



Insider's Guide to Successful Trading



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CHAPTER 1: INTRODUCTION TO ONLINE TRADING

What Is Online Trading?

Online Trading is the act of buying and selling assets, such as currency pairs via an online trading platform.

Currencies are always traded against one another in pairs. Some major currencies traded on the market are the Swiss Franc (CHF), the Euro (EUR), and the British Pound (GBP). All of these currencies are traded against the US Dollar.

For example, USD/JPY is the market name for the USD Dollar and Japanese Yen pair. Each pair has what we call a "base" currency and a "quote" or "counter" currency. The first currency mentioned is the base currency, which would be the USD. The counter currency would be the JPY in the USD/JPY pair.

When you ask for a currency quote, you'll be given two prices: the Bid price and Ask price. The Bid price is the price you'll receive for selling a currency and the Ask price is the price you'll receive for buying a currency. For example, if the exchange rate for the USD/CHF pair is 0.9579, it means that one US Dollar is equal to 0.9579 Swiss Francs

Trading CFDs

Online Trading can also be referred to as "CFD Trading" and includes commodities (such as Oil, Gold, and Silver), stocks (such as Google, Apple, and Amazon), and indices (such as DAX, NASDAQ, NYSE, and others).

The biggest advantage of Online Trading is its ability to give traders the opportunity to earn money, regardless of the direction the market is moving. Online Traders can take advantage of market volatility on any number of assets depending on whether he chooses to take a "Short" or "Long" position. Traders usually take "short positions" when they believe the price of an asset is going to fall and a "long position" when they believe the price will go up.

Advantages of Trading Currencies

THE WORLD'S MOST LIQUID MARKET

The currency exchange market is the largest and most liquid in the world. Market orders are executed almost immediately and over \$5 trillion Dollars are traded daily, making it too large for individuals or independent institutions to influence.

24-HOUR MARKET

Currencies can be traded 24 hours a day because the market is not limited to a single location. The currency market operates from Monday morning in Sydney, Australia (GMT +10) to Friday evening in New York, New York, USA (EST).

NO FEES OR COMMISSIONS

Most Online brokers don't charge commissions when traders buy or sell currencies, but ask traders to pay the price of something called the "spread." A spread is the difference between the Bid and Ask prices of the currency.

CHAPTER 2: INTRODUCING **MassInsights™**

UFX is not your typical online broker. Your success is our top priority and we are committed to giving you the most advanced trading tools in the industry to bring you the most up-to-date and sophisticated information possible. This is why we've developed **MassInsights™**, the unique technology offering a complete live stream of market events and aggregated trader behaviour, showing you what matters NOW.

As a UFX trader, you can take advantage of the **MassInsights™** Technology to help you make more informed investment decisions. Use the BUY/SELL indicator to see the percentage of BUY and SELL positions open on specific assets in real-time and the **MassInsights™** Stream to view technical and fundamental market information in one place.

MassInsights™ Stream elements include relevant market news and reports, financial calendar events, and up-to-date asset behaviour and market movements to help spot developing trends, volatility, and reversals for individual assets.

MassInsights™ Stream Elements

TRENDING



Trending identifies heavy BUY or SELL activity on individual assets and displays the information in real-time via the **MassInsights™** Stream.

For instance, Apple announces it's coming out with a new iPhone. Over the next 20 minutes, 70% of new positions opened on Apple are BUY. This means investors are choosing en masse to take advantage of a buy-in opportunity, and create a BUY trend for the asset. UFX's **MassInsights™** Technology recognises the trend and highlights it accordingly in the Stream.

TURNAROUND



The **MassInsights™** Stream reports a *Turnaround* when a specific asset experiences a sudden change in direction.

For example, Apple just released its newest iPhone and 77% of investors decided to open BUY positions, creating an upward trend for the asset. Meanwhile, one of Apple's biggest competitors, Samsung, announced the release of a new smartphone of its own tomorrow, giving traders more investment opportunities. Many investors choose to open SELL positions on Apple now, causing a reversal in the trend, or a *Turnaround*.

