwards.
- **Trending Market**: A market with a defined direction, either upwards or downwards.

Note:

- **Bulls** are buyers in the Forex market.
- **Bears** are sellers in the Forex market.

TYPES OF FOREX TRADING

There are two main types of Forex trading:

1. **Fundamental Analysis**
2. **Technical Analysis**

Fundamental Analysis:
Also known as news trading, this approach involves analyzing the Forex market based on news events. Every day, major countries release various news reports that can impact currency pairs either negatively or positively. Traders make decisions based on the anticipated effects of this news.

You can follow these news updates on platforms like CNN, Bloomberg, CNBC, or specialized sites like forexfactory.com and dailyfx.com, which provide traders with summaries and directions regarding the news.

Note: As a Forex trader, the focus is not on whether the news is positive or negative, because you can profit in either scenario. Unlike crypto traders, who typically only profit when a coin appreciates in value, Forex traders make money whether a currency pair is appreciating or depreciating. If a currency pair is appreciating, you buy; if it's depreciating, you sell. It's as simple as that!

So, in Forex, you can make money on both sides!

NON-FARM PAYROLL (NFP)

Among all the news events released, the Non-Farm Payroll (NFP) report generates the highest market volatility. It's one of the most eagerly awaited announcements for traders. The NFP covers a range of data and statistics provided by the U.S. Bureau of Labor Statistics.

This report is a crucial indicator of the U.S. economy because the U.S. Federal Reserve uses this data to guide its monetary policy decisions. Investors, financial analysts, Forex traders, and stock traders all rely heavily on NFP data to make significant trading decisions.

The NFP is released on the first Friday of every month. For those enrolled in advanced training, we'll trade the upcoming NFP together, as this is an experience best learned through direct involvement rather than explanation.

No Forex trader would plan a wedding or party on the first Friday of any month—unless it's an evening event. As a Forex trader, you should never miss this opportunity.

If you're driving and it's 12:20 PM GMT, pull over, open your phone, trade the NFP, and then continue on your way.

If you're unwell (God forbid), make sure you have your phone ready that Friday—missing the NFP is not an option. That's how crucial it is.

Some traders only trade once a month, funding their accounts specifically for the NFP and then stepping back for the rest of the month. Some can earn what others make in a year in just one NFP afternoon. THAT'S HOW POWERFUL THE NFP REPORT IS.

The second type of Forex trading is:

TECHNICAL ANALYSIS:
This approach to trading involves analyzing the market using indicators, chart patterns, candlesticks, Fibonacci levels, support and resistance zones, pivot points, Elliott waves, and more. Technical analysis is the most common method used in Forex trading. This is largely because high-volatility news events aren't released daily, so relying solely on fundamental analysis isn't practical.

As aspiring Forex traders, it's crucial to understand how to trade the market using technical analysis. Mastering technical analysis is what makes you a well-rounded Forex trader, and we will delve deeper into this in the advanced class.

The big question is: When do you buy, and when do you sell?

The answer is straightforward: **You BUY when you know that the price is likely to go up, and you SELL when you know that the price is likely to go down.** Notice the emphasis on "would." I didn't say you buy when the market is going up. Let me use a simple analogy to explain this concept.

Imagine two names: Tinubu (current president of Nigeria) and Buhari (former president of Nigeria). During Buhari's presidency, the exchange rate for the dollar was between 461 and 500 Naira. Let's take 450 Naira as an average.

When Tinubu became president, you might recall that at some point, the dollar shot up to 805 Naira per dollar. Now, suppose you knew the dollar would appreciate against the Naira and had 2 million Naira sitting idle in your bank account. If you had used that 2 million to buy dollars in 2022, you would have received $5,000.

Fast forward one year, and the dollar has surged to 805 Naira per dollar. You cash out your $5,000 at the bank and exchange it back to Naira. You would now have 5 million Naira, meaning you made a profit of 3 million Naira just by understanding price movement. This is essentially what we do in Forex!

The Forex market is even more dynamic—you don't need to wait a year or months to make money. Currencies fluctuate constantly, often within minutes. Forex traders capitalize on these fluctuations in the price of one currency relative to another to make their profits.

