



# TRADING THE MAJORS

## Insights & Strategies

A useful guide to trading the major currency pairs

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# INTRODUCTION

Forex is perhaps the **most liquid market in the world**, with trillions of dollars in currencies being bought and sold on a daily basis. The Forex market can be overwhelming for a novice trader due its vast size and complex nature - therefore, this e-Book attempts to disentangle all the complexities of Forex trading by revealing **how currency markets work** and shedding light on the **most popular currency pairs** and the **trading strategies** successful traders employ to trade currencies.

Above all else, this eBook will give you a solid foundation to trade wisely in order to begin a successful trading career.

We hope you enjoy reading this guide and get all the necessary information you need to trade currencies effectively.

The Tickmill Research Team

*Tickmill*



## FOREX TRADING BASICS

Discover the fundamentals of currency trading and get a good understanding of how the Forex market works, what drives currency prices and reasons why Forex trading is popular globally.

# WHAT IS FOREX TRADING

## AND HOW IT WORKS

Forex (FX), also known as foreign exchange, is **the world's largest and most liquid financial market** where currencies are bought and sold.

If you have travelled abroad, you may have made a physical foreign exchange trade by buying the currency of the country that you are visiting. For example, you might have sold euros to buy pounds for a trip to the UK. The difference with online forex market is that you don't buy or sell physical currencies. You buy or sell the movement in currencies with the aim to **profit from the appreciation or depreciation of one currency over the other**.



When you to decide to buy or sell, you **speculate on the future price of the currencies**. Take for example the EUR/USD pair. The euro is the **base currency**, that is the currency you choose to buy and the dollar serves as the **counter currency** which you choose to sell. Let's assume that due to market fluctuation, the value of the euro increases over the dollar. You then decide to close the deal and sell the euro. The difference increase in the euro rate means a profit for your deal.

The **value of a currency** on the Forex market is **determined by demand**. How much demand there is for Polish Zloty, Swiss Franc, or Japanese Yen will either increase or decrease its worth in relation to other currencies.

# CURRENCY

## PAIRS

In Forex trading you mainly trade currencies, which are always **traded in pairs**. The currency pairs are categorised as follows: **majors, crosses, minors and exotics**. The majors usually involve the US dollar and are deemed to be the most liquid, with **EURUSD** being the **most highly traded currency pair**.

EURUSD	Euro/U.S. dollar	"Fiber"
GBPUSD	British pound/U.S. dollar	"Cable"
USDJPY	U.S. dollar/Japanese yen	"Ninja"
USDCHF	U.S. dollar/Swiss franc	"Swissie"
USDCAD	U.S. dollar/Canadian dollar	"Loonie"
AUDUSD	Australian dollar/US dollar	"Aussie"
NZDUSD	New Zealand dollar/US dollar	"Kiwi"



Over 85% of all daily transactions involve trading of the major currencies, which include the US Dollar, Japanese Yen, Euro, British Pound, Swiss Franc, Canadian Dollar and the Australian Dollar.

At Tickmill there are dozens of [currency pairs](#) available for trading besides other popular instruments, including CFDs on indices, commodities (including precious metals), bonds and cryptocurrencies.

Each currency pair is listed with an exchange rate which consists of an “ask” price and a “bid” price. The **ask price** is the rate at which the broker wishes to sell a given currency pair and the **bid price** is the amount that the broker is willing to pay to buy the currency pair. The difference between the ask price and the bid price is called the **spread**. The lower the spread, the more money you save from each trade.



Tickmill offers spreads from as low as 0.0 pips

## FACTORS AFFECTING THE FOREX MARKET

Currency prices are determined by a variety of economic and political conditions, including **changes in interest rates, inflation and political stability**. Also, the extent to which a country’s **Central Bank** intervenes in local economy to control money supply may cause significant fluctuations in currency prices. **Market sentiment and judgement**, that is how traders perceive the strength of a particular currency can also be a market moving factor. Last but not least, the **release of news** can have direct implications on the economic stability of a market.

# KEY CHARACTERISTICS OF THE FOREX MARKET



## DECENTRALISED

A unique characteristic of this global market is that there is no central marketplace for foreign exchange. All transactions are conducted electronically via computer networks between traders all over the world.



## OPERATES 24/5

The Forex market is **available 24/5**, meaning that it **opens on Sunday 21:00 GMT** and **closes on Friday 21:00 GMT**. The main forex trading hubs are New York, London, Hong Kong, Singapore, Tokyo and Sydney.

The Forex market is broken up into four major trading sessions: **The Sydney session, the Tokyo session, the London session and the New York session**. So, for instance, when the trading day ends in the U.S., a new trading session starts in Australia. Therefore, the Forex market is overly dynamic and price quotes are constantly changing.



## MARKET PARTICIPANTS

Forex market participants include **banks** (both large and medium-sized banks), **Central Banks, institutional investors, retail investors**, corporations, governments, currency speculators.



## LIQUIDITY

**The higher the volumes traded globally, the higher the liquidity.** From a trader's perspective, liquidity is important because it determines how smooth price can change over a certain time period.



## LEVERAGE

Traders use leverage as a means to 'borrow' money and **maximise their investment**. While leverage can be advantageous in increasing profits, it can also **increase losses** and therefore it should be used with caution.



## EASY ACCESS

Getting into Forex trading is **easy, convenient, and relatively affordable**.



At Tickmill you can start trading with a deposit as low as \$100.

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## TYPES OF FX MARKETS

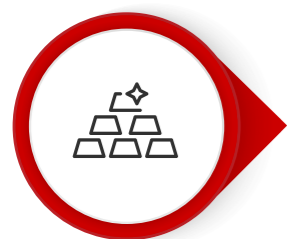
Foreign exchange markets are usually classified based on the period of transaction carried out: the **spot** market, the **forward** market and the **futures** market.

The spot market is where currencies are bought and sold at the current price (spot rate) which is determined by supply and demand and reflects various things like the economic situation in global economies, current interest rates, socio-political conditions and perceptions of the future performance of one currency over the other.

On the other hand, forward and future markets deal with contracts that represent claims to a certain currency type, a specific price per unit and a future date for settlement.



## BRIEF HISTORY OF FOREX TRADING



### GOLD STANDARD

Forex trading dates back to the 19th century when the Gold standard monetary system was introduced. According to this system, the exchange rate of all currencies was measured against gold.



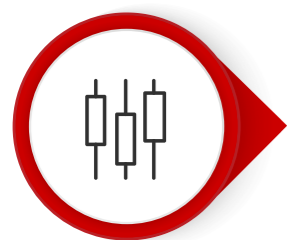
### BRETTON WOODS

After WWII, the Bretton Woods agreement was established and the US dollar was set as a primary reserve currency.



### JAMAICA AGREEMENT

Following the collapse of the Bretton Woods system, a free-floating system was introduced during the Jamaica agreement of 1976, where exchange rates would be determined by supply and demand.



### MODERN FX TRADING

With the advent of the internet and modern technologies in the 90's, banks began to create their own trading platforms with live price streaming, allowing traders all around the world to instantly execute trades. In the last few decades foreign exchange has developed into the world's largest and most dynamic market.