VOLATILITY SPOTTED



When the **MassInsights™** Technology detects increased volatility, or rapid BUY/SELL activity, on a specific asset, *Volatility Spotted* appears in the Stream.

This feature recognises significantly sharp market movements within a short period time. The asset will typically experience large price movements as a result of its high volatility.

For example, Crude Oil is trading at \$41 a barrel, but investors are anticipating the upcoming US Oil Reserves Report. If a large deficit is reported, it is likely there will be a large number of BUY positions opened in anticipation of low supply and high demand. If the report, however, confirms a surplus, a large number of SELL positions can be expected.

INCREASE IN OPENINGS



When more positions than usual are opened on a specific asset, no matter what direction, the **MassInsights™** Technology picks up on this trend and *Increase in Openings* appears in the Stream.

For example, the Nonfarm Payrolls (NFP) report is higher than expected. This report has a significant effect on the US Dollar against all other major currencies, and the EUR/USD pair's resulting downtrend is reported by the **MassInsights™** Stream as the value of the Dollar rises.

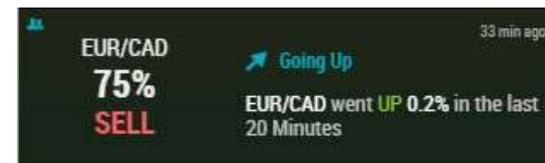
VOLUME GROWTH



When an asset experiences more trading volume than usual, *Volume Growth* will appear in the **MassInsights™** Stream.

Volume Growth would appear if an asset like Yahoo! announced the acquisition of a company like AOL. Investors predict this move will greatly increase the value of Yahoo! stock, and open many more positions than usual on Yahoo! The **MassInsights™** Technology spots a 205% increase in the value of Yahoo! stock in the last 30 minutes and a 70% BUY rate on newly opened positions for the stock. The information is reported in the Stream.

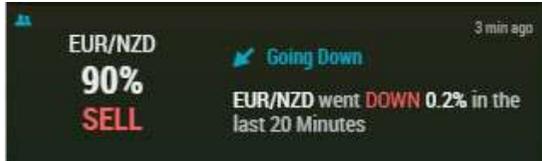
GOING UP



Going Up appears in the **MassInsights™** Stream when an individual asset's direction begins to trend up, in what is known as an *uptrend*.

For example, there is a rumour going around that Walmart recently bought 200 underperforming retail outlets from Tesco. No official announcement has been made yet, but investors have their eyes on Walmart stock and as a result, the asset's price has risen significantly over the last 5 minutes, alerting the **MassInsights™** Stream to the possibility of an uptrend.

GOING DOWN



Going Down is essentially the opposite of Going Up. When an asset's direction begins to trend down, the **MassInsights™** Stream will report the possibility of a downtrend for the asset with the *Going Down* alert.

For example, *Going Down* will appear in the Stream if a company like Facebook announces that millions of user profiles have been compromised and sold on the black market as a result of a DDOS attack. Because of the importance of profile security to Facebook, a security attack like the one described could result in users closing their profiles. Investors react by opening **SELL** positions, which pushes the stock towards a downtrend.

MARKET EVENTS CALENDAR



The **MassInsights™** Stream also incorporates fundamental data, including Economic Events scheduled on the Market Events Calendar. These notifications will appear in the Stream to keep you up-to-date on all the relevant financial reports and announcements due out over the next few days.

FINANCIAL NEWS

The **MassInsights™** Stream will also keep you updated about important news and advancements in the trading and financial markets in real-time, so you can make more informed investment decisions.

CHAPTER 3: UFX'S FIRST-CLASS TRADING CONDITIONS

What Are Pips?

Pips refer to the smallest fluctuation in price a currency pair can have, and are priced down to the fourth decimal point.