Here's something that might surprise you: Investment banks contribute more than 70% of the total liquidity in the Forex market. They use your money to trade, drive luxury cars, live in big houses, and give you just a tiny fraction as interest or a modest salary.

In summary: We buy when we anticipate that a currency pair will rise, and we sell when we expect it to fall.

Another crucial question is: How do we know when it will rise and when it will fall?

Technical analysis provides the answers. It involves using strategies and tools like candlesticks, Fibonacci levels, Elliott waves, indicators, pivot points, and more to predict price movements.

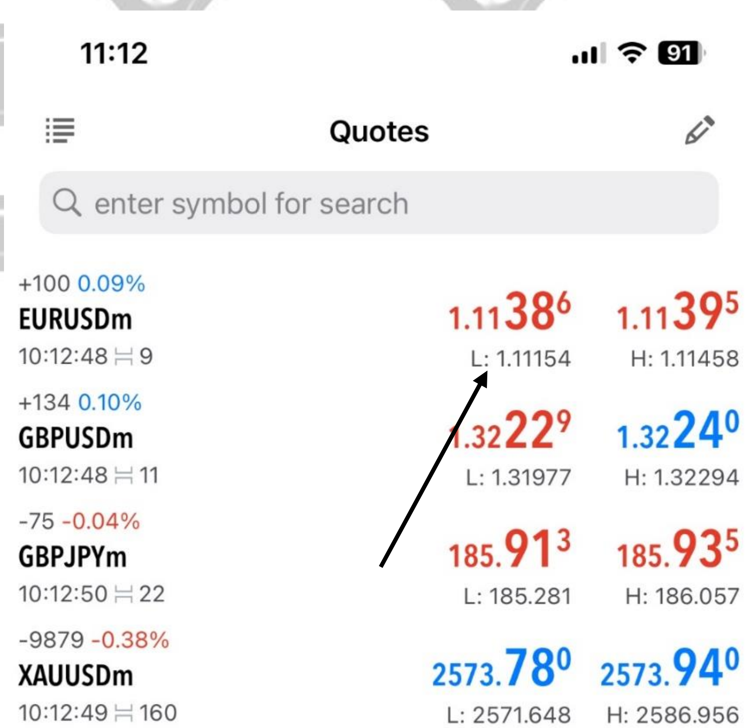
(MODULE 2)

Definition of PIP:
A PIP stands for "percentage in point," and it's the smallest unit by which the price of a currency pair can change. In simple terms, it shows how much the price of one currency has moved against another. It's a standard measure used in Forex to track price movements.

How Do You Calculate a PIP?
For most currency pairs, a PIP is calculated using the 4th decimal place in the price. For example, if the price of EUR/USD moves from 1.1234 to 1.1235, that's a 1 PIP movement. There are a few exceptions to this, but let's focus on the most common pairs first. **Example Calculation:**

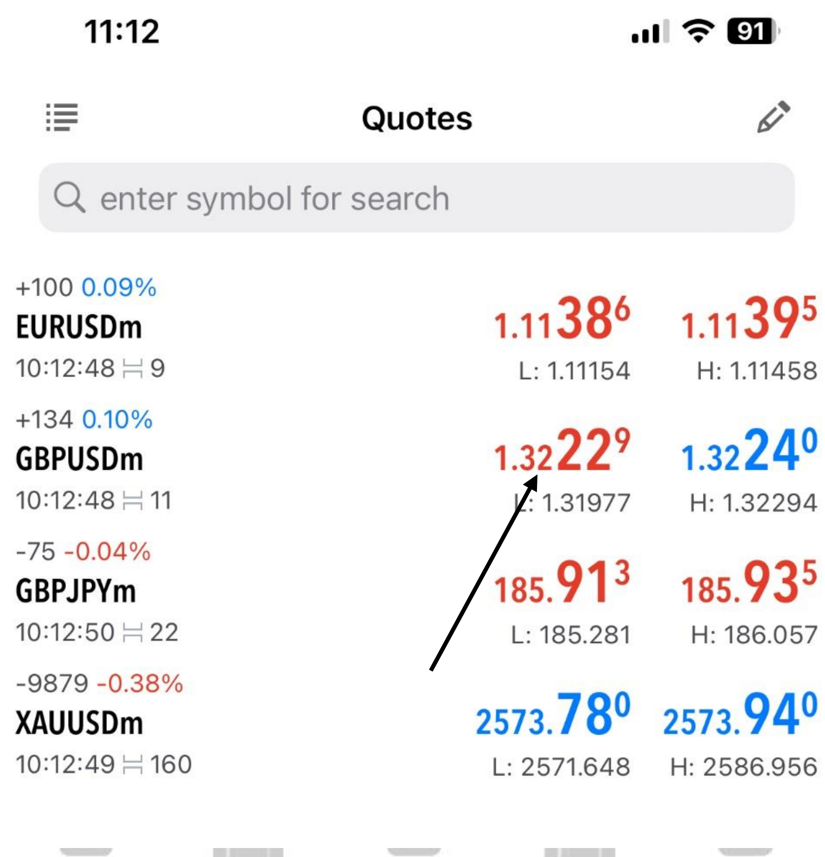
Example Calculation:

