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# **Foreword**

Simply put, forex is the trading of currency, buying low and selling high. There are some levels of risks involved as in all other risky dealings but the rewards can be very good indeed.



## ***Forex Foundry***

**Master The Forex Secrets Of The Top Traders And Create Massive  
Wealth For Yourself**

# **Chapter 1:**

## ***What Is Forex***

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### **Synopsis**

The stability of the forex is never guaranteed as it is dictated by many connective elements around the world. Things like war, oil prices, and global shifts in power are just a few of the elements that effect the forex movements. However most times these changes are not immediate but gradual over time.



## **The Basics**

There are many companies that are successfully trading in the forex. For the forex trading there are no off days, holidays or time offs. These companies run on 24 hour cycles no matter which part of the world they may be located in.

The forex trading also has its fair share of scams and to avoid this it would be prudent to do some research before taking the word of the forex traders and investing a lot of money on the here say or speculation of a few people. There are no magic formulas that most traders tout and every trade has the accompanying risks.

There are also many career opportunities in the forex trading line. Most large forex trading companies hire a varied amount to trades depending on the successes of the trade. Individual traders, brokers and bank to bank transactions are the most common and accepted ways of trading. The statistic taken last year showed the trading volume reached about 4 trillion USD.

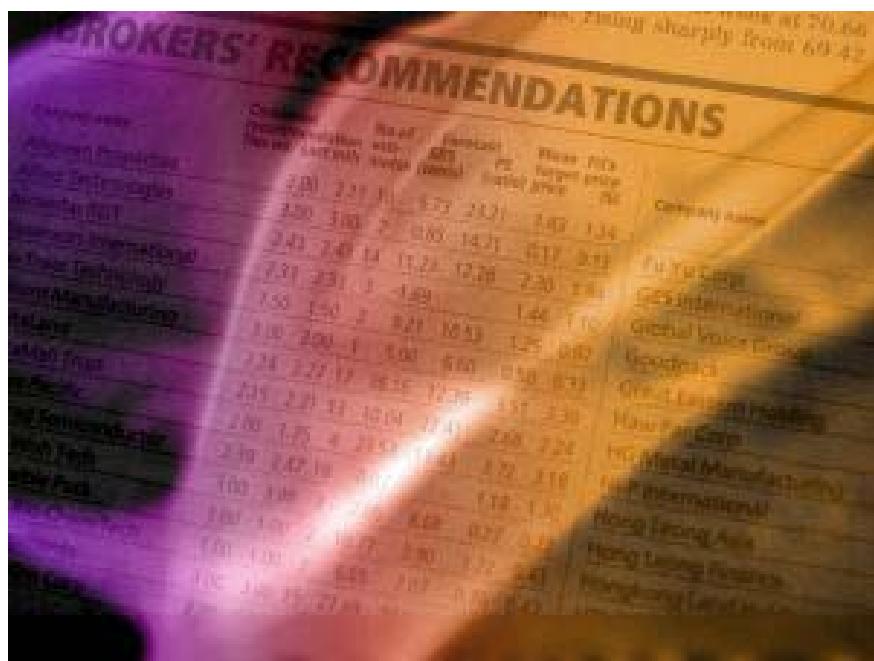
Besides the daily transactions for profits, there are also other uses that require some lever of forex movements. These other users may include wages paid to foreign banks for the multinational personnel. However a large percentage of the trading is more for profits which can be rather considerable if the risks involved weren't so high.

# **Chapter 2:**

## ***About The New York Stock Exchange***

## Synopsis

Some documentations list the beginnings of the NYSE or otherwise known as the New York Stock Exchange to begin in May 17th 1792. At the time of its humble beginnings it only had about 24 stock brokers working together to form the stock brokerage. All this was and still is on the same named street called Wall Street.



## **NYSE**

As it expanded over the years it has changed locations but has retained always kept the “wall street” tag. It is known to be the largest stock trading house in the world and at last statistical count it was listed to be trading daily at about USD153 billion. The statistics also showed that at one time it had a market capitalization of its listed companies at the huge figure of USD13.39 trillion. These are all mind boggling figures and it is rather amazing to note the amount of paper transactions that are done on a minute to minute basis.

This powerful form of trading which is facilitated by the NYSE provides the platform for buyers and sellers to trade share of stock in companies registered with the board for public trading. Keeping to the age old working time frame of a five day working week of Monday to Friday, its runs from 9.30am – 4.00pm, closing only for holidays previously set and declared by the Exchange in advance.

Though when first observed it can seem quite chaotic and loud, there is an underlying system in place which is very familiar to all on the trading floor. The “buying and selling” is done at a very fast and energetic pace and the alertness of an individual plays an extremely big role in getting the transactions done according to requirements of clients or customers. These “customers” or clients usually appoint brokers to do the trading on their behalf sometimes with specific guidelines and some leaving the decisions to the discretion of the brokers hired.