For example:

The EUR/USD bid price moves from 1.2655 to 1.2650. This means the EUR/USD went down by 5 pips. Depending on the size of the contract (a "lot"), a change in the rate of just one pip can be worth \$1 (for a \$10k lot), or \$10 (for a \$100k lot).

What Is a Spread?

UFX will never charge you a commission on any of the trades you open. Instead, you'll pay what's called a "spread." The spread is the difference between the "Ask" price and the "Bid" price. If a trader decides to open a BUY position on an asset, they will pay the "Bid" price. If a trader opens a SELL position on an asset, they will pay the "Ask" price. The Ask price is always higher than the BID price.

Let's take the example from earlier to explain exactly what this means for UFX traders. The EUR/USD is trading on the market at a price of 1.2650. The Bid price is 1.2652, meaning the spread is equal to 2 pips. This means the trader's newly opened position will begin with a loss, until the position earns enough to cover the spread of the initial transaction. In other words, if a trader opens a position at the Buy price and closes the position immediately at the Sell price, they will incur a loss of exactly the amount of the spread.

What Is Leverage?

Leverage allows traders to open positions multiple times larger than their initial investment amount would normally allow. At UFX, traders can open positions with up to 400:1 leverage, meaning that for every \$1 invested, you will be able to trade with up to \$400.

This makes it possible for traders to open large positions on the market with only a small amount of capital. If a trader's position incurs heavy losses, they are protected, as UFX will close his market positions if the losses get close to the full amount of the trader's initial investment.

Leverage is all about maximising your return and minimising your risk. With leverage, traders are able to earn more on each trade opened. At the same time, though, it is important to remember and follow a properly constructed risk management plan, because while only the capital invested initially is at risk, the risk of the position is multiplied by the amount of leverage.

What Is Margin?

Margin is the minimum amount a broker requires from investors in order to begin opening positions on assets. Traders can only take advantage of leverage and other benefits offered by the broker after they have invested this minimum amount. If a trader's account balance drops below the required margin, UFX will issue a "Margin Call" requesting the trader to fund their account to prevent the closure of all their positions. If the account is not funded, UFX will close all open positions to prevent further loss.

UFX provides its traders with more protection than the average broker and issues the first Margin Call when an account reaches a 50% equity balance. For an added layer of protection, the UFX platform includes automated negative balance protection and never allows any account to reach a negative balance. All open positions are automatically closed once a trader's equity balance drops below 25% of their overall account balance, if they have not been closed already.

For example:

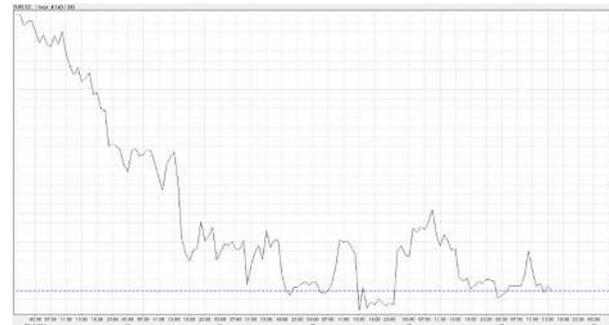
- An account's equity balance is \$10,000
- The trader decided to open a trade using the maximum amount of leverage, 400:1, opening a \$4,000,000 deal (\$10,000 x 400)
- The trader's account open P&L falls to \$7,500, dropping the account balance to \$2,500 (25% of the initial equity balance)
- Because the equity balance has reached 25% of the initial equity balance, all open positions will be closed to protect the trader's capital

CHAPTER 4: GETTING TO KNOW CHARTS

A chart visually presents market prices in an easy-to-read graph. There are a lot of different kinds of charts available to traders, but they all break complicated information down simply, so traders can see the price of an asset over time.