## WHY TRADE FOREX?

Many traders choose to trade the Forex market over other types of markets for different reasons which are explained below.



### VOLATILITY

Traders tend to favour volatile markets as they are able to capitalise on many profit-making opportunities that arise from price fluctuations. **Volatility** is often the focal point of strategies used by traders of any stripe – both short-term and long-term investors. Day traders work with movements that occur second-to-second or minute-to-minute while more conservative traders may wait until an instrument's price increases substantially and benefit from the returns generated in the long run. If there is no price change, there is no profit. Although volatility in the Forex market is great, you should constantly monitor it and adjust your strategy accordingly.



### OPPORTUNITIES

Thanks to the **leverage**, you can trade much bigger amounts than your deposit. So, if the market moves in your favour, your profit will be multiplied X times the amount of leverage that you are using. One should carefully note that while your potential profit can be many times bigger than your deposit, so can your potential loss. Therefore, prudent use of financial leverage is necessary to reduce the overall risk of your portfolio.



### REGULATION

Forex trading is heavily controlled to ensure **investor protection** and maintain the integrity of the financial markets. Many Forex brokers have established business in multiple jurisdictions and are **regulated by more than one authority**. Some of these authorities offer investor compensation schemes to eligible clients in the event of default by the investment firm they deal with.

04

## THE RISK CAN BE MANAGEABLE

It is widely accepted that Forex trading entails a risk of loss. Nevertheless, there are mechanisms traders can use to control or minimise the risk when the market moves against you. One of these tools is the **stop loss order** which exits your trade if a certain price level is reached. At Tickmill we offer the stop loss functionality on our platforms.

05

## EDUCATIONAL RESOURCES

Forex is known to be one of the most easily accessible markets, hence many aspirant traders jump in to open an account (usually a demo account) while consulting several [educational materials](#) including webinars, eBooks, videos, blog articles, that their broker provides them with to enhance their knowledge.

06

## PROMOTIONS

To make **Forex trading more enticing and rewarding**, many Forex brokers periodically run **live or demo trading contests** that usually give away cash prizes to the best performing contestants. See which [promotions](#) are available for you by Tickmill.

07

## TECHNOLOGY

Forex brokers continuously strive to stay up-to-date with **technological advancements** in the industry, providing their clients with high end trading software and tools to trade the markets with ease, convenience and efficiency. **Forex technologies** are constantly evolving. Nowadays, the modern trader can use **trading robots** which can execute trades automatically or even copy the trades of another trader into their own account without needing to actually trade or to closely monitor the price movements.

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## CURRENCY TRADING IN ACTION

Now that you have gained a solid understanding of how the Forex market works, let's move into the specifics of currency trading and get acquainted with key concepts and practices.

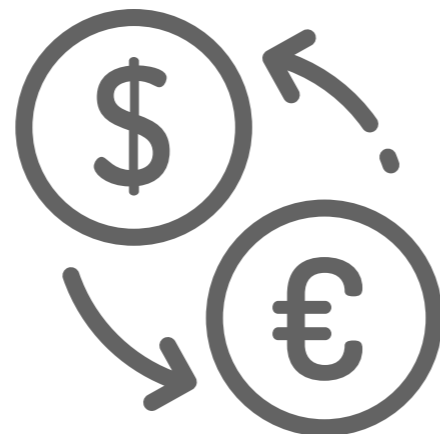


## LONG AND SHORT POSITIONS

In every Forex transaction, the trader is able to go long in one position while at the same time going short in another. To go long on a currency, means that you buy it, in expectation of a rise in the market price. On the contrary, going short on a currency, means that you sell it, assuming that the price will fall.

### Example:

Going long on EUR/USD, means that you would buy the euro and sell the U.S. dollar.



## TYPES OF FOREX ORDERS

An order is simply the way a trader enters or exits the Forex market. There are plenty of order types used by traders every day, yet it is important to choose the appropriate order type according to how you are going to trade, that is how you intend to enter and exit the market.

### 01

#### MARKET ORDER

A market order is an order placed to buy or sell an asset at the current available price. It is used when traders want to place an order straight away based on the price of the currency.

### 02

#### LIMIT ORDER

A limit order is an order to buy or sell, only when certain conditions are met. For example, you may set an order that is executed automatically when a particular price level is reached.

### 03

#### STOP ORDER

An order that converts into a market order when a particular price level is reached and broken. A stop order is placed below (sell stop order) or above (buy stop order) the current market value of that currency.

### 04

#### TAKE-PROFIT ORDER

Take-profit orders are used to lock-in profits at a predetermined threshold. In other words, it is an order to close a position or trade when a certain price reaches a specified price level in profit.

### 05

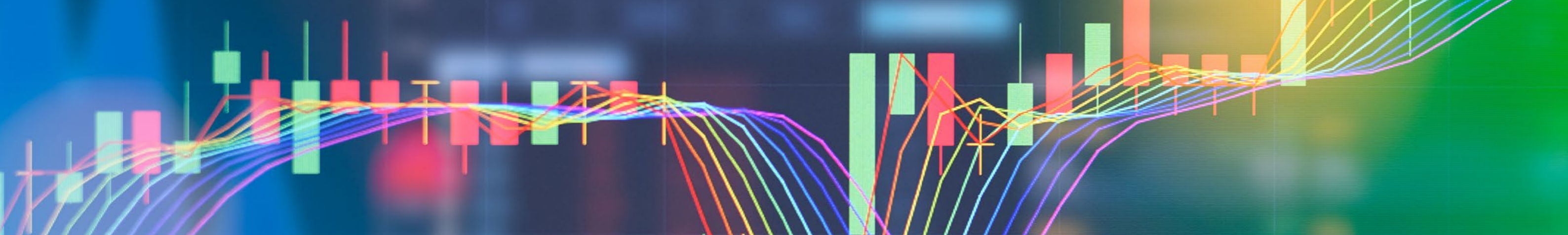
#### STOP-LOSS ORDER

A stop-loss order is a defensive mechanism used to restrict losses. It automatically closes an open position when the price of an instrument reaches a predetermined level.

### 06

#### TRAILING STOP

A trailing stop order is a stop order that can be set at a certain distance from the market price which is expressed in points.



# LOTS

When it comes to actual trade orders, currencies are traded in specific amounts called **lots**. These come in a variety of sizes including: **Standard, Mini, Micro and Nano** – each of these comprise of different amounts of currency units.

Lot	Units
Standard	100,000
Mini	10,000
Micro	1,000
Nano	100

# MARGIN

Margin is a pivotal concept of Forex trading which is often misunderstood or neglected by traders. A margin is a portion of your account equity set aside and assigned as a good faith deposit to hold open a position. It is often expressed as a percentage of the full amount of the chosen position.

In the case of a trade using leverage 100:1, the account margin required would be a minimum of one percent (1%). So, if you choose to execute an order for a standard lot (\$100,000) at 100:1, then you would be required to have a minimum of \$1,000 as a margin in order to proceed.