# **Chapter 3:**

## ***What Is Traded***

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### **Synopsis**

In very basic terms the stock market is where buyers and sellers meet and decide on a price for a particular commodity. There has to be a willing seller and a willing buyer for the transaction to be successfully completed. Previously these transactions were done at physical locations but now with the advancement of technology these transactions can be done virtually.



## **What Changes Hands**

Typically the trading floor tends to consists of traders seemingly chaotically waving their hand around wildly while shouting out various instructions and messages. Then there is the more sedate style of trading where everything is done electronically with a network of computers.

Also simply described as the facilitating of exchange of securities between buyers and sellers it plays a certain role in reducing the risks of investing. It also provides for the arena for all interested parties to be able to conduct the relevant transactions of buying and selling.

The instructions to buy and sell stocks in a particular company will be given through a brokerage firm. This information will be passed on to those on the trading floor with the intention of linking the agreed price and commodity to the buyer and seller.

When this partnership is identified and the transaction exercise beings the virtual trading begins. Sometimes this is all done within a matter of seconds and can involve a huge amount of money.

There are several different categories of stocks traded at any given time frame. These may include common stock and preferred stock. As it denotes the common stock is an individual's representation of a company and a claim to its profits made. The ownership of the stock allows the individual to vote on a per share basis to elect the board

members but have no direct “say” over the decisions made within the company. As for preferred stock holders, this group does represent some degree of ownership but without the same voting rights and in the event of liquidation this group is paid off first just like the debtors.



# **Chapter 4:**

## ***What Are Forex Pairs***

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### **Synopsis**

Though most transactions are not done virtually the money involved is very real indeed, and because a lot of these transactions involve buyers and sellers of different nations and companies the international element is present. Thus, the need to transact using dual currency or otherwise known as forex currency pairs.

Change per week	Current level	Last
+139.61	953.36	953.36
-0.71	3.55	3.55
+321.89	1,889.50	1,889.50
+34.74	7,850.29	7,850.29
+70.59	835.32	835.32
+497.94	1,210.48	1,210.48
+216.12	8,529.51	8,529.51
+136.37	2,930.74	2,930.74
+29.10	2,902.27	2,902.27
-85.67	856.56	856.56
-17.12	8,965.70	8,965.70
-61.40	7,039.25	7,039.25
+3.05	2,883.00	2,883.00
	132.21	132.21
	3,44	3,44

## The Pairs

Basically it means buying stocks in one currency and then simultaneously selling the same already purchased stock in another currency. Both these currencies will be clearly stipulated alongside each transaction for the perusal and knowledge of both buyer and seller.

Some of the more commonly used pairs are often divided into two categories of major and minor currencies. Major currencies are the most popularity used traded currencies which are USD, EUR, JPY, GBP, CHF, CAD and AUD, while NZD and ZAR are considered the minor currencies.

There are also circumstances that don't require the common forex pairs to be used and instead other parings are allowed such as the replacement of USD with EUR, GBP, or AUD against other currencies. These types of transactions are commonly known as quote currency exchange.

Among the more popular pairings are:

- EUR – USD
- USD – JPY
- GBP – USD
- USD – CHF
- EUR – CHF
- AUD – USD

- NZD – GBP

And a few others

These forex trading pairs are a general trading tool for the many currencies of the world and are currently rising as the largest and least regulated market providing the greatest liquidity to inverters globally.

Simply put, it is buying a certain currency or commodity at a lower rate and then when there is a currency fluctuation that is advantageous to the seller then they said purchase is sold for a profit. Some consider this type of trading to be very volatile and risky but if done well the profits can be rather significant.



# **Chapter 5:**

## ***About The Market Size And Liquidity***

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### **Synopsis**

There are several features that make the foreign exchange market rather unique and a little complicating. Thus it is not really a suitable endeavor for the faint hearted.

Among the elements it involves are the actual trading which is done in large volumes, the extreme liquidity conditions of the market, the large number and variety of traders and commodities available at any given time, the geographical dispersion of its participants, the long trading hours.

The aspect that makes all these so volatile is the variety of possible effects the exchange rates can have on the actual trading or transactions.

## **Inside Info**

The various markets size trading could run in the billion to the trillions and the liquidity factor are also high in terms of percentages.

These market size participations run on a daily average turn over which is always significantly high even if it does not include global trading exercises.

Being the most liquid financial market in the world its traders include major banking houses, central banks, institutional investors, currency speculators, corporations, governments and retail investors.

As stated before this style of trading is very volatile indeed. In being so the profound effects of the currency market is almost always unpredictable. Political climates, international trading relationships, events and other underlying factor may contribute to the volatility and the possible liquidity ratios involved.

All these various aspects contribute to the uniqueness of the market and its liquidity. An unphantomal number of traders and transactions are possible within a 24 hour time window.

In comparison with other markets, trading the exchange rate settings are with fairly low net margins. Some may even consider it the real market for perfect competition even with all the possible risks.