Line Charts

Line Charts show an overview of an asset's price changes within a specific period of time. Although Line Charts aren't as detailed as Bar Charts or Candlestick Charts, they are often considered the simplest and easiest to read.



Bar Charts (Open, High, Low, Close)

Bar Charts are more detailed and show the difference in an asset's price over a specific period of time. If the difference between the asset's low and high prices is significant, this will be noted by a thin, extended bar in the chart. Assets' opening prices are shown on the left tab and the closing prices are shown on the right. This design allows traders to

quickly see how dramatic price movements are and in which direction prices are moving.



Candlestick Chart

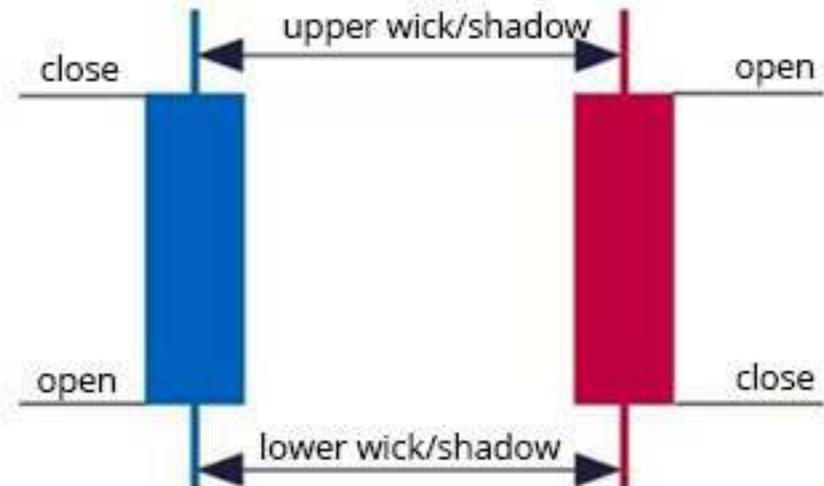
Candlestick Charts look similar to Bar Charts but offer more details on price movements. Traders use Candlestick Charts to quickly monitor an asset's price movements via open and close timeframes, along with the asset's highs and lows within a specific period of time.



How to Read Candlestick Charts

Candlestick Charts show us the high and low rates of an asset over a certain timeframe, along with the asset's open and close rates over the same period of time. For instance, in a 1-hour Candlestick Chart, each candlestick represents 1 hour of time. The "open" is the price rate of the asset at the beginning of the charted hour. The "close" is the price rate of the asset at the end of the charted hour. If the open rate is lower than the close rate, the candlestick will be blue in the chart. If the open rate is higher than the close rate, the candlestick will be red.

Candlesticks also show the highest and lowest rates reached by the asset within the specified timeframe with small lines above and below the "candlestick." These lines are called "wicks" or "shadows."



CHAPTER 5: GETTING FAMILIAR WITH FUNDAMENTAL ANALYSIS

In order to open profitable positions on the market, you need to be knowledgeable enough about the market to accurately predict price movements. Investors do this by using two kinds of analysis: Fundamental and Technical. We already took a look at how some elements of Technical Analysis can help predict price movements in the last chapter.

Fundamental Analysis evaluates the international geopolitical climate, alongside economic events to gauge their effects on assets to predict price movements.

Interest Rates

The Central Bank of every country with a currency traded on the financial markets controls the interest rate of its currency. This means the Central Bank determines the overnight interest rate for commercial banks every day at market close.

Central Banks often use the interest rate as a tool to implement monetary policies. The interest rate can also be used to grow or shrink a country's money supply, which directly affects the currency's value against other global currencies. Lower interest rates usually cause currencies to depreciate in value, as traders use a strategy called "Carry Trading" to sell off currencies with low yields in favour of those with higher yields. In contrast, higher interest rates tend to cause currencies to appreciate in value.

Additionally, traders can earn interest every day as a result of trading rollovers.

