

# FOREX 101

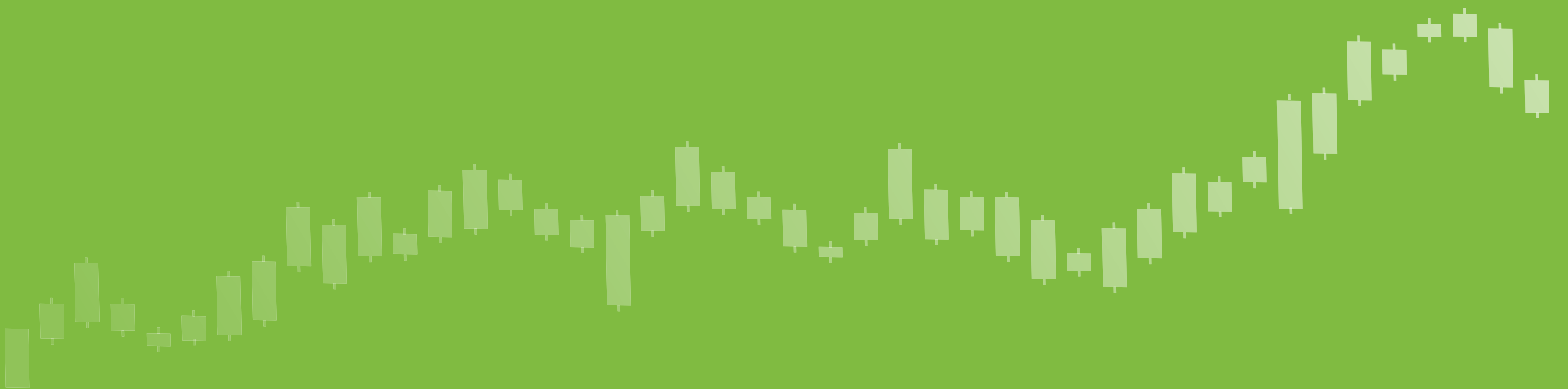
Essential guide  
for beginners

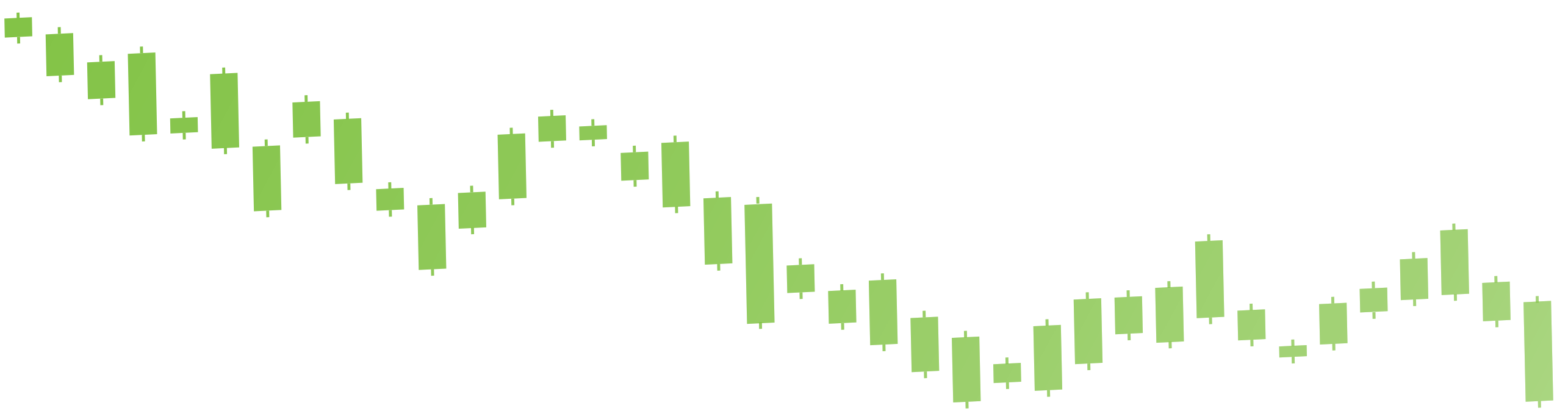


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# What is the FX market

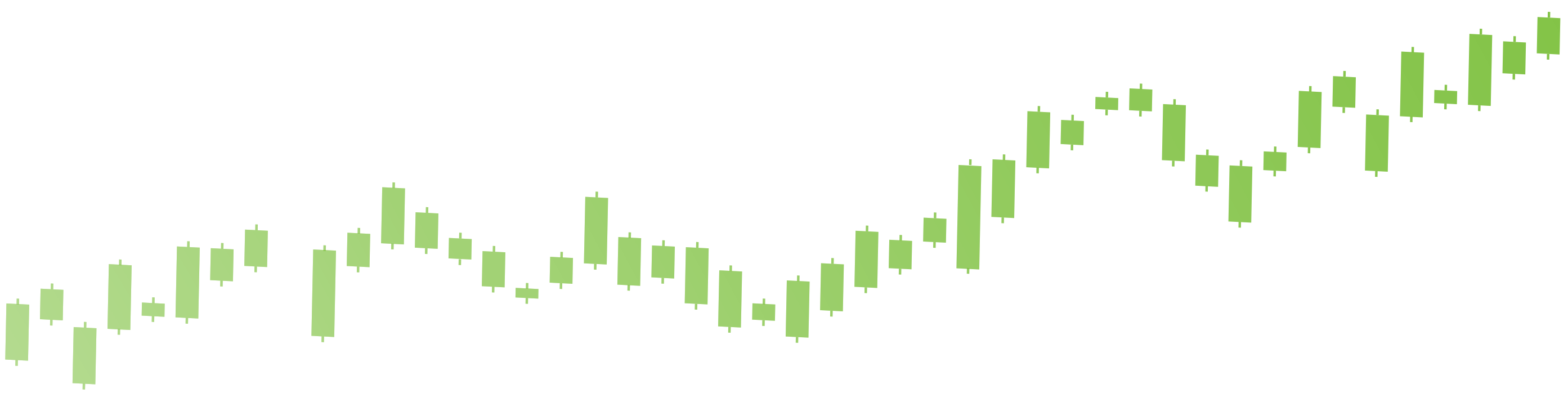




**Forex or FX** – short for foreign exchange – is one of the largest global financial markets for currency trading. On Forex, organizations and people exchange money, hedge risks, and make profits.

FX doesn't have a physical location where investors go to trade currencies. It is an electronic network connecting banks, brokers, financial institutions, and individual traders (mostly trading through brokers or banks).

Financial centers around the world – London, New York, Tokyo, Hong Kong, and Singapore – function as anchors of trading between different buyers and sellers. To access the interbank currency market, you need to address to a Forex broker.





# What to trade

# Currencies

Forex transactions involve two currencies, which form so-called **currency pairs**. For example, EUR/USD pair shows the price of one euro in US dollars. There are different types of currency pairs.

All the **major pairs** include the US dollar and are very popular among traders:

**EUR/USD, GBP/USD, USD/JPY, USD/CHF, AUD/USD, etc.**

As these are the most traded pairs, they tend to be more dynamic and have the best trading conditions.