# PIPS

The change in value between two currencies as they move either up or down is quoted in **pips**. For example, where the value of the AUDUSD moves from 1.6525 to 1.6526, then the incremental movement represents one pip. The measured value of a currency will be usually represented to four decimal places and it is the movement of this fourth decimal digit that is equal to one pip. However, the currency pairs that involve the Japanese Yen are often quoted to two decimal places.

USDCAD 1.5696

pip



Use our [Forex calculators](#), including the currency converter, the margin and pip calculators to accurately manage your risks.



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## TRADING THE MAJOR CURRENCY PAIRS

There are several pros and cons related to all currency pairs, however, the major currency pairs have solid advantages over other types of currencies which is largely owed to their popularity.

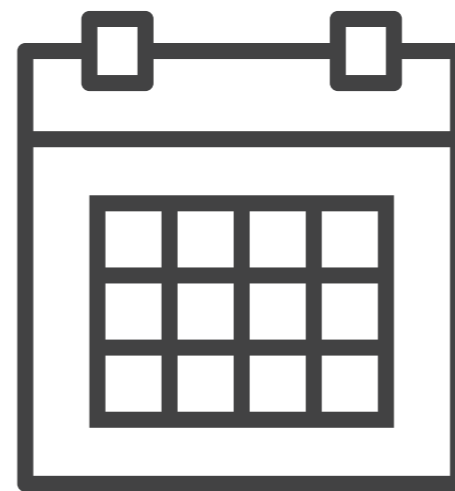
**Let's explore the four most popular currency pairs and their key characteristics.**



## EUR/USD

EUR/USD, also known as '**Fiber**', is apparently the most traded currency pair globally, as it involves the world's first and second strongest economies, the United States and the European Union. It is also the youngest of all majors, with the euro being in circulation since 2002.

**Major movers:** The **Federal Reserve** and the **European Central Bank (ECB)**, and in particular the interest rates that the two bodies set are deemed to be the most influential market movers. If for example, the Fed increases interest rates, it will strengthen the US dollar and result in a drop of the EUR/USD price.



### **Economic Events/Releases to follow:**

- **ECB Interest Rate Decision**
- **European PMIs:** The Services, Construction, and Manufacturing PMIs are good indicators of the overall direction of the economy.
- **European Consumer Price Indices (CPI)**
- **U.S. economic data** also affects the EUR/USD rate. These include employment data such as the Non-Farm Payrolls, Consumer Price Indices, retail sales growth, interest rate announcements, and PMI numbers.

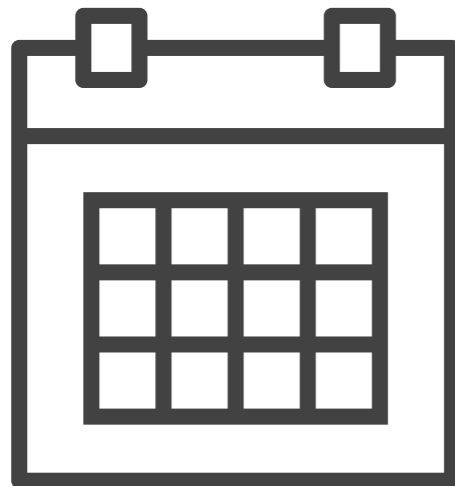
**Pros:** The euro dollar is the most tradeable currency pair, which ensures that it is always highly liquid – this in turn provides traders with more competitive spreads and plenty of opportunities to buy or sell.



## GBP/USD

GBP/USD, also known as '**Cable**', is one of the oldest and most actively traded pairs in the world. The term stems from the transatlantic cables that were laid across the Atlantic to connect Great Britain with the United States, to transmit currency prices between the two economies.

**Major movers:** The policies of the Bank of England and the Federal Reserve tend to have a major impact on the performance of the currency pair.



### Economic Events/Releases to follow:

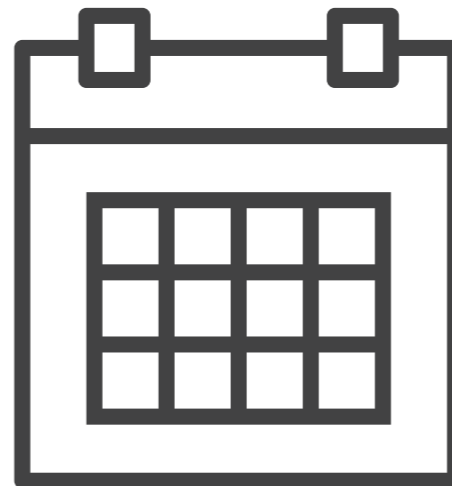
- **U.K. Consumer Price Index**
- **Gross Domestic Product (QoQ)**
- **The U.K. Claimant Count**
- **Various PMIs:** Services, manufacturing, and construction PMIs are also important economic indicators.
- **U.S. Economic Data:** Interest rate releases, retail sales reports, GDP reports, PMI and CPI data.

**Pros:** Thanks to the pound being the third most important reserve currency in the world (the U.S. dollar is the first), and the high popularity of GBP and USD, the GBP/USD currency pair is highly liquid. Much of GBP/USD's popularity is owed to the fact that the currencies are based on two of the oldest and robust economies in the world. Both the UK and the U.S. economies feature a relative amount of stability, due in large part to the sheer size that each represents to the overall global economy.

## USD/CHF

USD/CHF, also called '**Swissie**' is listed among the most commonly traded pairs in the global Forex market and its popularity is linked to the strong trade and investment ties between the U.S. and Switzerland.

**Major movers:** The policies and actions that the Swiss central bank and the Federal Reserve take seem to be the main drivers of the pair.



### Economic Events/Releases to follow:

- **Swiss Consumer Price Index**
- **The Swiss Purchasing Managers' Index (PMI)**
- **Foreign Currency Reserves**
- **KOF Economic Barometer**
- **U.S. Economic Data:** Employment data, retail sales, Federal Reserve announcements, along with CPI and PMI figures.

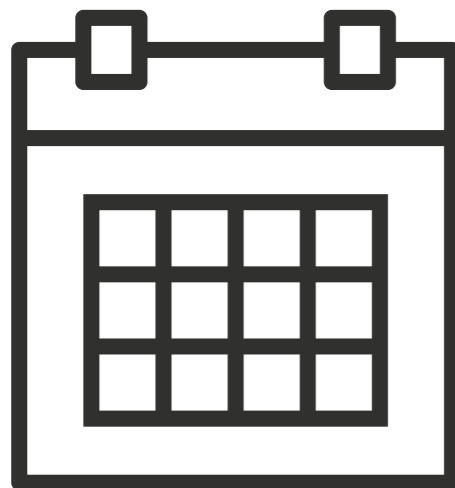
**Pros:** The Swiss franc is famous for its status as a safe haven investment, showing low levels of volatility. This makes it a highly sought-after currency especially in times of economic uncertainty and market turmoil. Switzerland has historically been a safe, stable and neutral economy which is largely attributed to the conservative management and stability of the local economy.



