

# How to trade forex as a beginner

To be a successful and expert forex trader, you have to be an earnest learner of its teachings. This way, once you find out about its many strategies, earning a great deal of money through foreign exchange trading would be easy.

Once done, you will know the crucial forex terms often utilized in trading and use them to their maximum effect. You will learn its history, the right platforms to use, strategies, and many more.

## What is forex?

Forex or foreign exchange is a worldwide marketplace for trading different currencies. Trading is done in pairs against each other, for instance, EUR/USD.

### Forex terms

- Spot forex- Buying and selling real currency can potentially earn once its value increases
- CFD- Contract for Difference, a contract representing the price movements of financial instruments
- Pip- A base unit of the currency pair's price. For example, the EUR/USD bid price is 1.16667 to 1.16677, and there is a one pip difference
- Spread- Difference between the sale and purchase price of a particular currency pair
- Margin- Money held in an account when opening a trade
- Leverage- Capital given to customers by brokers for increasing trade volume
- Bear market- Downward trend of a stock market
- Bull market- Upward trend of stock market
- Beta- Metric showing the relationship between the movement of the market and the price of the stock
- Broker- Company or person facilitating the buying and selling of currencies or stocks and charges a commission
- Bid- Price the forex traders want to pay per-share
- Exchange- Trading location, for instance, New York Stock Exchange or NASDAQ
- Close- Time when trading halts
- Day trading- buying and selling, done within the day
- Dividend- Quarterly payout to shareholders
- Blue-chip stocks- Stocks from large firms

## What is the history of forex?

- A form of trading was done more than two thousand years ago by the ancient Greeks and Egyptians.
- Five hundred years later in Rome, currency minting and trading were established.
- In the middle ages, copper became the most common metal for trading and minting coins.

- Five hundred years ago, the first forex market was founded in Amsterdam.
- Two hundred forty years ago, the Gold Standard was introduced, whose chief purpose was guaranteeing the value of currencies.
- One hundred nine years ago, forex trading firms proliferated in London.
- In World War Two, Bretton Woods was initiated to replace Gold Standard but ended later by then-president Richard Nixon.
- Today the forex market is the largest global financial market.
- Digital cryptocurrencies have become popular and have a bright future due to the instability and uncertainty of worldwide monetary systems.

## **What are the essential aspects of forex trading that beginners should know?**

Before engaging in a trade, you have to decide on three factors:

- The kind of trade to make (long or short)
- How much will are you willing to spend
- How big is the spread, which is the difference between the ask and bid price

Here are its aspects as explained in detail:

- Price and quote- You will see Bid and Ask prices. Bid price is the price you can sell as a currency, and ask price is the price you can buy it.
- Long trade- Refers to the purchase of a particular currency and expecting to profit in the value increase from the difference between the sale and buy price.
- Short trade- Opposite of long trade, wherein you can make a profit by buying back the currency at a lower value and benefit from the difference.

## **How do you trade forex as a beginner?**

Here is a summary of how to do it:

- Learn the basic aspects, like the various currency pairs
- Know its software, like MetaTrader 4 and 5
- Learn and practice with demo or dummy accounts
- Look for a dependable service provider
- Use the available resources like tools and guides to your advantage
- Utilize the support system for the provider
- Know the necessary strategies and implement them
- Make a trading plan that includes analysis and reading news
- Keep track of your progress
- Begin trading

## What are the different forex charts?

As a beginner forex trader, you should be aware of the different charts found in a MetaTrader platform:

- Line chart- Most basic chart used in identifying bigger picture trends
- Bar chart- Each bar indicates a timeframe of particular trading within a day; it also has colors and dashes
- Candlestick chart- Similar to a bar chart but more visually appealing and give more price action patterns

## What are the various forex trading strategies?

These are the types of systems that corporations, banks, speculators, and investors have been using:

- Currency scalping- A practical trading strategy by buying and selling currency pairs in short periods, from a few seconds to a few hours. You can make many small profits in hopes those will amass.
- Intraday trades- A conservative strategy ideal for beginners, focusing on one-hour or four-hour price trends of each forex market.
- Swing trading- A medium-term strategy focusing on larger price movements. It involves keeping an open trade for days or even weeks.

## What are the tips for beginners wanting to trade in forex?

- Educate yourself everything about the forex market
- Create an effective trading plan and stand by it
- Practice your trading plan using dummy or practice accounts
- Use trading tools at your disposal to predict market movements
- You have to know what are your limits and how much money you are willing to risk for forex trading
- Manage your risk by knowing when to stop
- Do not let your emotions keep you from achieving success in your trading plan
- Be consistent when trading, have discipline and be patient
- Do not be afraid to make changes to your trading plan when it isn't working
- Select the right trading platform that suits you

## What are the best forex brokers in 2022?

- IG
- Saxo bank
- CMC Markets
- Interactive Brokers

- TD Ameritrade FX
- Forex.com
- XTB
- City Index
- Swissquote

## **What are the top four apps to trade in forex online in 2022?**

- NetDania Stock and Forex Trader
- Trade Interceptor
- Bloomberg Business Mobile App
- Thinkorswim Mobile

## **Conclusion**

As a beginner, everything might be overwhelming, but do not rush it. Take a step-by-step approach, and this way, all the necessary information will be digested and used for your trading plan.

Becoming a successful forex trader is just around the corner, it's up to you to find it.