**Crosses** consist of two popular currencies, but do not include the US dollar. The most common crosses include the euro, the yen, and the British pound:

**EUR/GBP, EUR/JPY, GBP/JPY, EUR/AUD, etc.**

**Exotic currency** pairs consist of one major currency and one currency that represents the developing (Brazil, Mexico, Turkey, etc.) or small (Sweden, Norway, etc.) economy. Exotics are highly volatile pairs that bring both big profits and big risks.

## CFD

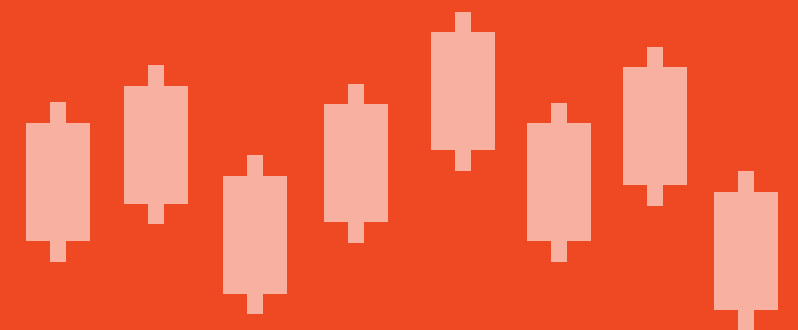
We know that oil is counted in barrels and gold in bullions. However, you should understand that when going to the oil market, you won't get the real oil in a container.

So, what will you get? Considering trading oil, gold or stocks, you will see three magical letters: **CFD**.

CFD stands for the "**Contract for Difference**". It is a special type of contract which is based on the price of an underlying asset. It allows traders to benefit from the difference between the entry price of a trade and the exit price. In other words, with CFD you get an opportunity to make money on the changes of gold/oil/stock price without physically purchasing these assets. Convenient, isn't it?

### Which pair to choose for trading?

If you are only learning how to trade, pick some major pairs. You will find a lot of analysis about them and the start of your trading career will be smooth and pleasant. With time, diversify: add crosses and exotic pairs to your portfolio. This way you will be able to maximize your profit and minimize your risks.



Let's start with oil, the world's key fuel material.

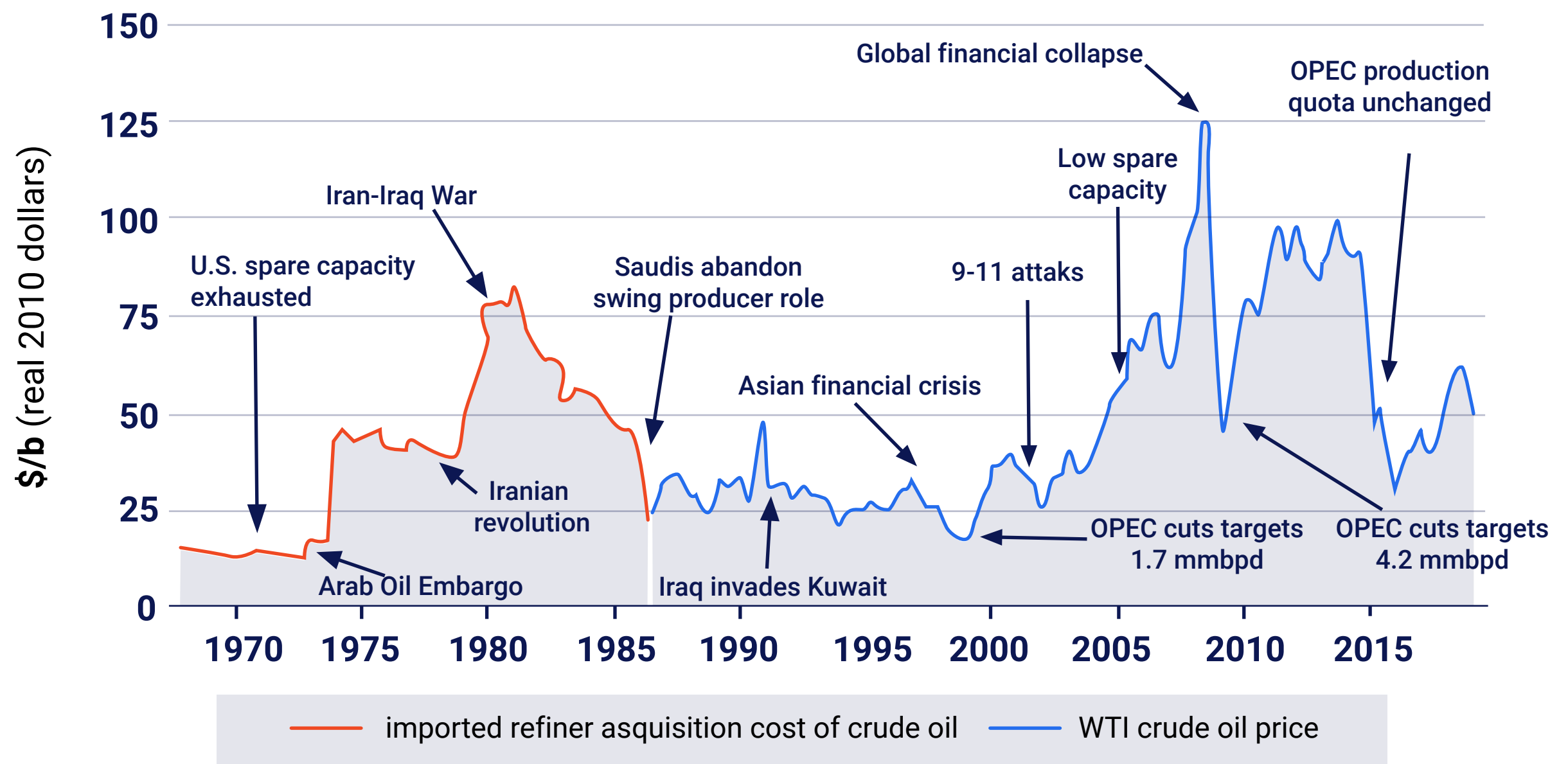
**Brent and WTI** are the two major oil benchmarks you can trade. Both assets tend to move in the same direction, but the actual price levels differ because these oil blends are produced in different regions of the world.

The direction of the oil market depends on supply and demand.

■ **Supply** refers to the amount of oil produced in the world: if the output rises, oil becomes cheaper. On the other hand, if production declines (for example, if producers decide to limit it or if some oil facilities get out of order), oil supply becomes limited and the price goes up.

■ **Demand** for oil is high when the key economies of the world show strong growth. Oil is gaining in price during such periods. In times of financial and economic crises, on the contrary, oil buyers experience difficulties and reduce purchases. Lower demand makes sellers cut prices for the commodity.

## WHAT AFFECTS OIL PRICES?



Sources: U.S. Energy Information Administration, Thomson Reuters

To predict market moves, you need to check [news](#) and [economic calendar](#).

# Gold

In MetaTrader, gold is marked as **XAU/USD**.

Gold is a traditional safe investment: empires rise and fall, new financial instruments come and go, but the precious metal is always here.

**When people want to preserve money, they buy gold.** This rule has direct consequences for short-term trading:

- In times of global uncertainties, gold price moves **up**.
- When traders are willing to risk, gold price moves **down**.