## USD/JPY

The U.S. dollar and Japanese yen pair is nicknamed as “**Ninja**” and has an average of 17% of daily trading volume. The USA and Japan are known as global financial superpowers featuring strong GDP growth rate and strong importing and exporting activity, which make USD/JPY an interesting pair to trade.

**Major movers:** Overall, money supply by each country’s central bank has a monumental effect upon the valuation of the pairing of USD/JPY.



### Economic Events/Releases to follow:

- **Tokyo Core Consumer Price Index** (the price of services and goods in Tokyo)
- **Japanese GDP** (a summary of the difference between exports and imports and other factors)
- **Trade Balance** (a monthly accounting of the difference in the value of exported and imported goods)
- **U.S. Economic data:** Jobless claims, interest rate announcements, CPI and PMI data.

**Pros:** The Bank of Japan often intervenes directly or indirectly in the foreign exchange market, creating trends and reversals which present favourable opportunities to traders.



04

## TRADING STRATEGIES

Forex traders employ a **variety of strategies** and approaches to identify **the best entry and exit points to buy and sell currencies** and ultimately achieve the best possible return.

This chapter delves into some of the **most popular strategies** for **trading currencies** and useful **approaches to analysing the markets**. By gaining a good understanding of the types of trading strategies, you will be able to make well informed decisions about which trading approach may be the best one for your portfolio.

# DAY TRADING

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Simply put, day trading is based on the principle of buying and selling a financial instrument within the same day, or even multiple times during the course of the day with a view to benefit from small price moves. This type of trading requires time, skill and discipline, as such, it is an ideal strategy for those who have the time to fully commit to the markets.

**Common day trading strategies include:**

## SCALPING

Scalping is **probably the shortest of all trading styles and is popular among day traders** who attempt to take advantage of **small moves in currency prices** to make multiple profits. Traders who implement this strategy may place anything from 10 to a couple of hundred trades in a single day.

Scalpers mostly use **technical analysis** to guide their trading decisions and **technical indicators** such as moving averages.

Scalping may appear easy at first sight, because an entire day's profit can be made within a few minutes, however, a scalper needs to be very disciplined and make decisions unhesitatingly as there is no room for mistakes.

## TREND TRADING

Trend trading represents a type of trading where traders **take positions** depending on the **direction of price movements**, either upward or downward. The idea of trend trading is to **take a long position (buy) when the trend is upwards** and **go short (sell) when the trend is downwards**.

Trend trading can be either a long-term or short-term strategy. Traders may keep their positions open for as long as the trend lasts, this can range from a single day or more. Therefore, this is not an exclusive strategy for day traders.

Identifying a trending market is not easy, yet there are several **key indicators** that can make it easier to **identify patterns of price direction**. These include, the **Moving Averages** which **show past performance of currencies over several time frames** (e.g. 200-day, 50-day, 20-day and 10-day), the **Relative Strength Index (RSI)**, a momentum oscillator that **measures the speed and change of price movements**, and the **Average Directional Index (ADX)**, that **determines the strength of a trend**.

# MEAN REVERSION

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Mean reversion trading, is an approach where **currency prices move back towards the historical mean**. The mean price is usually measured by using moving averages and applying it to the charts. Mean reversion traders look to capitalise on **abnormal activity**, such as extreme changes in a currency's price, assuming that it will revert to its previous state. This strategy can be applied to both instances of buying and selling.

# NEWS TRADING

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**Trading the news** is an integral component in many investors' strategies regardless of their investing horizon. While day traders may trade the news a couple of times during the day, other investors occasionally trade the news on a longer timeframe. As the name of the strategy suggests, traders look to **go long on news releases** and **ride a trend until it demonstrates signs of reversal**.

Any currency pair may rapidly move either up or down prior to or after an economic news release or announcement. This means that your trades are susceptible to increased volatility and in turn, the probability of **slippage** to occur is higher.



Tap into our [economic calendar](#) to track key global events, statements and press conferences.



## SWING TRADING

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This type of trading is based on the premise that **prices fluctuate and never go in one direction in a trend**. Therefore, swing traders **take advantage of small reversals** in a currency's price movement as opposed to trend traders who usually look to make profits from long-term market trends. Traders who swing-trade currencies use a variety of technical indicators including the **Fibonacci retracement patterns, support and resistance lines** and the **MACD crossover**, to identify patterns, trend direction and potential short-term changes in a trend.

## POSITION TRADING

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Position trading refers to a style of trading in which traders **hold a trade for a longer period, usually months and even years**, looking to capitalise on an intermediate trend. Position traders rely heavily on **long-term charts and/or macroeconomic factors** to identify trends. Even though position traders are not much concerned with price movements, as their positions are held for as long as a strong trend lasts, they need to plan on how to enter and exit the market and implement a proper risk management strategy.

## BREAKOUT TRADING

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A breakout represents a **price movement of a currency that exceeds the predetermined support and resistance levels** due to **abrupt shift in supply and demand**. Breakout traders would enter the market once the currency price breaks above resistance and exit once a currency breaks below the support level. Breakout trading is a form of momentum trading, which means that traders look to benefit from a breakout that occurs after a period of an increase in volume.

## REVERSAL TRADING

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A market reversal represents a **change of a currency's price direction**, either upwards or downwards. Markets frequently change direction on an intraday, daily and weekly basis. A change in a currency's price may happen unexpectedly in a few seconds, or it may take several days or weeks to develop. Nevertheless, **reversal traders** are on the alert to **react to the market's movements** – that is to open a position when the price is at an advantageous level and exit the market when a downward movement in price occurs. In predicting market reversals, traders consider both fundamental factors such as the **supply and demand of currencies, national monetary policies, geopolitical events** as well as technical features like **support and resistance levels, pivot points, moving averages** and **momentum oscillators** which are good indicators of reversals.



## PIVOT POINTS

This trading system seeks to **identify potential areas of support and resistance**, taking into account the **average of the previous trading period's high, low and closing prices**. On the following day, trading above the pivot point is deemed to signal a bullish trend, whereas trading below the pivot point is a sign of a bearish trend.