Unemployment Rate

Countries typically release data on their national unemployment rates every month. The Unemployment Rate announcement is typically highly anticipated by investors around the world, as it is one of the more important indicators of a country's economic health. If the Unemployment Rate comes in higher than expected, it usually indicates a poorly performing economy and results in the depreciation of the country's currency value. The opposite is true if the rate comes in lower than expected.

Trading Currencies Using Fundamental Analysis

Investors typically find Fundamental Analysis very helpful for predicting the long-term trends of currency pairs.

Let's take a look at an example:

The US Federal Reserve is set to announce a decision on the country's interest rate and investors believe the central bank will lower the rate.

If what they predict is correct and the Fed lowers the rate, the value of the US Dollar against other major currencies like the EUR and GBP is likely to decrease. Currency traders will usually take a "short" position on currency pairs like the EUR/USD and GBP/USD in situations like this and request the "Ask" price for the two pairs with the aim of buying them.

On the other hand, if investors predict the rate will increase, causing the value of the US Dollar to rise, they will most likely ask for the "Bid" price on currency pairs like the EUR/USD and GBP/USD in anticipation of selling the pair.

CHAPTER 6: GETTING FAMILIAR WITH TECHNICAL ANALYSIS

One of the primary research methods traders use to construct a successful trading strategy is Technical Analysis. Once fully understood, Technical Analysis can be one of the most powerful tools in your trading arsenal, filling in the gaps left by Fundamental Analysis' shortcomings.

The main challenge a lot of traders face with Technical Analysis is the considerable amount of methods available to thoroughly analyse all of the available market information. This is why it is extremely important to fully understand Technical Analysis, as the smallest error or confusion can easily lead to the wrong trading decision.

On the other hand, once fully understood, Technical Analysis can act as a roadmap to how the market and its participants will react. With so many traders relying on Technical Analysis to make informed trading decisions, it is almost certain the market will move in the direction signaled by technical indicators, as Technical Analysis lets you predict other traders' moves, along with the market.

Trading Currency Pairs with Technical Analysis

The premise behind Technical Analysis is to work alongside charts and technical indicators in order to identify trends, right from the start. By using Technical Analysis to recognise and predict the movements of trends, traders can take advantage of the ups and downs of the market.

Predicting market movements with Technical Analysis is done by adding technical indicators to Candlestick charts. However, since the majority of traders rely on the same technical indicators to predict price fluctuations, market movements can often have an almost predetermined outcome. Meaning, if the Technical Analysis indicates the price of a currency pair

will decline, and the majority of traders respond similarly to the same indicators, the price of the currency pair will most likely continue to decline.

Understanding Resistance & Support

It is crucial to understand the concepts of support and resistance when using Technical Analysis.

In online trading, resistance refers to a situation where an asset's price has reached a peak and is having difficulty moving upwards. The level the asset is having issues breaking through is commonly known as the "Resistance Level."

Resistance Levels are subjective, and it can be extremely difficult to spot exactly where the level is situated.

When you see a resistance level, like the one shown below, it is best to open a Sell position when the price is as close as possible to the line:



Support is technically the opposite of resistance. It refers to a situation where an asset's price has reached a bottom and is now having difficulty moving further down.

Asset prices situated close to the support and resistance levels tend to have difficulty breaching them, primarily due to a lack of opposing market orders from other traders. These points usually mark an upcoming *Turnaround*, and can cause a lack of opposing market orders.

When you see a resistance level, like the one shown below, it is best to open a Buy position when the price is as close as possible to the line:



Even though Technical Analysis is more of a mathematical approach to evaluating market movements, there is no definite way to predict where an asset's future support and resistance levels will be. After gaining more trading experience, it is possible to more accurately predict support and resistance, more or less, through intuition and gut feelings.

Range Trading

Even though it is difficult to pinpoint the exact positions of the support and resistance levels, traders can still apply these theories, as they can trade between the ranges. When a pair is trading close to a support level, traders tend to open a "Long" market position. When the pair is trading close to a resistance level, traders tend to open a "Short" market position.