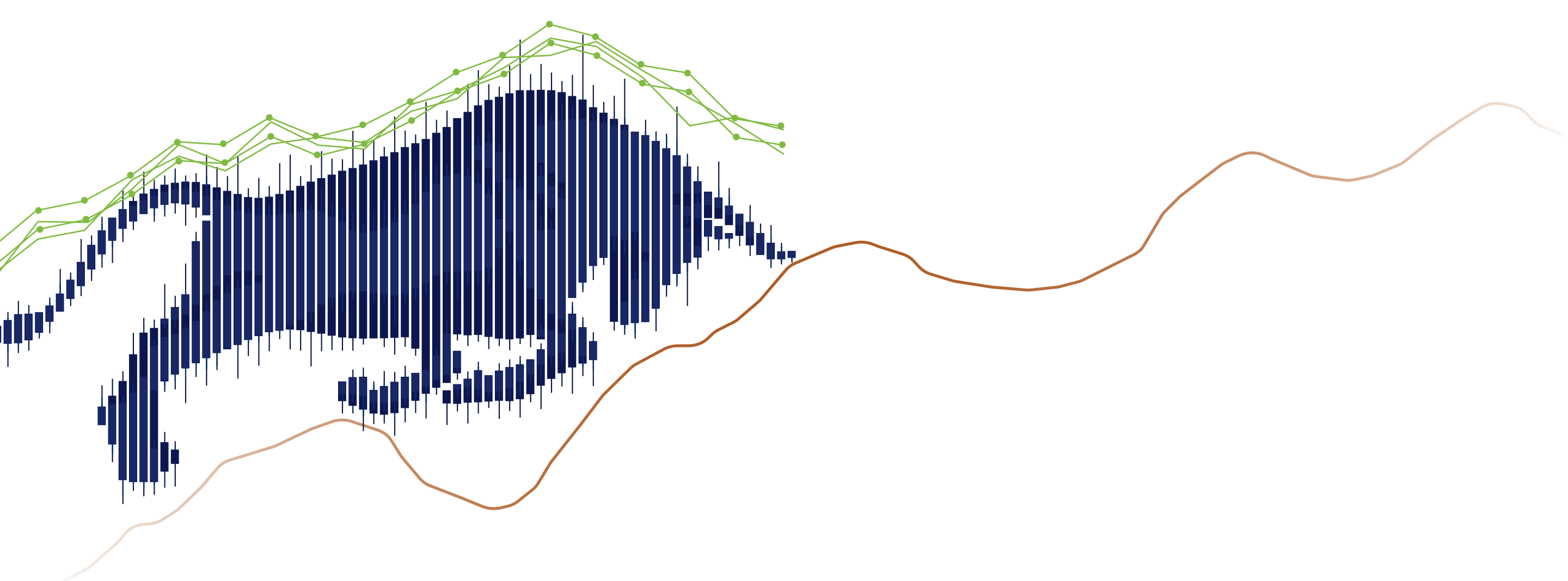
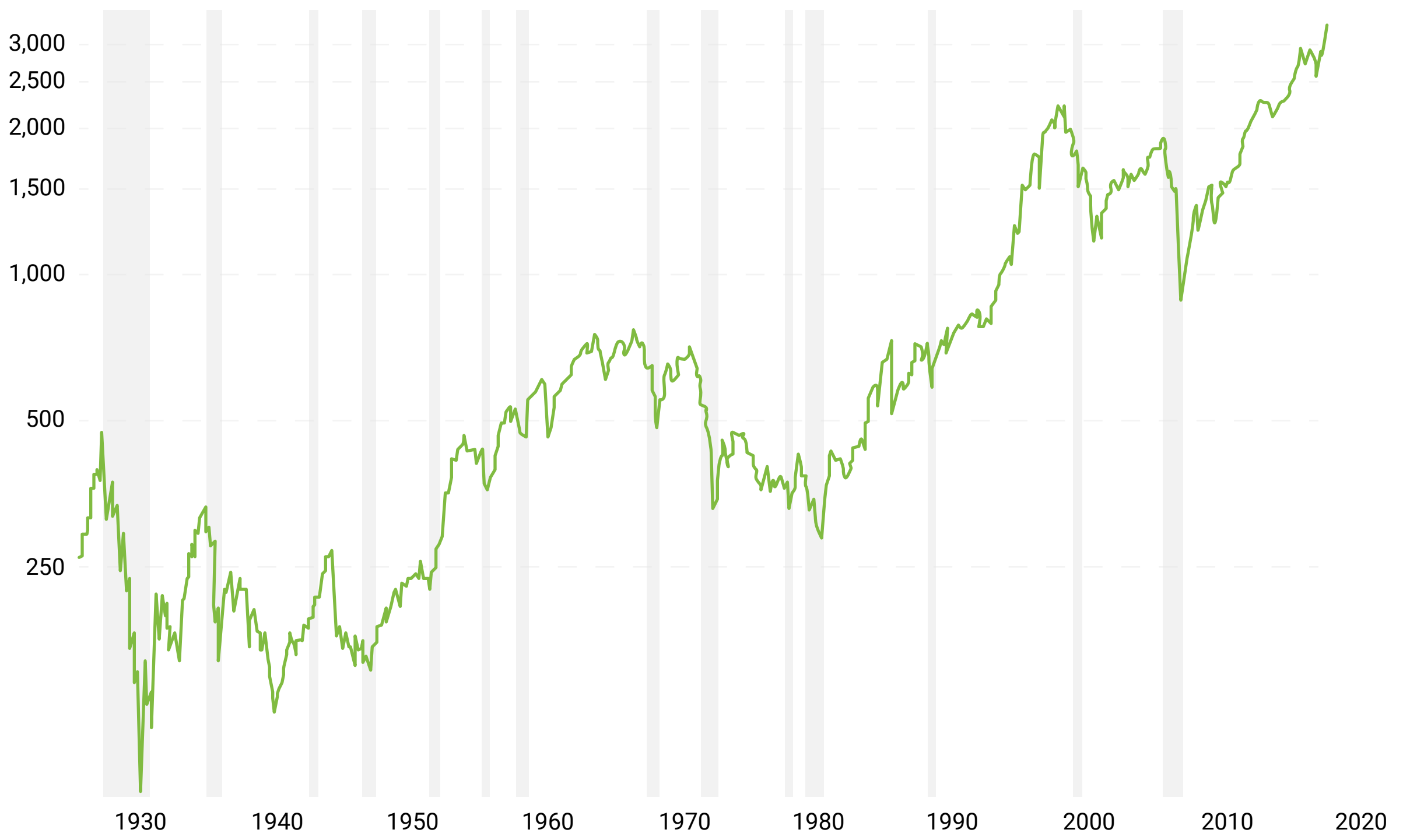
To catch market sentiment, you need to check the news.

# Equity indexes

**An equity index** or a stock market index is used to describe the performance of the stock market, or a specific portion of it. For example, the S&P 500 shows how the stocks of large US companies are performing as a whole. NASDAQ contains the information about the large technology companies.

The better the business conditions in a country (low interest rates, economic and political stability, etc.), the higher the stock indexes will rise. If you look at the long-term charts, American stocks have always been trending upwards and it looks like there's no ceiling!