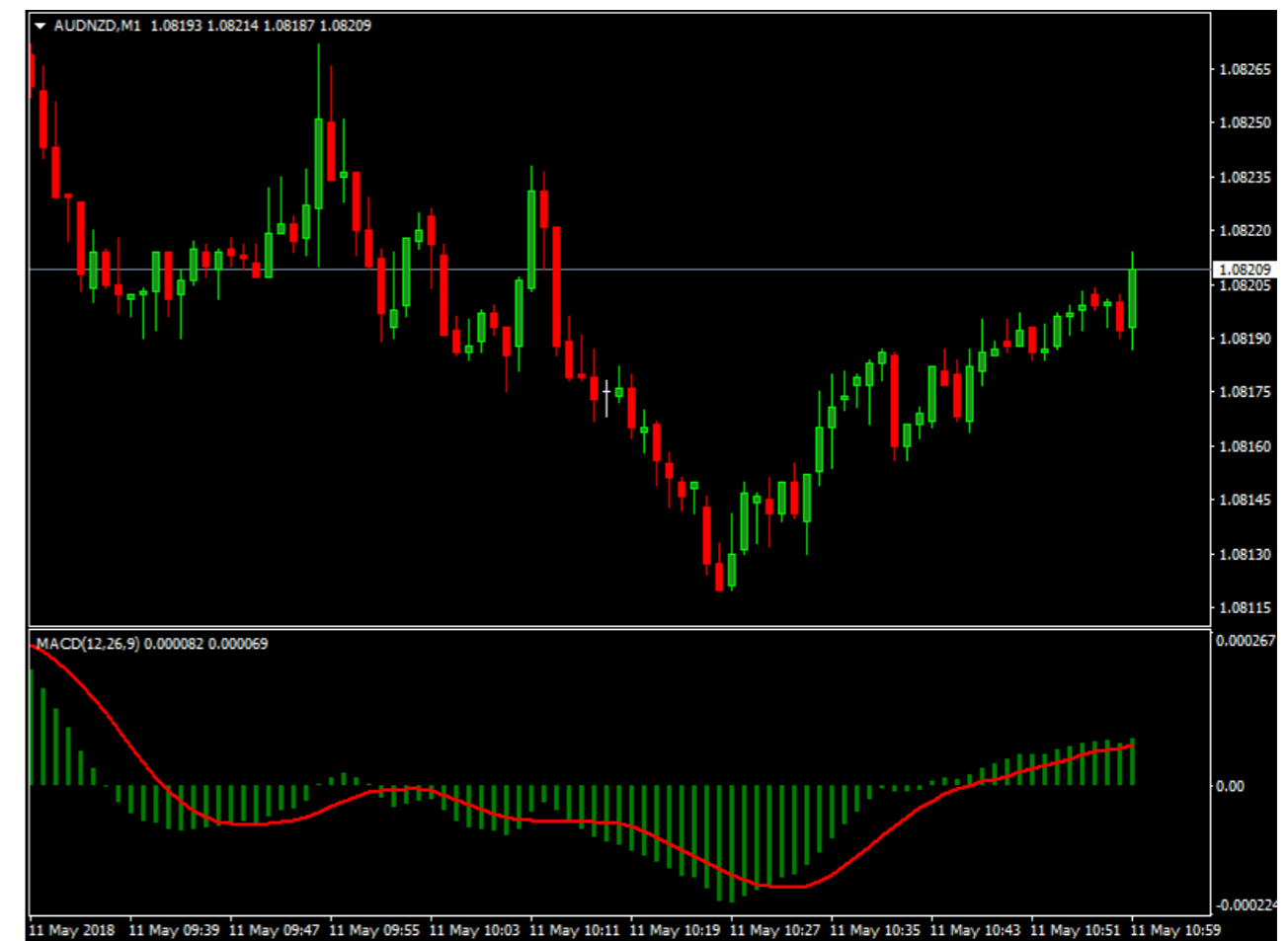
## RANGE TRADING

With this trading strategy, a trader usually **buys and sells at predictable highs and lows of resistance and support, repetitively over one or more trading sessions**. In other words, the ranging strategy occurs when a currency is trading between a set upper and lower limit and seems to constantly bounce up and down between the high and low limit.

## TECHNICAL INDICATORS

### MACD(MOVING AVERAGE CONVERGENCE DIVERGENCE)

The **Moving Average Convergence/Divergence** is used by traders to **determine trend direction and potential reversals**. The MACD **fluctuates above and below zero**. If the MACD is above zero, it points to an uptrend, conversely, if it goes below zero, it signals a downtrend. In the former case, traders identify a potential buy signal whereas in the latter case, a potential sell signal occurs.

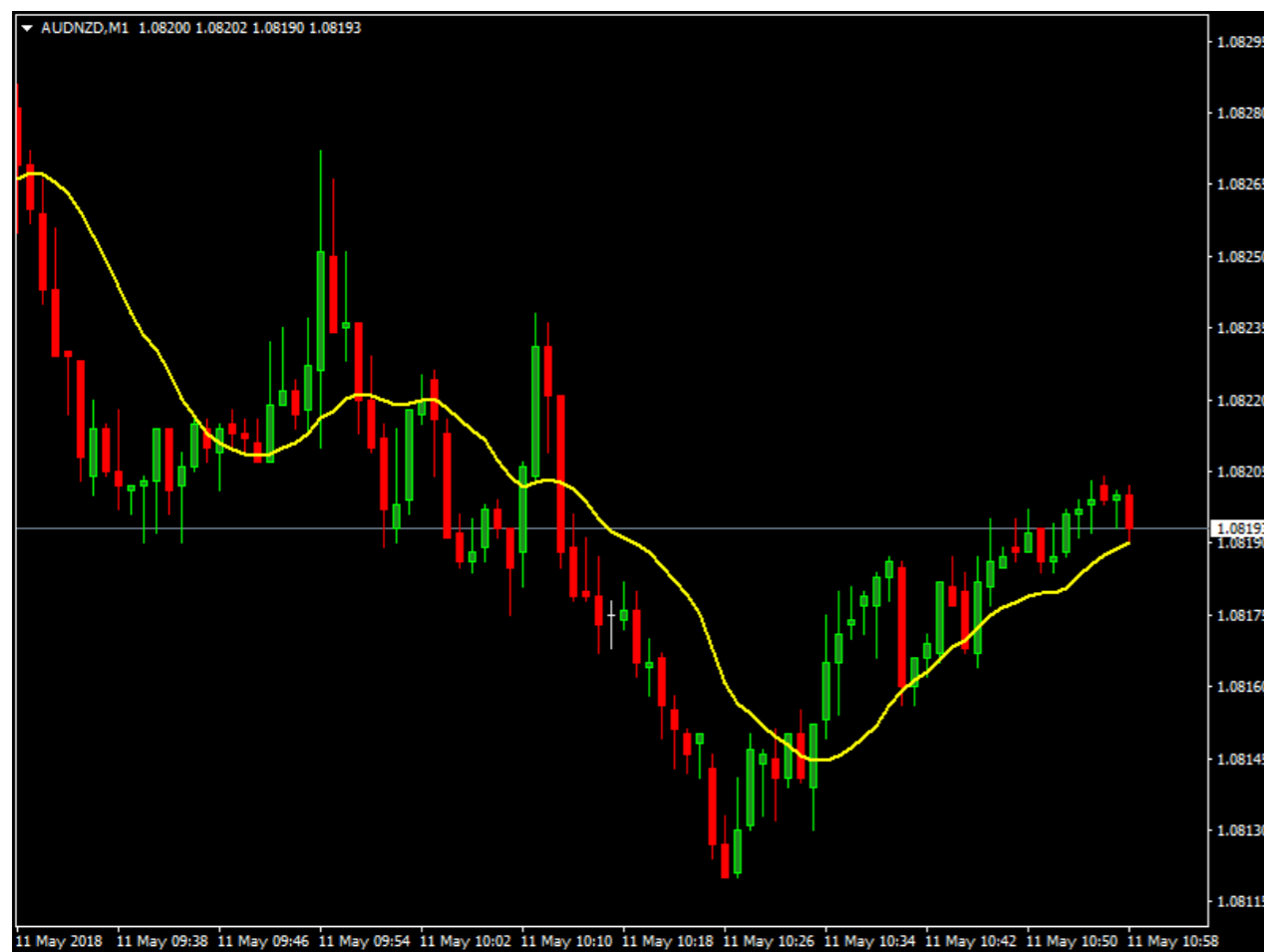


## MOVING AVERAGE

Moving Average is an **interpretative indicator** that shows **the average price of a currency over a given period of time**. This indicator is used to **gauge momentum, trends, and define areas of support and resistance**. There are different types of moving averages. These include:

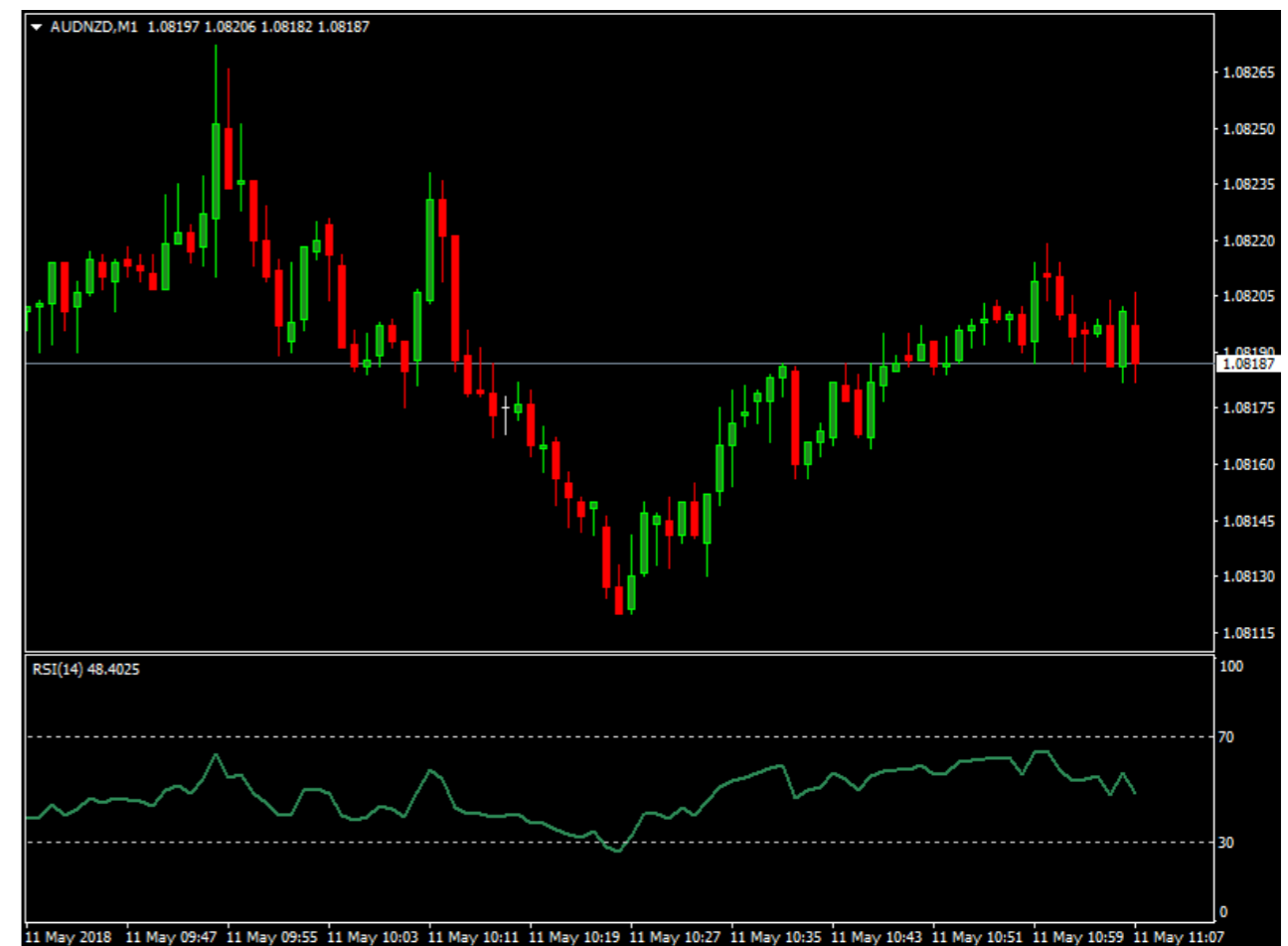
- **Simple Moving Average (SMA)**
- **Exponential Moving Average (EMA)**
- **Smoothed Moving Average (SMMA)**
- **Linear Weighted Moving Average (LWMA)**

A popular way to interpret the price moving average is to compare its dynamics to the price action. When the price of a currency goes above its moving average, a buy signal occurs, if the price goes below its moving average, a sell signal is triggered.