- For currency pairs like **EUR/USD**, **GBP/USD**, and **USD/JPY**, a movement from **1.1050 to 1.1051** (or from **1.3000 to 1.3001** for GBP/USD) represents a change of **1 pip**.



In the case of EUR/USD (as shown in the image above), we calculate the PIP from the 4th decimal place, which in this instance is '8.' If EUR/USD experiences a 1 pip movement from the current price of 1.1138, the new value will be 1.1139.

I started with the price 1.1138, where the 4th decimal place is '8.' By adding 1 pip (which represents a change in the 4th decimal), the number increases from '8' to '9,' resulting in the new price of 1.1139.



Let’s consider another example. As shown in the image above, GBP/USD has a current price of 1.3222. If GBP/USD moves by 2 pips from 1.3222, the new value will be 1.3224.

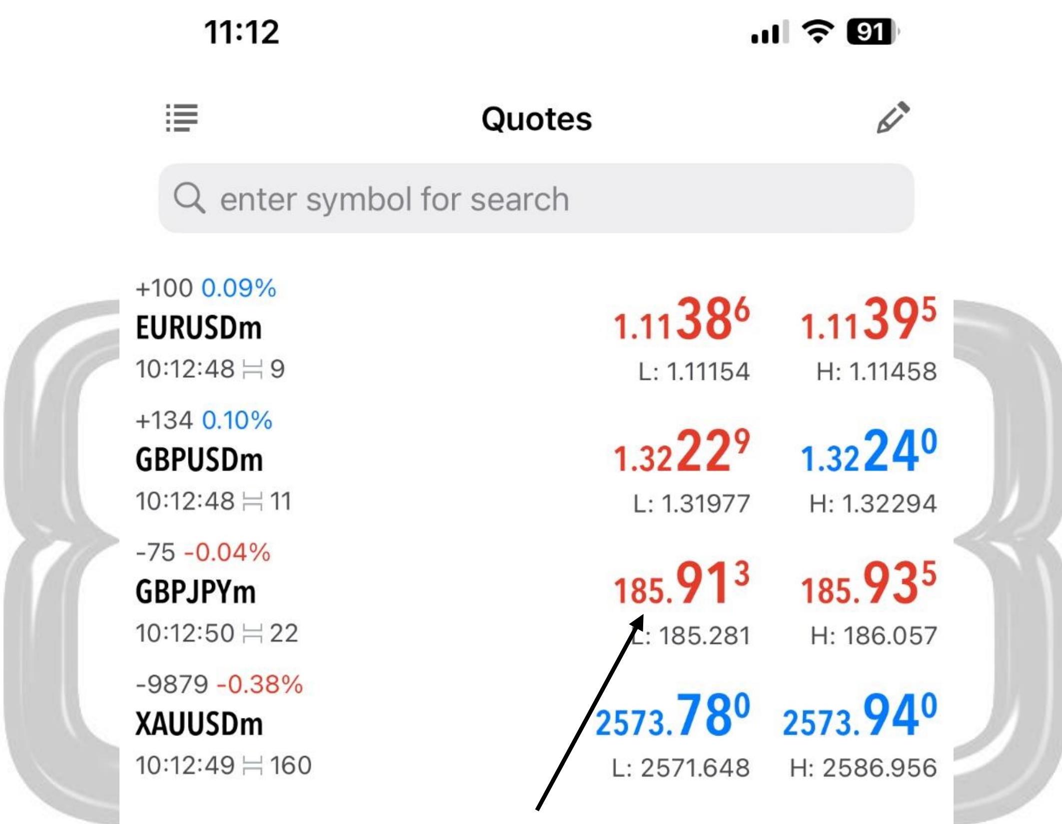
How did we get 1.3224? We added '2' to the 4th decimal place, which is '2,' increasing it to '2.' It’s that straightforward!