### S&P 500



# When to trade



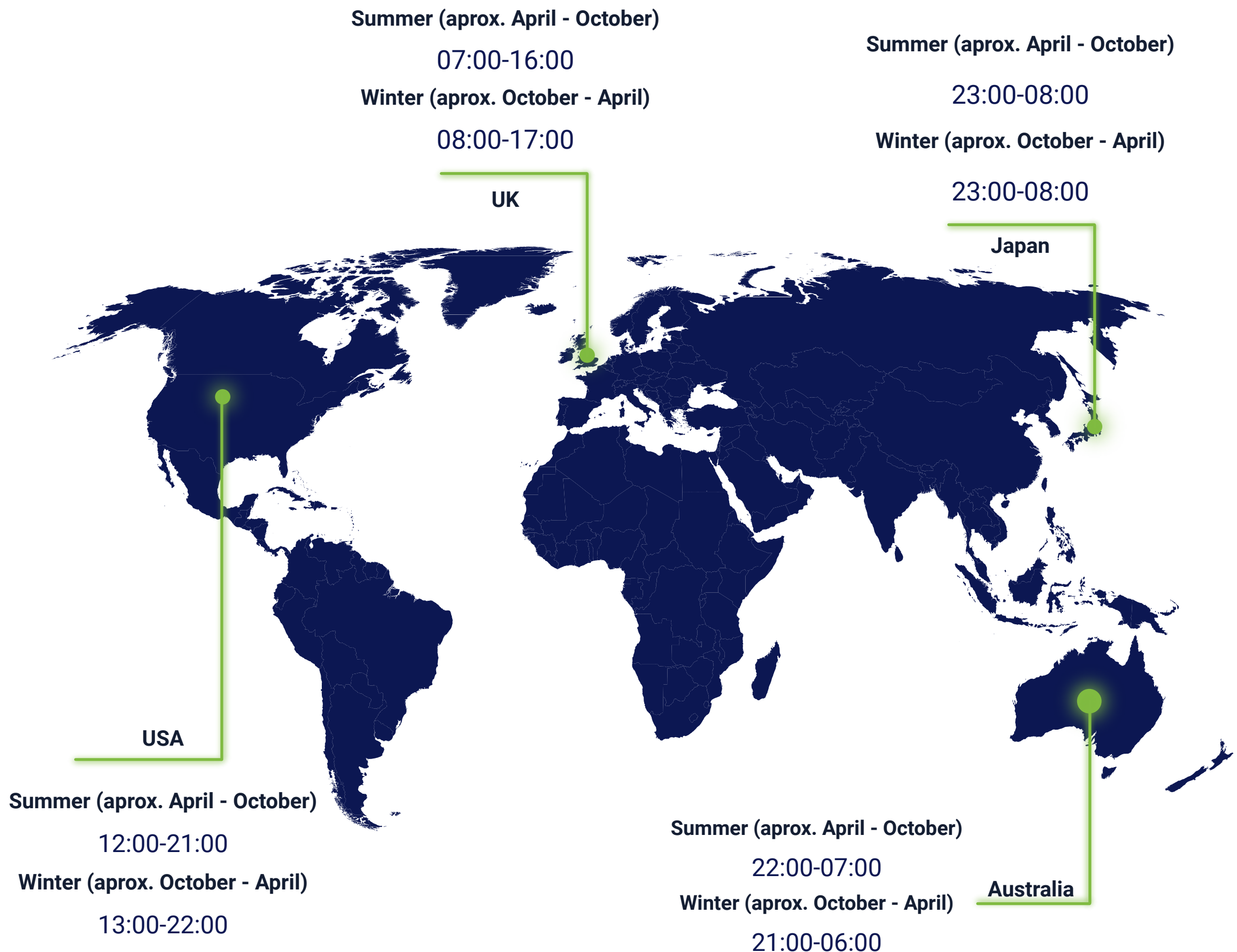
The FX market is open 24 hours a day, 5 days a week. Although currencies are traded non-stop around-the-clock, market players distinguish trading sessions according to the time the markets are open in a particular region of the world.

It's generally assumed that there are four trading sessions:

- Australian
- Asian
- European
- American

FX day begins in Australia and New Zealand, spreads to Asia, continues in Europe, and, finally, arrives in the United States and Canada. Usually, trading volume is higher at the intersection of these sessions.

Keep track of trading sessions as currency trading becomes more dynamic during these periods.



# How to get started



It's easy to start trading with FBS. You will need just two things: a personal area and a trading platform.

## FBS Mobile Personal Area

Access all your complex personal data involved in trading and manage funds from any place around the globe. Follow these simple steps:



*You can also register at FBS website.*

- Download the app.
- Register an account. Choose an account type that suits you best. The system will provide you with an account number and password. You will need to enter this information to the trading software to start trading.
- Check your email. There will be a registration letter. Follow the link in this letter to confirm your email address and complete the registration. To become able to withdraw money from your account, verify your profile.

## Trading platforms

A trading software will give you access to the live quotes of the world's most wanted trading instruments. FBS gives you several superb options.

### MetaTrader



MetaTrader is the most popular platform for trading. If you want to use 50 indicators and tools to analyze charts and get help of expert advisors (EA), this should be your choice.

- **MetaTrader 4** will suit beginners who want to focus on the Forex market.
- **MetaTrader 5** is just right for in-depth analysis and trading a wider range of assets, for example, stocks.

### FBS Trader



FBS Trader is a customized all-in-one trading platform app. It combines such features as:

- Smart interface allows you to edit your order and account settings in a few clicks.
- Instant deposits and withdrawals via over 100 payment systems.
- Professional support team answering your questions 24/7.

# How to trade



# Forex trading

Imagine that you think that the euro will rise versus the US dollar. You buy 100,000 EUR, paying 110,000 USD from your trading account (the currency of your account doesn't matter).

Your forecast was correct and the price of EUR/USD actually went up to 1.1050. As a result, when you close your trade by selling 100,000 EUR, you get 110,500 USD, earning 500 USD.



We have used the figure of 100,000 EUR in this example on purpose. There are specific position sizes you can have while trading in financial markets using the MetaTrader software. In the example above, the size of a trade is 1 lot.

**A lot is a unit in trading. 1 lot equals to 100,000 units of a base currency.**

It is possible to trade less than 1 lot. The smallest possible trade size is known as "micro lot" and equals 1,000 units of the base currency.

**Base currency/Quote currency**  
**EUR/USD**  
**1/1.1000**  
**1 Euro costs 1.10 US dollars**

**1 lot = 100,000 units of base currency**  
**1 mini lot = 10,000 units of base currency**  
**1 micro lot = 1,000 units of base currency**

You can set the leverage size when you open a trade account. Leverage increases your potential profit, but it also magnifies your loss if the market goes against you. For beginners, the leverage of 1:100 is usually recommended.

Still, even 1,000 EUR or 1,000 USD is a solid amount. Does it mean that you need that kind of money to open a trade? The answer is no, you can start trading with as much as 1 USD. How does that work?