The Cons of Range Trading

One of the biggest drawbacks of Range Trading is the low chance of high profit potential. When an asset breaks through the support and resistance levels, the market can suddenly spike or crash. When this happens, traders using Range Trading strategies will incur huge losses due to the sharp jumps or drops.

Below is a chart illustrating a Range Trading scenario:



Momentum Markets

Another Range Trading strategy is where a trader takes advantage of an asset price's momentum, trading beyond the support and resistance levels, as opposed to within them.

With this strategy, traders expect the market to continue moving in either direction, breaking the resistance and support thresholds. To do this, traders open a Buy order above the resistance level and a Sell order below the support level.

The basic idea behind this strategy is that market momentum will increase once it breaks through a resistance and support level, letting traders profit on the fast market movement.

The chart below shows an uptrend pattern. The uptrend is illustrated by drawing a line between the lowest points of the downturn. This line clearly shows the uptrend's positive momentum.



The chart below shows a downtrend line, and clearly illustrates the downtrend's negative momentum.



Oscillators

Oscillators are a set of technical indicators that help determine whether a market is overbought or oversold. One of the most commonly used Oscillators is the Relative Strength Index, or RSI.

Relative Strength Index (RSI)

The RSI Oscillator was developed by J. Wilder, and compares downtrend and uptrend prices over a certain period of time. The RSI focuses primarily on the latest available data, providing a better indication than what is provided by other oscillators. The RSI is not as affected by sharp price fluctuations as other oscillators and helps filter out unneeded or unwanted indications.

Traders can also use the RSI as a volume indicator, even though real-time volume reporting is not possible.

The RSI is measured in *denotes*, and ranges from 0 to 100. Any reading below 30 denotes means the market is oversold, while a reading above 70 denotes means the market is overbought.



The chart above indicates an RSI reading of below 30, showing the currency pair is oversold.

The chart below shows an RSI reading of above 70, showing the currency pair is overbought.



Four Different Ways of Using the RSI

1. **Basic:** The most basic use for the RSI is to indicate overbought or oversold market conditions. A reading below 30 denotes indicates an oversold asset, while a reading above 70 indicates an overbought asset.
2. **Divergences:** If a currency's price reaches a new high and the RSI doesn't display the same scenario, this normally indicates an imminent price reversal.
3. **Support & Resistance:** The RSI is also used to indicate the support and resistance levels of a currency trend.
4. **Failure Swings:** If the RSI breaches a previous high or low, this may mean an upcoming price breach is probable.

Exponential Moving Averages

Exponential Moving Averages, or EMAs, are a type of moving average. EMAs emphasise the latest price data on an asset. They are more responsive than other indicators. EMAs tend to react more quickly to current price changes.

In the **short term**, traders will normally examine **12-day** and **26-day** averages. In the **long term**, traders normally rely on **50-day** and **100-day** averages as signals for long-term trends.

EMAs are also used to calculate the PPO (Percentage Price Oscillators) and the MACD (Moving Average Convergence Divergence) indicators.

EMAs are also known as exponentially weighted moving averages. EMAs help traders determine the best entry and exit points for a certain market position, by spotting changes in trend patterns. A known trigger for trend reversals is when EMAs cross over.



Using Exponential Moving Averages

By monitoring a trend, traders can spot direction changes as they begin. Using this information, we are ideally positioned to take advantage of a trend reversal.

The market can only move **Upwards, Downwards, or Sideways**. Using moving averages helps isolate and determine market movements so we can capitalise on them. For a profitable position to appear, the EMAs first need to cross over.

However, it is important to be aware that EMAs can easily give out false cross over signals if their movements are very close together.

Different EMAs are used for short and long-term scenarios to avoid false signals. Information from short-term averages and long-term averages are used to confirm the overall market condition. It is important to remember that EMAs alone are not enough to confirm a trend reversal.