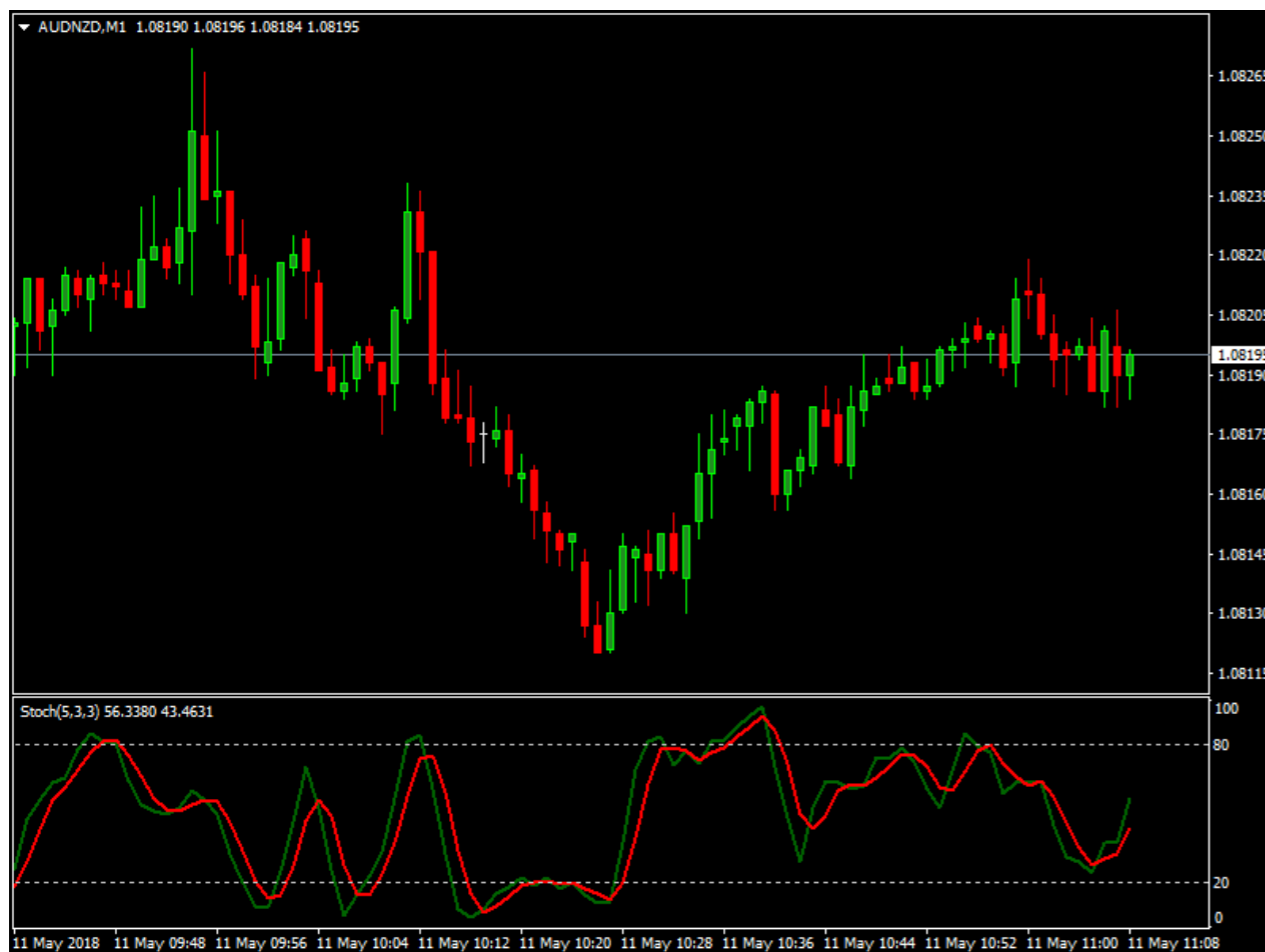
## RELATIVE STRENGTH INDEX

Developed by J. Welles Wilder, an American technical analyst, the **Relative Strength Index (RSI)** is a **momentum oscillator** that **measures current price strength in relation to previous prices**. RSI is a valuable tool to determine overbought/oversold levels. The oscillator **ranges between 0 and 100**. Traditionally, a trader might consider to buy when the RSI crosses above the oversold line (30) and sell when the RSI crosses below the overbought line (70).



## STOCHASTIC OSCILLATOR

The stochastic oscillator is a **momentum indicator** developed by George C. Lane, that **measures the level of the close relative to the high-low range** over a set period of time, usually 14 periods. This indicator **fluctuates between 0 and 100**. A currency is overbought (the price is trading near the top of the 14-day range) when the Stochastic is above 80, and oversold (the price is trading near the bottom of the 14-day range) if the indicator is below 20.



## TYPES OF FOREX ANALYSIS

There are **several methods available for analysing the forex market** with the purpose of finding profitable trading opportunities. Each of these approaches has its own pros and cons, therefore, **it is worth combining the different types of analysis** to get the whole picture of the market and make informed trading decisions.

### FUNDAMENTAL ANALYSIS

Fundamental analysis takes into account **economic variables** such as current social, political and economic drivers to indicate **future price movements**. Traders who use this type of analysis, pay particular attention to both **macro and micro economic data, geopolitical events and variables** like interest rates, inflation and employment rates, elections etc.

### TECHNICAL ANALYSIS

Unlike fundamental traders who look at external factors that affect the price of the asset they trade, technical traders focus on the **asset's chart history to examine and predict price movements** in financial markets. Put simply, by using charts, technical analysts attempt to **identify patterns and trends** that suggest how a currency will perform in the future.

### SENTIMENT ANALYSIS

Sentiment analysis is another form of Forex market analysis which is **used to gauge the market's overall mood at a given time**. Psychologically, people tend to follow crowds and unconsciously act in similar ways. If sentiment is overwhelmingly inclined towards one direction, then the vast majority of traders will likely follow this direction.



Visit our [blog](#) to explore a wealth of technical and fundamental insights.



## TOP 10 TRADING TIPS FOR CURRENCY TRADERS

01

### Do your research

Forex trading might seem an ambitious undertaking, yet one needs to have a proper knowledge of how markets work and a good understanding of the mechanics of Forex trading to succeed.

02

### Be realistic

Approach Forex trading realistically right from the beginning. Determine a feasible percentage of winning trades considering your strategy and experience.

03

### Trading plan

A well-defined trading plan is a successful trader's Bible as it serves as a guide that outlines the strategies, operations and procedures with which one trades a market.

04

### Choose a proper trading style

Are you a scalper? A day trader? or a swing trader? There are different trading styles out there, each with different time frames. Find a trading style that matches your profile and personality and stick to it.

05

### Refrain from overtrading

Placing trades all day and overanalysing won't necessarily yield the result you hope for. Try to find those things that really bring positive results for your trades and eliminate time-wasting actions.

06

### Take responsibility for your trades

Accept losses as part of the business. Learn from your mistakes and try to avoid them in the future. Personal accountability is key in developing a sound mindset with which to improve your trading results.

07

### Manage your risk

The importance of risk management should not be downplayed. Choose the appropriate size for your position, set profit and loss limits and a suitable leverage according to your risk appetite. Above all, only speculate with money you can afford to lose. Ensure you have available liquid funds or a trading strategy in place, in the event of a sudden negative market movement.

08

### Focus on the daily chart

Concentrate your trading efforts on the daily chart time frame. Daily charts are more reliable as they provide you with a clearer understanding of the market.

09

### Control your emotions

In Forex trading emotions need to be constrained. It is essential to exercise self-discipline and effectively control greed, fear and hope. Most importantly, stay positive at all times.

10

### Don't give up

Forex trading is an exciting undertaking with its ups and down. A successful trader is persistent enough to keep the enthusiasm up, remain loyal to their trading system and maintain their confidence.

# HOW TO TRADE

## CURRENCIES WITH TICKMILL

Tickmill offers you access to 62 major and minor currency pairs. Take the chance to be part of this global market while enjoying supreme trading conditions.

### Start trading Forex in a few simple steps



#### Educate yourself

Before embarking on Forex trading, be sure to familiarise yourself with how trading works. Reading this eBook is a good first step to boost your trading knowledge, yet there are lots of other useful resources to tap into, including [webinars](#), [blog posts](#) and [video tutorials](#).



#### Open a trading account

Choose a live trading account that best suits your profile. Each of our trading accounts provide a range of options and trading conditions to suit the needs of all types of traders.



#### Fund your account

Make a deposit using one of our convenient and secure payment options.



#### Choose your trading strategy

Find a trading strategy that best suits your personality type, trading goals and risk tolerance. Tickmill allows you to trade using all trading strategies including hedging, scalping and arbitrage.



#### Place your trade

Proceed with order entry process by determining your preferred type of order, position size etc.



#### Close your position

Close your trade when you feel you have reached your target or simply want to limit potential losses.

# WHY TRADE

## FOREX WITH TICKMILL?

Get access to the world's most liquid market.

Benefit from **competitive pricing**, **deep liquidity** and **reliable execution**.

#### ➤ No hidden fees

#### ➤ Spreads from **0.0 pips**

#### ➤ **Expert Advisors** allowed

#### ➤ Average order execution speed **0.1 second**

#### ➤ No requotes

#### ➤ Dedicated **client support**

Find out more about **Forex contract specifications**.