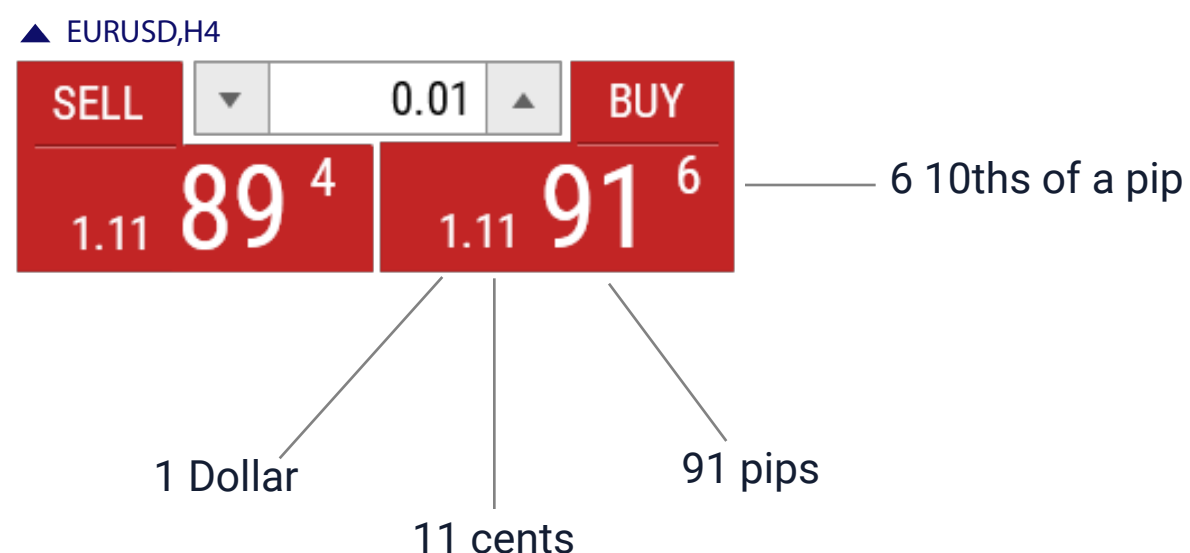
The answer lies in the so-called **“leverage”**. A broker provides you with more money than the balance of your account by letting you use leverage. If you have 1:100 leverage, a broker enables you to borrow 100 USD for each dollar in your account. In other words, if you have 1,000 USD on your account and have 1:100 leverage, you can enter trading positions with the values of up to 100,000 USD.

*An amount you need to have on your account to open leveraged trade is known as “margin”. In the example we just described, 1000 USD is the margin for a position of 100,000 USD.*

With 1,000 USD on your account, the profit of 500 USD would mean that you earned 50% of your account value in this trade.

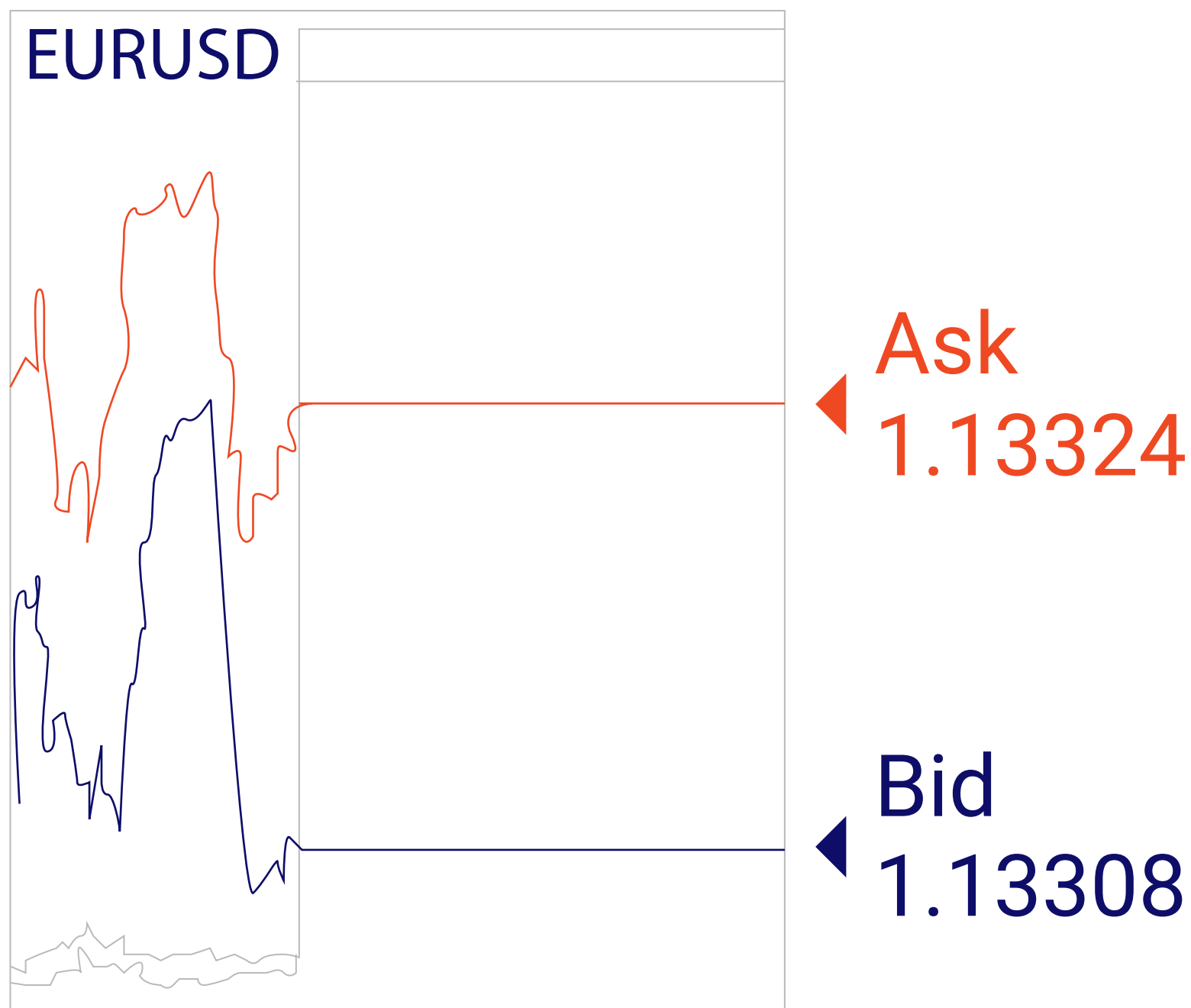
## How much will a trade cost?

A pip is the smallest change an exchange rate can make. For EUR/USD a pip is the fourth decimal place – 0.0001; for currency pairs including the Japanese yen like USD/JPY, it is the second decimal place (0.01).



At the picture above you can see that two quotes are given for EUR/USD. The lower price is the one at which you can sell the pair. It's called **“Bid”** price. This is the price you will see on the chart. The higher **“Ask”** price is the one at which you may buy the pair.

The difference between these two prices is called **“spread”**. Spread is a commission we pay to our broker for every transaction. It works just like in a bank exchanger: you sell at a lower price and buy at the higher one, so that a bank or a broker can get its spread income in return for granting you access to the market.