In the next section, we will cover how to calculate pips for pairs with exceptions, where the standard method might differ.

As mentioned earlier, for most currency pairs in Forex, pip calculation starts from the 4th decimal place. However, some pairs do not extend to 4 decimal places and have unique pip calculation methods. Examples include JPY pairs like USD/JPY, EUR/JPY, GBP/JPY, AUD/JPY, and NZD/JPY.

Another popular example is Gold (XAU/USD).

Now, let's focus on JPY pairs. For JPY pairs, such as GBP/JPY, the pip calculation begins at the 2nd decimal place, rather than the 4th.



From the image above, USD/JPY has a current price of 185.91, as indicated by the arrow. If USD/JPY moves by 2 pips, the new market value will be 185.93.

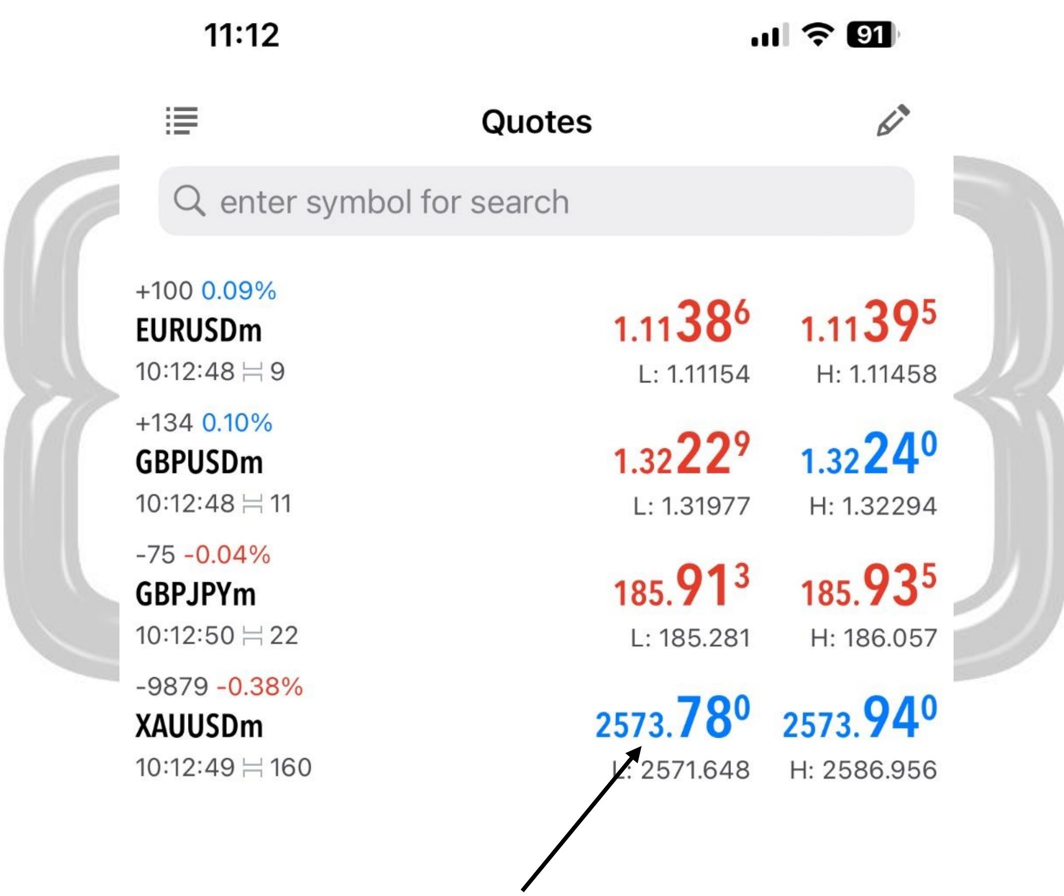
How did we get this? We added '2' to the second decimal place, which is '1,' and it increased to '3.' That's how we arrived at 185.93.