Traders are encouraged to observe other technical indicators before jumping to conclusions. Fibonacci retracements are some of the most popular indicators used by traders to analyse market behaviour alongside EMAs.

Fibonacci Retracements

Fibonacci ratios are a series of numbers used to help describe the natural progression of proportions.

These numbers were first discovered by the mathematician Leonardo Fibonacci, and function as indicators for resistance and support levels, helping traders realise their profits.

When the market is bullish, the idea is to go long on a trading position. With UFX's Web Trader, you can easily calculate the Fibonacci Retracement levels, to help you calculate the best entry points. However, since the

majority of traders also rely on Fibonacci Retracement levels for their trading strategies, the scenario is almost certain, as Technical Analysis lets you predict other traders' moves, along with overall market trends.

The following example illustrates how Fibonacci Retracements work. The USD/CAD daily chart shows the swing low at 0.9799, while the swing high is at 1.0313.

Plotted Fibonacci Retracement levels:

- 1.0116 (0.382)
- 1.0056 (0.500)
- 0.9996 (0.618)



In the chart above, the USD/CAD currency pair is on an uptrend, but it has also begun to swing downwards from its 1.0313 peak. Traders usually wait to see if the downward movement will stop at the Fibonacci Retracement level, 0.382 on the chart. If it does, traders will most likely open long positions, predicting a large profit margin.

Usually, the asset's price will stop at one of the plotted levels, as the sell orders generate enough support to maintain the price. If the movement manages to break through the support levels, at the 0.382 Fibonacci Retracement level, traders will wait to see if the 0.500 levels are broken. If not, traders will join the uptrend. The uptrend will signal it's over when

the 0.618 levels are broken. At this point traders will most likely open short positions on the currency pair again, predicting a large profit margin.

Risk Management

Remember, the market's natural state is constantly fluid and fluctuating. Whenever you set your Stop Loss or Take Profit orders, it is important to make sure they are not set too tightly or too widely, as it can defeat the purpose of having them.

If the Stop Loss order is too wide, it can result in a higher loss of capital than necessary, even before the order is triggered. If the Stop Loss orders are positioned too tightly, the orders can be triggered prematurely due to minor market volatility.

It is important to always remain calm while trading, and to not let your emotions take over and cloud your judgment. By preparing yourself mentally, you will be more aware of what to expect and prevent the situation from getting the better of you.

Before opening a trade, it is important to ask yourself the following questions:

What is the extent of the market movement and when is the correct time for profit taking?

A trader can utilise a Take Profit order and close an open market position when it reaches its pre-set profit target. So, if you opened a 'short' market position, you can place the Take Profit limit just under the current market price, staying inside your profitability zone.

On the other hand, if you opened a 'long' market position, you should set your Take Profit limit above the market price. By using Take Profit orders, a trader is able to adopt a more disciplined and systematic

trading stance. This way, you can still benefit from price movements, even if you are not constantly monitoring the market's movements.

What loss are you willing to take before closing a trading position?

By setting a Stop Loss order, traders can automatically close a trading position when it reaches a pre-set loss level. If you opened a 'short' market position on a currency pair, you should set a Stop Loss order at a price higher than the current market price.

Similarly, if you opened a 'long' market position, your Stop Loss should be set lower than the current market price.

Where should you place Stop Loss and Take Profit orders?

Generally, Stop Loss orders should be placed nearer to the opening price, as opposed to Take Profit orders. By adhering to this strategy, a trader needs to be correct only about 50% of the time to remain profitable.

For example:

With a 30 pip Stop Loss order and a 100 pip Take Profit order, a trader needs to be correct only 30% of the time in order to make a profit.

Precisely where to set these orders depends on how much risk a trader is willing to take. Furthermore, Stop Loss orders should not be set so close, as it's considered irrelevant due to standard market fluctuations.