The more popular the currency pair, the smaller the spread. For example, spread for EUR/USD transaction is usually very small or, as traders say, tight. As spread is quoted in pips, a trader can easily calculate the cost of every trade by multiplying the spread in pips by the value of 1 pip.

**The value of 1 pip depends on your trade size in lots.**

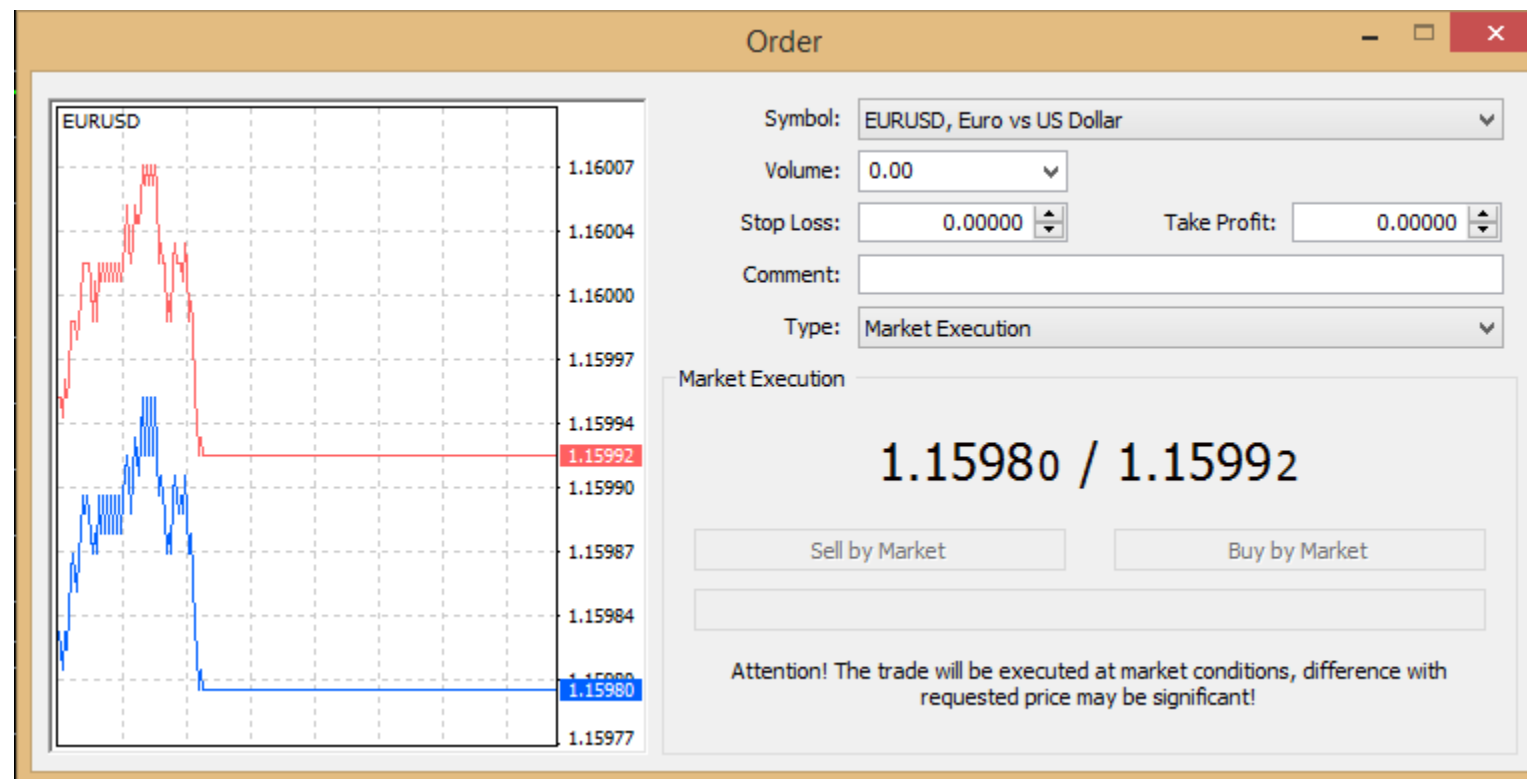
If you open a 1 lot trade in EUR/USD, 1 pip the price moves in your favor will bring you 0.0001 multiplied by 100,000 or 10 USD. The smaller the trade size in lots, the smaller profit you will get for 1 pip. Pip values are fixed if USD is listed second in a pair and you have an account funded with US dollars. For other cases, you will have to adjust the formula by adding the relevant currency quote.

**If you want to know how to decide what to do – buy or sell – keep reading this report, we'll explain everything shortly. If you know which currency pair or CFD you want to buy or sell, go to the trading terminal to open you trade. To do this, you need to place orders – give special commands to your broker in Meta Trader.**

# How to open a trading order

There are several ways to open a trading order. The simplest are to click on the “New Order” button on the toolbar or right-click on the chart and then go into “Trading” – “New order”.

After you click a “New Order” button, an order box will open. You will need to fill in the following fields.



The **symbol** is the financial instrument you will trade. Choose it from the drop-down list.

The next parameter is **volume**. To put it simply, this is the size of your trade.

Now it's time to set the **Stop Loss** and **Take Profit**. These fields are blank by default. You can enter this information right away, fill it in later or choose not set these levels at all.

**Stop loss (SL)** is one of the key risk management tools. If you specify a SL, you limit the amount of money you lose if a trade goes badly. For example, you enter a stop order 20 pips away from your entry point. As soon as the market moved 20 pips against you, your stop order would automatically close your trade protecting you from losing more than 20 pips.

**Take profit (TP)** is your profit target. Clever traders make TP three times bigger than SL. This way one successful trade will sustain a trader through three bad trades which have the same risk/reward ratio.

The next important field is **Type**. There are two types of orders – market orders and pending orders. The main difference between these types is that market orders are automatically opened at the current market price, while pending orders can be set for a specific price in future.

*MetaTrader provides many features. To learn more, watch our [video lessons](#).*

# Buy or sell?



The decision to buy or sell depends on your expectations of the future price. When you trade currencies and CFDs, you can profit on both up and down movements in the market.