Now, let's take the calculation a bit further. Assuming USD/JPY moves by 10 pips from the current value of 185.91, the new value, by adding 10 to the second decimal place, would be 186.01

Now, let's consider the last exception: Gold, which is typically represented as XAU/USD on trading platforms like MT5 by some brokers. This is because the chemical symbol for Gold is 'AU' (from the Latin word 'Aurum'), and it is traded against the US Dollar (USD).

Unlike most currency pairs where the pip is calculated from the 4th decimal place, Gold operates differently. For Gold (XAU/USD), pip calculation is based on the 1st decimal place. For example, if the price moves from 1945.1 to 1945.2, that is a 1 pip movement.

This simpler method of calculation reflects the way Gold is traded and makes it unique compared to currency pairs in Forex trading.



In the Gold pair shown above, the price is currently at 2573.78. If it makes a move of 2 pips, the new value would be 2573.98.

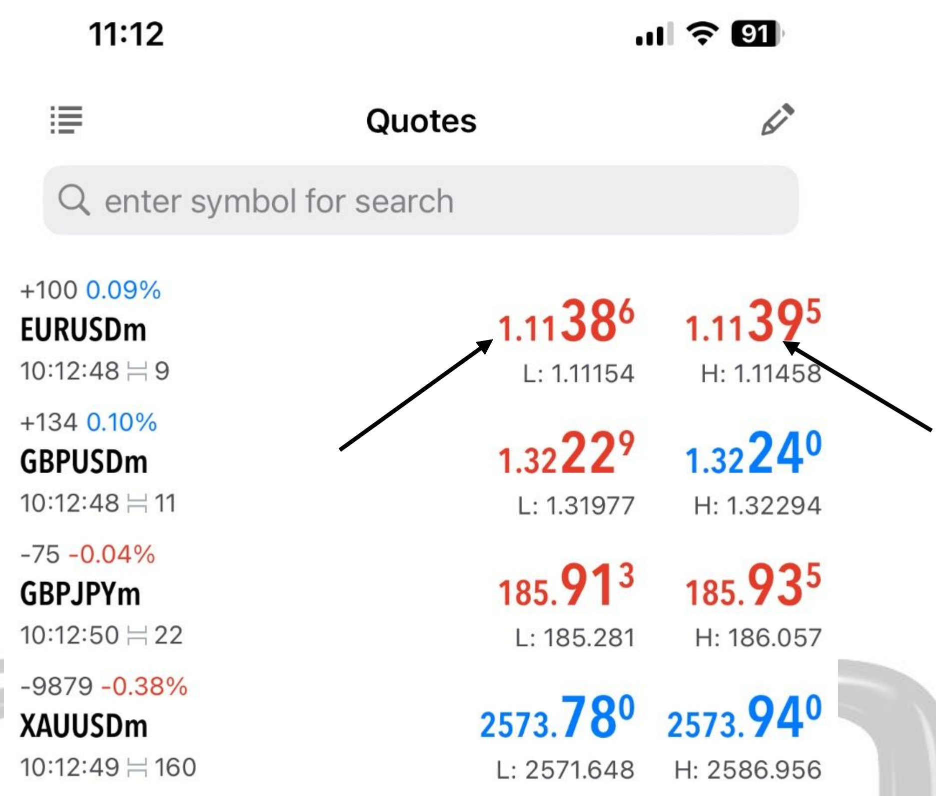
How did we get this? I added '2' to the 1st decimal place, which is the figure '7,' and it changed to '9,' giving us the new market value of 2573.98.