71% of investors lose money when trading CFDs.

# GLOSSARY

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## **Appreciation**

A currency is said to 'appreciate' when it strengthens in price in response to market demand.

## **Ask price**

The price at which the market is prepared to sell a specific Currency in a Foreign Exchange Contract or Cross Currency Contract. At this price, the trader can buy the base currency.

## **Base currency**

The first currency in a Currency Pair. It shows how much the base currency is worth as measured against the second currency.

## **Bid price**

The bid is the price at which the market is prepared to buy a specific Currency in a Foreign Exchange Contract or Cross Currency Contract. At this price, the trader can sell the base currency.

## **Breakout trading**

An attempt to enter the market once the price moves outside a defined price range (support and resistance).

## **Central bank**

A government or quasi-governmental organisation that manages a country's monetary policy. For example, the US central bank is the Federal Reserve, and the German central bank is the Bundesbank.

## **Counter currency**

The counter currency is the currency used as the reference or second currency in a currency pair. For example, in the currency pair USD/EUR the euro (EUR) is considered the counter currency.

## **Cross currencies**

A pair of currencies that does not include the U.S. dollar. For example: EUR/JPY or GBP/CHF.

## **Day trading**

A type of trading that involves taking positions in currencies which are liquidated prior to the close of the same trading day.

## **Demand**

The amount of any given commodity or currency that people are willing to buy at a given time for a given price.

## **Depreciation**

A fall in the value of a currency due to market forces.

## **Exotic currency pairs (Exotics)**

Exotic currency pairs consist of a major currency paired with the currency of an emerging or a strong but smaller economy. The EUR/TRY (Euro Vs. Turkish Lira) and USD/ZAR (U.S. Dollar Vs. South African Rand) are considered some of the most popular exotic pairs.

## **Forex**

The simultaneous buying of one currency and selling of another.

## **Forward market**

A market in which participants agree to trade some commodity, security, or foreign exchange at a fixed price for future delivery.

## **Fundamental Analysis**

Analysis of economic and political information with the objective of determining future movements in a financial market.

## **Futures market**

A market where contracts for future delivery of a trading product are bought or sold.

## **Inflation**

An economic condition whereby prices for consumer goods rise, eroding purchasing power.

## **Leverage**

The ratio of the amount used in a transaction to the required security deposit.

## **Limit order**

An order with restrictions on the maximum price to be paid or the minimum price to be received. As an example, if the current price of USD/JPY is 117.00/05, then a limit order to buy USD would be at a price below 117.00.

## **Liquidity**

The ability of a market to accept large transaction with minimal to no impact on price stability.

## **Long position**

A position that appreciates in value if market prices increase. When the base currency in the pair is bought, the position is said to be long.

**Lot**

A unit to measure the amount of the transaction. The value of the transaction always corresponds to an integer number of lots.

**MACD (Moving Average Convergence Divergence)**

A popular technical indicator used to identify key aspects of a security's overall trend, including momentum, trend direction and duration.

**Major currency pairs (Majors)**

The major currency pairs refer to the most actively traded currencies in the world, with the list normally including the U.S. Dollar (USD), Euro (EUR), Japanese Yen (JPY), Great British Pound (GBP), Australian Dollar (AUD), and Swiss Franc (CHF).

**Margin**

The required equity that an investor must deposit to collateralise a position.

**Market order**

A market order is a buy or sell order to be executed immediately at the best available price.

**Market sentiment**

The general prevailing attitude of investors in regard to a specific market.

**Mean reversion**

A trading strategy based on the assumption that a currency's price will move to the mean or average price over time.

**Minor currency pairs (Minors)**

Minor currency pairs, also known as cross currency pairs, are pairs that do not include the U.S. dollar, but do include at least one of the world's other three major currencies, that is the Japanese yen (JPY), British pound (GBP) or the euro (EUR).

**Moving Average**

A type of technical indicator that accumulates past price points and then averages them over a number of time periods to determine the strength of a current market trend.

**News trading**

A trading strategy that involves trading a currency prior or after an important news announcement or event expecting to benefit from market price fluctuations that are likely to occur before or after the event.

**Over the Counter (OTC)**

Used to describe any transaction that is not conducted over an exchange.

**Pip**

A pip measures the amount of change in the exchange rate for a currency pair and is calculated using the fourth decimal point.

**Pivot points**

Pivot points use the previous period's high, low and close to calculate the current period's support and resistance levels.

**Position trading**

A trading style with which a trader holds a position for the intermediate to long-term; from weeks to months, and even years

**Range trading**

A strategy that involves buying as price moves to lower support levels, and selling as price moves to upper resistance levels.

**Relative Strength Index**

A chart indicator used in technical analysis that identifies when trends are coming to the end of their current direction, as well as overbought and oversold market conditions.

**Reversal trading**

A counter-trend method of trading based on market reversals, that is when a turnaround in the price movement of a currency occurs.

**Risk Management**

The employment of financial analysis and trading techniques to reduce and/or control exposure to various types of risk.

**Scalping**

A trading strategy based on opening and then closing a position quickly, in the hope of profiting from small price movements.

**Sentiment Analysis**

A type of market analysis that takes into account the overall feeling that market participants have about the performance of a currency pair.

**Short position**

An investment position that benefits from a decline in market price. When the base currency in the pair is sold, the position is said to be short.

**Slippage**

The difference between the requested level of an order and the actual price at which it was executed. Slippage usually occurs during periods of high volatility and potentially at market opening/closing.

**Spot market**

A physical market in which foreign currencies and commodities are bought and sold for cash at the current market price, settled “on the spot” and delivered immediately.

**Spread**

The difference between the bid and offer prices.

**Stochastic Oscillator**

A momentum indicator that compares the closing price of an asset to the range of its prices over a given time frame to provide insights into potential future market direction.

**Stop-Loss Order**

A Stop Loss is an order to close a trade when the market moves a specified amount against the position.

**Swing trading**

A speculative trading strategy where a tradable asset is held for between one and several days in an effort to profit from price changes or 'swings'.

**Take-Profit order**

A take-profit order allows an investor to set the closing price of a trade before or after he opens a position.

**Technical Analysis**

A type of market analysis that forecasts prices by analysing market data, i.e. historical price trends and averages, volumes, open interest, etc.

**Trading robots**

Trading robots are computer programs that are based on a set of Forex trading signals which help traders to determine whether to purchase or sell a certain currency pair at a given time.

**Trailing stop**

A trailing stop-loss order is defined as an order set at a certain price below the current market price for a long position.

**Trend trading**

A trading strategy used in the financial markets where traders take positions along an asset’s momentum in a particular direction, either upwards or downwards.

**Volatility**

A market condition whereby a particular asset is characterised by wide price swings in a short period of time.

**Risk Warning:** CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. 71% and 65% of retail investor accounts lose money when trading CFDs with Tickmill UK Ltd and Tickmill Europe Ltd respectively. You should consider whether you understand how CFDs, or any other of our products work, and whether you can afford to take the risk of losing your money.




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