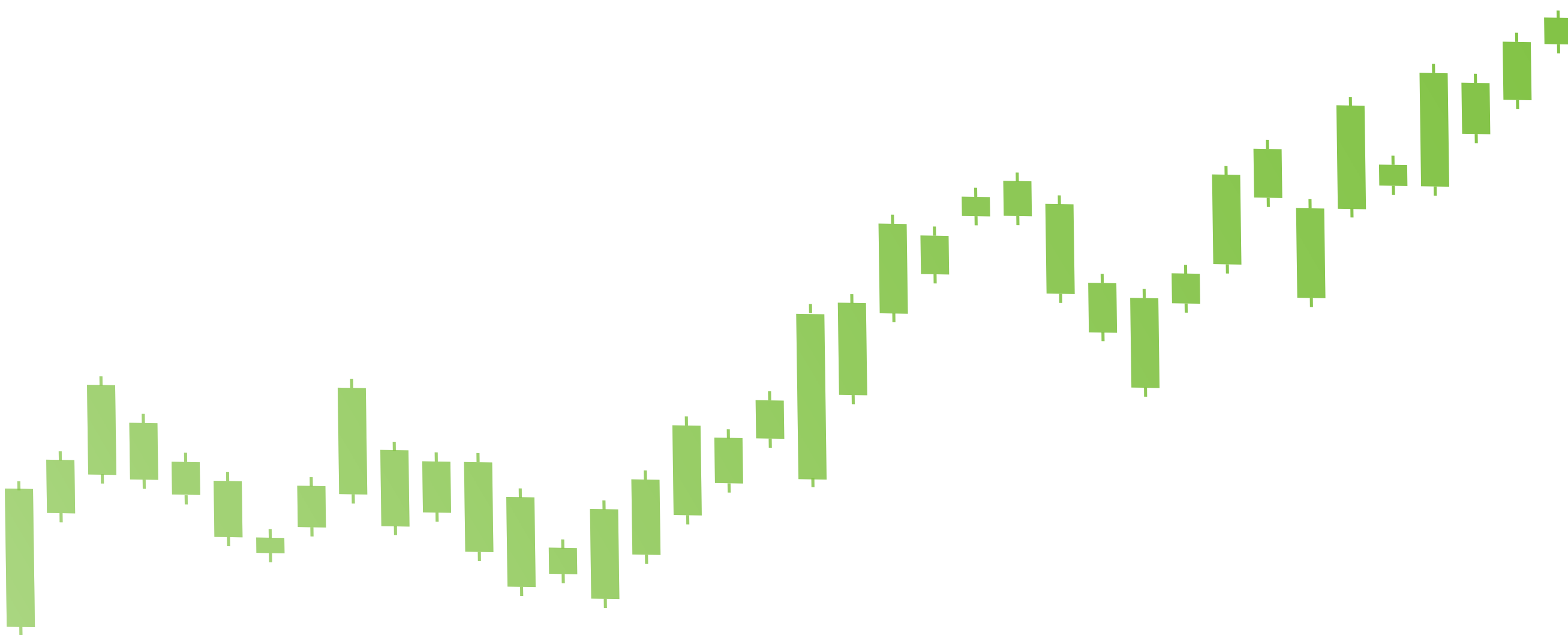
You think a currency pair will rise  
You open a **BUY** trade  
You take a **long** position

When you buy, you are **bullish**



You think a currency pair will fall  
You open a **SELL** trade  
You take a **short** position

When you sell, you are **bearish**



# Fundamental trading



By following the key economic indicators of a country, it's possible to predict the dynamics of its interest rate and, hence, its currency's price.

Just like everything else, the prices of currencies and other financial assets are driven by supply and demand:

- If buyers exceed sellers, prices go up.
- If sellers outnumber buyers, prices go down.

Supply of a currency is determined by the country's monetary regulator, or, in other words, central bank. Central banks set key interest rates for their economies.

If a country's GDP (Gross Domestic Product) is growing and so are inflation and employment, its central bank raises the interest rate. Higher rate, in turn, attracts foreign investors who buy the country's currency. As a result, this currency strengthens versus other currencies.

When traders estimate economic performance of various countries, it's said that they are doing **fundamental analysis**.

# Trading on scheduled events

Market participants trade on the basis of their information and expectations. Anything that makes an economy look stronger points at taking long positions, while weaknesses point at taking short positions. You can find the upcoming economic releases in the [economic calendar](#).

Time	Impact	Currency	Event	Previous	Forecast	Actual
Jan 10, 2020						
16:30	●●●	🇺🇸 USD	Non Farm Payrolls	266K	164K	

Events that move a given currency lead to intra-day moves. This allows traders to open and close trades on the same day.

▲ If the indicator comes out better than the forecast, then, all things equal, the currency should appreciate.

▼ On the other hand, if an indicator disappoints, the currency will likely go down.

If traders expect price movement to last longer, they hold trading positions for longer. Most brokers perform the rollover automatically by closing open positions at the end of the day, while simultaneously opening an identical position for the following business day. During this rollover, a swap is calculated.

A swap is an interest fee that will be either added to your account or charged from it if you keep your trade open overnight. It depends on a currency pair you choose to trade. So, check FBS website if you plan longer-term trades.

If one currency has a low interest rate and the other a high interest rate, you can participate in carry trading by buying the currency with the high interest rate and selling the currency with the low interest rate. While you pay the low interest on the currency you borrowed to sell, you receive the high interest on the currency you bought.

## Trading on unexpected news

Apart from the scheduled events that can be seen in advance in the calendar, there are unpredictable factors that can also cause great moves in currencies, commodities, and stocks. Such unexpected news may include surprising results of elections or referendums, political statements of national leaders, public engagements of central bank governors, as well as earthquakes and other natural disasters.

▼ XAUUSD, Daily 1552.09 1556.69 1549.09 1554.62



Brexit caused a plunge of the GBP not only on the day of the referendum but during the last three years.



As you can see, events of this kind can provide profit opportunities. That's why you should always be up-to-date with [FBS](#).

# Technical trading

Besides fundamental factors, you can use the previous price action to foresee the future. The idea is that all available information – economic, political, and psychological – is reflected in the movements of the price. As a result, traders analyze charts to decide when to enter and exit trades. Chart analysis is also referred to as *technical analysis*.

# Trends

A trend is the general direction of the price of an asset for a period of time.

- **Uptrend** (bullish trend) consists of a series of higher highs and higher lows (prices are moving up).
- **Downtrend** (bearish trend) is classified as a series of lower lows and lower highs (prices are moving down).
- **Sideways** (flat, horizontal) trend – there is no well-defined trend in either direction.

Notice that even during an uptrend the price doesn't go up all the time. There are the so-called **corrections** – pullbacks caused by the fact that traders and investors take pauses to readjust their positions.

One of the key technical strategies is trend trading. When you trade in line with trends, you open BUY trades in an uptrend and SELL trades in a downtrend. A popular saying “A trend is your friend” means that trading in the direction of a trend increases your chances for success.

Another key idea of technical trading is that history repeats itself. In other words, patterns that occurred in the past will once again appear in the future triggering similar price moves. Hence, by studying these patterns, it's possible to learn to predict market dynamics.

For example, if the price repeatedly reaches a particular level but doesn't rise above or fall below it, it is said to have found resistance or support.

*Resistance is the level where the rising price tends to reverse down.*

*Support is the level where the falling price tends to reverse up.*

*Trendline is a diagonal line that can be drawn between the two or more price pivot points.*

It's a common approach to:

- 1) open BUY trades at support, take profit at resistance.
- 2) open SELL trades at resistance, take profit at support.



If we combine this with the previous recommendations about trend trading, we will get the following recommendation: “Buy at support during an uptrend or sell at resistance in a downtrend”. Experienced traders open positions both in the direction of a trend and on corrections. For beginners, trend trading is preferable.