Bid Price and Ask Price

In trading, particularly in the Forex and stock markets, you'll often encounter two key prices for any asset: the bid price and the ask price. Understanding these prices is crucial for making informed trading decisions.

1. **Bid Price:**
   - The bid price is the highest price that buyers are willing to pay for an asset at a given moment. It represents the demand side of the market.
   - When you sell an asset, you sell it at the bid price. Essentially, it’s the price at which you can sell your asset immediately.
   - For example, if the bid price for a currency pair is 1.1200, it means that buyers are willing to purchase the currency pair at that price.
2. **Ask Price:**
   - The ask price, also known as the offer price, is the lowest price at which sellers are willing to sell an asset. It represents the supply side of the market.
   - When you buy an asset, you buy it at the ask price. It’s the price at which you can buy the asset immediately.
   - For example, if the ask price for a currency pair is 1.1220, it means that sellers are willing to sell the currency pair at that price.

BID PRICE IS THE PRICE THAT BUYERS ARE WILLING TO BUY.
ASK PRICE IS THE PRICE THAT SELLERS ARE WILLING TO SELL.



In the EUR/USD image above, 1.1138 is the Bid Price while 1.1139 is the Ask Price.

In practical terms, imagine you received $10,000 from a friend abroad. You go to the bank to exchange it, and the bank tells you that the current rate is ₦780 for $1. So, the bank would give you ₦7,800,000 as the equivalent of $10,000.

Now, let's say the next day you walk into the same bank and need to buy $10,000 to send abroad. The bank would then tell you that their rate is ₦800 for $1. You would now pay ₦8,000,000 for the same $10,000.

In this situation, ₦780 is the Bid Price, while ₦800 is the Ask Price.

In Forex, the Bid and Ask prices work similarly, but the difference is typically measured in pips rather than large amounts like in bank exchanges.

In summary, the Bid Price is the price that buyers in Forex are willing to pay, while the Ask Price is the price that sellers are willing to accept.

SPREAD

WHAT IS A SPREAD?

The **spread** is the difference between the **Bid** price and the **Ask** price of a currency pair. It represents the cost of trading and is essentially the profit that brokers or banks make on each trade.

Example:

If the Bid price is **#390** and the Ask price is **#400**, the spread is **#10**. This spread reflects the cost to the trader and is how banks or brokers earn their profit on the transaction.

In Forex trading, the spread is measured in pips and varies with market conditions. During periods of high volatility, when multiple markets are active, spreads tend to be narrower, providing better trading conditions. Conversely, when only one session is open or volatility is low, spreads can widen.

TRADING ORDERS

There are Basically 3 Type of Trading Orders:

1) INSTANT MARKET EXECUTION

2) STOP ORDERS

3) LIMIT ORDERS

I will talk about Instant Market Execution now and consider the other types when we discuss Support and Resistance in FOREX, so that you guys can understand them properly.

For example, a Currency pair is presently at $50 and you clicked on Buy. What you just did is Instant Market Execution because you bought at that current price.

TAKE PROFIT AND STOP LOSS

Take Profit and Stop Loss are Forms of Market orders. Let’s take a closer look at TAKE PROFIT

As a trader, you will not always be online monitoring all your Trades. Some of your trades may stay over the Night, some may last for 2 days, and you may have an engagement or you are at work. That's where Market orders come in to play.

TAKE PROFIT is a Form of market order that tells your Broker to close your Trade for you and Lock in your Profit when your trade moves a certain number of Pips in your desired direction, even if you are not online.

For example: you traded a currency pair, let’s call it AAA/BBB and It's currently at $40. From your Technical or Fundamental Analysis, you found out that it would soon rise. You immediately opened BUY position.

Let’s say your Target profit for this Trade is just $50.

For you to set a Target profit at $50, you add it to the price you entered, which was $40, so your TP would be at $90.

Anytime, the currency pair AAA/BBB Starts Climbing and Reaches $90, even if you are not online, Your MT4 through your Broker’s server would close the Trade for you automatically and add the $50 profit to your account immediately.

This is how Take Profit works!

UNDERSTANDING LOT SIZE

This topic will answer your questions, "How much trading capital do i need to start?"