Take Profit orders should be set with realistic profit expectations, taking into consideration the duration of the market position and market sentiments.

Trader Psychology

When first entering the global trading markets, traders should properly analyse their potential positions and prepare a trading plan for the following day. Many novice traders neglect this part, primarily due to anxiety, and jump into trading based on hunches and guesses. It is only through precise analysis and planning can traders minimise losses and maximise profits.

It is important that once you have a trading strategy in place, you stick to it. Without discipline, a trader can easily steer away from their trading strategy and start to open positions based on hunches and gut feelings. Many traders lose out by failing to close a position at its profit target, or hold onto a declining market position for too long in the hopes of a market rebound.

One other major psychological mistake traders make is thinking all trading positions can be profitable. This is why it is important to always set Stop Loss and Take Profit orders when you open a position.

Stop Loss and Take Profit orders are advanced Online Trading tools that can help traders build a structured trading plan to effectively manage their risk. Setting them can prevent significant losses and encourage healthy profits. Although Stop Loss orders may lead to a position being closed at a loss, it is important to remember that it never prevents you from making a profit. It is important to adhere to a predetermined trading plan, as it will most often make up for initial losses with significantly more profit.

Traders should also beware of becoming emotionally involved in their Online Trading decisions. When a trader is emotionally involved, they often cannot close positions, even if they are experiencing losses.

Traders should always maintain their original trading strategy and do their best to not deviate from it. It isn't uncommon for traders to justify their actions by making excuses, based on alternative analysis. Traders should make objective investment decisions and not allow emotions

to cloud their judgment, as objectivity is needed in order to maximize profitability.

Emotional involvement in trading decisions can cause traders to lose sight of their initial goals. Coupled with leveraged trading, traders can experience higher losses than initially anticipated, and they can easily begin overtrading, ultimately exposing themselves to more liability and risk. As a rule, traders should try to never use more than 20% of their margin account, at any given time.

Trading Philosophies & Market Noise

By now, you should be aware you have the option of relying on either Fundamental Analysis or Technical Analysis when looking to trade on the financial markets. Having said that, it is important to note there is no single correct formula for predicting the movements of such a fluctuating and fluid environment, like the financial markets.

An experienced and cautious trader will always rely on both Fundamental and Technical Analysis to formulate a coherent trading strategy. You can use Fundamental Analysis to identify possible uptrends and downtrends, and then use Technical Analysis to help confirm your assumptions.

We incorporate Technical Analysis into our trading strategy because it is objective. Fundamental Analysis, on the other hand, relies on an element of subjectivity in order to present possible conclusions. By focusing on Technical Analysis to confirm our assumptions, we are able to eliminate "Market Noise," which tends to form the bulk of market sentiment. We cannot completely avoid this Market Noise, as it is presented everywhere in the market.

Market Noise is in the news we read, in the comments people make, and in analyses conducted by market experts.

Trading Strategies

Online traders can open positions on currency pairs, commodities, stocks, and indices. When it comes to novice traders, it is recommended to start with major currency pairs, especially ones paired with the US Dollar, like the EUR/USD and GBP/USD currency pairs. This is because currencies are more liquid and tend to have larger trading volumes, a combination which provides higher chances for profitable trades.

The British Pound, Euro, Japanese Yen and the Swiss Franc are good currencies to focus on, as they are widely traded in the currency exchange market. This will give the trader more *wiggle room* to maneuver within a trading strategy.

The Australian Dollar, Canadian Dollar and New Zealand Dollar have less market volatility, but at times do possess opportunities to isolate trends for pairs based on these currencies.

More advanced traders can take advantage of other groups of currency pairs such as Crosses, which are non USD-based currency pairs. Also, more experienced traders are able to trade commodities and indices online, both having tremendous potential.

It is recommended always to consider a short-term market position as opposed to a long-term position, since this will minimise exposure, and allow you to close positions with a modest profit margin more quickly.

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