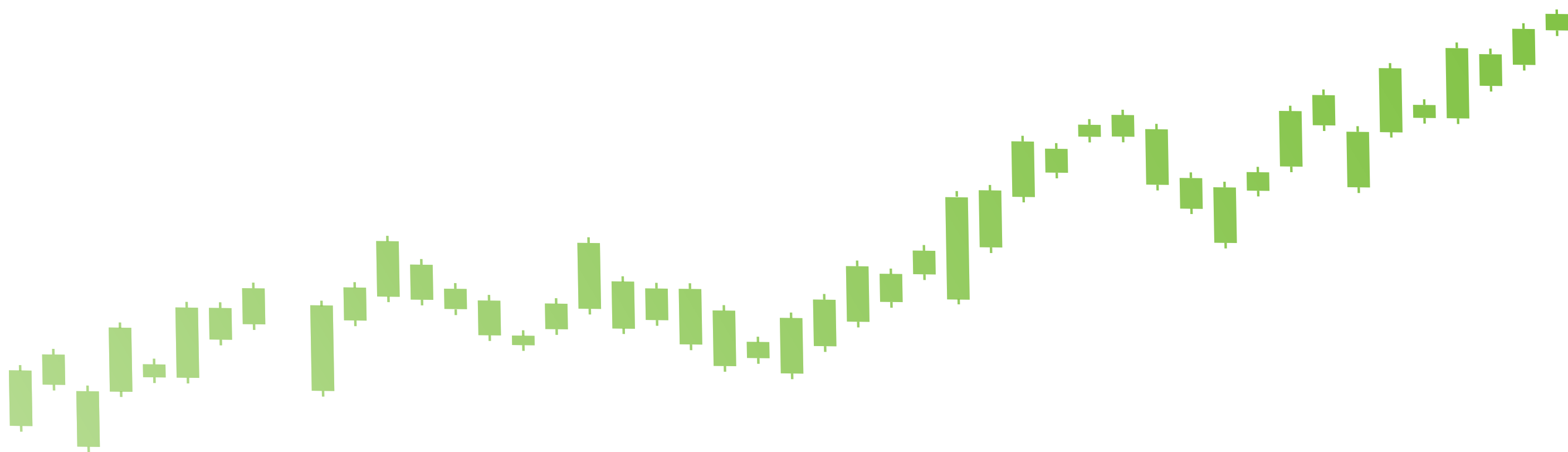
Once a resistance/support is broken, the price may continue moving in the direction of a breakout.

Apart from support and resistance, there are specific patterns that can help you make good trade decisions. For example, the “Head and Shoulders” pattern consists of a head (the second and the highest peak), two shoulders (lower peaks) and a neckline, which connects the lowest points of the two troughs and represents a support level.

The pattern is confirmed when the price breaks below the neckline after forming the second shoulder. Once it happens, the currency pair should start a downtrend.

A sell order is put below the neckline. To get the target, measure the distance between the highest point of the head and the neckline. This distance is approximately how far the price will move down after it breaks the neckline.

A good thing is that you don’t have to make complicated calculations in your analysis. There are technical indicators, which will do this job for you. There are plenty of indicators that you can explore in our [guidebook](#).





How much  
money  
will you  
need

All beginner traders wonder how much money they should spend on trading. Let's see.

You can practice trading without investing a single dollar.

To do that, open a **demo account** in your personal area.

The minimum trade size is 0.01 lots. If you buy 0.01 lots of EUR/USD and your leverage is 1:1000, you will need \$1 as a margin for the trade. If you deposited \$5 on a micro account, you deposit will cover this margin and you will be able to open another four trades of this size. Each pip of price movement will either bring you or cost you \$0.1.

Let's consider some options for a beginner trader. The examples we bring here are safe and sound from the point of risk management.

Deposit	Risk %	Risk \$	Trade volume	Stop Loss	Take Profit	Profit
\$100	3%	\$3	0.01	30 pips	90 pips	\$9
\$500	3%	\$15	0.1	15 pips	45 pips	\$45
\$1000	3%	\$30	0.1	30 pips	90 pips	\$90

If you decide to take the risk of 10% (\$100), you will be able to trade 1 lot. In this case, each pip of profit will bring you \$10 and a 30-pip gain will account for \$300. Notice though that it's usually recommended not to risk more than 5% of your account in one trade. This way you will make sure that even if this trade fails, you will be in no danger of running out of money.

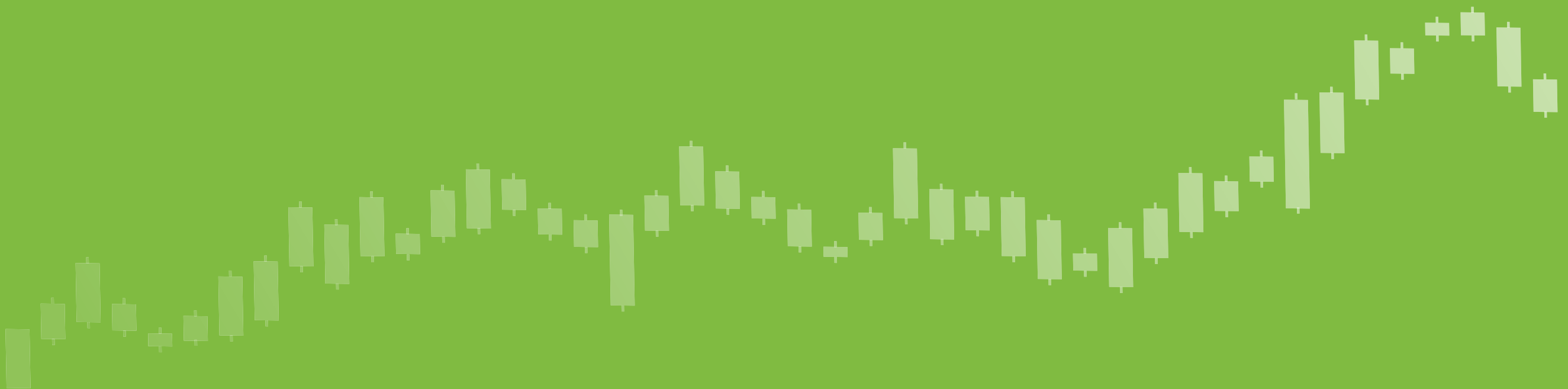
*As you see, you need at least \$5 to start trading. On cent account the starting sum is even lower – \$1. The rest is up to you!*

Make an estimate of your knowledge and experience and also think about your goals. How much money would you like to earn? How often will you trade? The bigger the deposit, the bigger position sizes, the more you will earn from one trade.

All of that should be weighed against the background of risks. Please make sure that you spend only your spare money on trading and not the money that covers your basic life needs.

You only had a glimpse of what trading is about. There's a lot of excitement ahead and we hope that you will decide to make this journey with FBS. On our part, we will do everything in our power to help you become a successful trader!

# FBS features



FBS helped millions of people enter and succeed on Forex. In the beginning, trading might feel a little hectic, but it gets clear after a while. To help new traders get started, the company created a whole lot of useful tools:



### **FBS Trader**

An all-in-one trading platform app to access markets world-wide – anytime, anywhere, from any iOS or Android device.

### **FBS Mobile Personal trade**

A smart app with essential trading information to access your personal area from anywhere.

[Forex Video Lessons](#)

[Daily Market Analysis](#)

[Educational Webinars](#)

*Disclaimer: Forex trading is very risky. Forex should be traded with only risk capital - the money you truly can afford to lose. At the same time, there is no need to be afraid of the risk. As a trader, you have to take reasonable risk, which is exceeded by potential reward, and try to decrease your risks.*

**Learn and  
grow  
with FBS**