LOT SIZE is simply defined as the amount/quantity of a Currency Pair that you bought or Sold.
In Forex, Currencies are not bought and Sold in singles, but in Packs called Lot sizes.

THERE ARE MAJORLY 3 TYPES OF LOTSIZES:

1) STANDARD LOT

2) MINI LOT

3) MICRO LOT

A STANDARD LOT CONTAINS 100,000 UNITS AND IS WRITTEN AS 1.0 ON YOUR MT4.

A MINI LOT CONTAINS 10,000 UNITS AND IS WRITTEN AS 0.1 ON YOUR MT4.

A MICRO LOT CONTAINS 1,000 UNITS AND IS WRITTEN AS 0.01 ON YOUR MT4.

Example:

Imagine we have 3 Traders John, Bassey and Charles that deals on Rice in bags.

For them to make Profit, they can't just buy a single bag of rice from the Wholesaler. They need to Buy these Rice in Bags for the profit made to be appreciable. Those Bags of Rice are what we Call LOTSIZES in Forex.

Now, Assuming John buys 100,000 Bags of Rice, And Bassey buys 10,000 Bags of Rice, While Charles buys just 1,000 Bags or Rice, you would agree with me that John would make more money than Bassey, who will in turn make more money than Charles.

What determines how many Bags of Rice they bought is the Capital they invested in the Business? That is a typical illustration of Lot sizes.

In the analogy above, John bought a Standard Lot size, Bassey bought a Mini Lot size, and While Charles bought a Micro Lot size.

Let's consider the Pip Equivalent of each lot size in dollars.

STANDARD LOT SIZE

1 PIP = $10

MINI LOTSIZE

1 PIP = $1

MICRO LOTSIZE

1 PIP = $0.1 (10 cent)

Thus, if 3 Forex Traders trades a Currency pair, and 3 of them bagged 50 pips.

Assuming Trader A traded 1 Standard Lot size of the pair, Trader B traded 1 Mini Lot size of the same pair, and Trader C, traded 1 Micro Lot size of the pair.

Trader A would make 50 pips x $10 = $500

Trader B would make 50 pips x $1 = $50

Trader C would make 50 pips x $0.1 = $5

Even though the 3 Traders participated in the same trade and the market moved in their direction for the same amount of pips, profits were different because the amount of that particular Currency Pair they each bought.

Initially, Forex was only traded by the 1% elite population, just as it currently is in New York Stock exchange.

Right now, to trade in The Floor of New York Stock exchange you must be making a Specific amount of Millions of dollars per year, you must not owe any Mortgage, and Your Tax documents must be up to date, with other numerous criteria's just to limit it to the Kabal.

Same was the case in Forex, Common Men couldn't partake in this gold mine until the Advent of forex Brokers.

Forex Brokers had so many Traders around the World that they could solve that Single problem of Capital and these ridiculous criteria. Because Brokers pulled in this money together, we are now allowed to Trade through our Brokers.

So instead of an individual Trading with 1 million Dollars, we can actually place A Trade with as little as $10 because we are not alone in the market.

Our Brokers allows us to Trade because they offer us Leverage in the Forex Market.

As we proceed, we will see things like 1: 500 | 1:1000 | 1:888 etc. When we will soon be filling out our forms for opening of trading account.

TRADING PLAN

Most of you will agree with me that in everything you do in life, you need a Plan. When one fails to plan, He is planning to fail.

This is why you need a Written Trading plan before you kick off your Forex journey.

It is essential that you follow this plan judiciously. Never try to adjust it to suit your present market conditions or biases. Most Traders neglect this vital aspect of Forex. When forming your plan, it needs to be SMART |SPECIFIC |MEASURABLE |ACHIEVABLE |REALISTIC |TIME BOUND

Now, I will share with my personal Trading Plan as guide when forming yours. It must not be exactly like mine, it's just a Guide.

MY TRADING PLAN

I would earn 100% of my trading equity in 1 month.

I would set a near term goal and make at least 25% of my trading Capital in 1 week and I would plot this target daily.

If I am behind my trading plan for the quarter; I would take a brief break to reevaluate my trading system.

I would not trade more than 3 markets per day (i.e. more than 3 currencies pairs).

If I have more than 4 loosing trades in a row, I would take a trading break of 2 days to reassess the Market.

Anytime I take a break, I would close losing trades set protective stops on a Winning trades and TP at reasonable targets; should I be unavailable and Market gets to my Target level.

I would take 70% out of my account and invest in non-Fix related business (like Real estate) and reinvest 30%.

I would record my daily trade activities in my trading log and review them weekly.

I would know my ratios and results and would work to improve on them by at least 5% per week.

I would invest 6 hours a week to update my Knowledge on Forex and learn new Trading Strategies………………………

I printed this out and posted it on the wall close to my Trading desk, because the more I look at it, the more obliged I am to the plan.

Always make your trading plan realistic according to your capacity. My daily target should not influence yours.

Always make it realistic!

f for a start, you make $20 per day with a capital of $100 to $200, believe me, it's a good start. In a week, that's $100. That's equivalent of 36,000 Naira in a week.

If you can hit your target of $100 in a week, in a month that's $400. Whether you are in school, doing a day job or into business, you can support yourself and your family with this.

As you grow in Forex, you can now increase your capital, hence increasing your daily target.

Slowly but Steadily, A time would come that you wouldn't depend on your salary again. It's One Step at a Time!

The next important point is that you need to always review your Trading plan. Review it weekly (at the end of the Trading week).

Check your Transaction history for the week. Have you achieved 1/4th of this plan? How far have you gone? What part of your target is remaining? That would influence your Trading for the upcoming week.

Another important point to note is that once you have reached your daily target, Always close for that day. The cash flow will still be there tomorrow.

Forex market has been around for decades, so it won't close that day.

After formulating your Trading plan, you can chat me up to Review it or if you need on clarification with any aspect of the Guide I gave.

COMMON MISTAKES MADE BY TRADERS

Another important principle of life is to learn from other people's mistakes. Never wait to learn from your own mistakes, learn from the mistakes of others that have gone before you.

1. I will now highlight some of these mistakes so you all can avoid them. The first and most dangerous mistake is not having a Trading Plan.

2. Next is Demo Trading for too long. Even though it's good to demo trade, but don't dwell in that world for too long.

3. Get into the real market, Analyze and Trade with your emotions on the line that makes you stronger.

4. Not Using a Stop loss. Technology has made it there to protect your accounts, always remember to put it in all your trades. Regardless of how perfect your analysis is, you may not know when a major news would be released and it could change the direction of the market. By setting your Stop-loss, no matter the direction, you would be protected.

5. Opening Trades on too many Currency Pair at a time. There is no way you can monitor lots of Currency Pair perfectly at a time, it tends to distract you and divide your attention while putting you in high risk situation. I always limit myself to 3 currency pairs per time

6. The last and commonly made mistake by some traders is anticipating how the News would affect the market. Remember I mentioned that Fundamental Analysis is trading the market using the News.

Before important major news events like Nonfarm Pay roll Forex analysts will release what, we call forecasts.

These forecasts tend to come in the form of figures and are published in various news platforms before the main News is released by 8:30am EST (IE 12:30 pm GMT)

Remember, this is just a forecast, not the real value, but many traders would go ahead and start making trading decisions with those forecasts because they want to get in early and make huge profits.

That's a big mistake! Always wait till the main News is released before riding the trend, created by the news.

Above are some of the common mistakes made by Traders. So it's always important to note them down and try as much as possible to avoid them throughout the course of your Forex journey.

RISK MANAGEMENT

Because I mentioned that 1.0 Lot size gives $10 per pip

And you would see someone trying to use 1.0 Lot size on a $200 account. That's what we call over trading in Forex.

Always stick to a Lot size commiserate to your account. Never get greedy. Even if it's 0.1 you are starting with, it’s still okay.

If you make $50 daily and you couldn't reach $100 daily,

It's still fair. $50 daily is $250 in a week and not bad for a starter. As time goes on you progress to $70 to $80 to $100 daily etc.

Forex Trading V12 is a beginner guide to understanding the markets, strategy, risk management, and trading psychology.

BUY NOW