All these factor into the liquidity of the trading environment. Liquidity is a very important element because it determines how easily the price can change. This liquidity element of the forex trading enables huge trading volumes to occur with little effort but a lot of skill.



# **Chapter 6:**

## ***What Is A Spot Market***

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### **Synopsis**

There are many terms that are linked to the forex trading environment. One of which is the term spot market. This term refers to the commodities or securities market where items or goods are sold for cash and then immediately delivered.

All of this is done with a deliberate intention of getting the best transactions done. The contracts are bought and sold during the trading on the markets and are usually deemed immediately effective.



## **Spot**

Then there is the futures transaction which is where the commodities can be purchased and expected to be delivered in a short and specific time frame. Being a forward moving physical market this form of transactions are bought and sold at spot prices.

The spot market is also sometimes referred to as a cash market or physical market because the prices are settled in cash at the time the transaction is agreed upon. This immediate form of buying and selling is sometimes considered more effective as opposed to forward pricing conditions.

A good example to use to portray this spot market transaction is the crude oil trading. The crude oil transaction is done on a future's statistics but is sold on spot prices and its physical delivery is done within a short time frame previously stipulated and agreed upon. Also to be noted is that these spot trading style transactions are done immediately as opposed to having the convenience of a longer time frame for settling the "account"

Because of the time frame element involved spot trading is almost opposite to futures contracts in quite a few significant ways. The spot trading style usually expires well before any physical delivery of goods.

The most common kind of spot trading is the foreign exchange. There are normally compensations expected if the time frame given for settling the value of the transaction immediately is not met. The transaction compensation is for the time value and duration delay for delivery. Since these transactions are settled electronically, the forex market is essentially instantaneous.



# **Chapter 7:**

## ***What Is Futures Trading***

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### **Synopsis**

When it comes to finance, the standardized contract between two consenting parties is part of the exchange of a specific asset which has been certified for its quantity and quality for a price agreed. Both the price and the delivery are specified and the future delivery date is noted, thus the contracts are considered future exchanges.



## **Futures**

In the futures trading both the buyer and the seller have opposing intentions in the idea behind the transactions. The seller hopes the price will drop after the transaction has been concluded where as the buyer hopes for the rise in the price to ensure a profit from the transaction.

It should be noted that all the transactions need not always be about commodities. There are also underlying assets to a futures contract which may include financial futures, securities or financial instruments and intangible assets or referenced items such as stock indexes and interest rates.

Futures trading help to facilitate the transactions of the exchange institution as intermediary while minimizing the risks of default by either party within the transaction frame.

The term margin refers to the initial amount of cash required by both parties to be deposited and settled on a daily basis as dictated by the fluctuations of the market sentiments.

This process is done on an automatic basis where the changes in pricing is taken form one account and deposited into the other account between buyer and seller. When the said margin goes below a

certain stipulated amount then there is a call to top up the deleted amount in order to keep the transaction account running.

In the futures trading there is also another term popularly used which signifies another type of transaction. This is called the forward contract. This forward contract is like a futures one but has very specific definitions in each category. All prices and commodities and time frames are locked and thus there is no need for the margin style settlement practice.



# **Chapter 8:**

## ***What Are Options Trading***

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### **Synopsis**

In understanding options trading one will realize the many advantages to this type of trading investment. This type of trading known as options trading gives the individual the flexibility to speculate and place what is perceived to be informed bets to garner very specific outcomes in terms of profits.



## **Options**

This will allow the investor to purchase commodities in various forms and hold them for a set period of time then when deemed fit the trading either above or below a certain price will commence, depending which way the bet or speculation favors.

These option trading styles also provide enormous amounts of leverage for the participating traders. Thus with only a relatively small investment an options trader can control a very significant underlying stock position.

The risks involved are very high indeed as are the profits. Before an individual decides to dabble in this style of profiting, serious consideration should be given to the possible consequences of an unwise investment choice.

Understanding the fundaments involved in the options trading foray will help to ensure minimalistic loses. There are times when certain stocks are over inflated, thus by having some level of in depth knowledge on how the options trading is run the individual is less likely to be caught in such a scenario.

The versatility offered by the options trading style can be quite attractive then thus be a great pulling factor to potential investors.

However because of the complexities involved in the securities and also the extreme risk factors caution is always advised.

Some people may decide the options trading is not for them and thus avoid it altogether, however in doing so, one may be depriving one's self of a possible beneficial windfall. Having a little knowledge in this area, can also be beneficial in helping the individual with other forms of investments, as these investments may have some connections to options trading.



# **Chapter 9:**

## ***What Are Exchange-traded Funds***

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### **Synopsis**

Quite a few exchange traded funds have started in the trading scene. In some parts of the world it has managed to gain a fairly healthy foot hold while in other parts of the world it is still looked at with a little trepidation.



## **Exchange Trade**

Understanding what exchange traded funds are and its basic fundamental workings is instrumental in being able to successfully invest in it. One should be well aware of the workings, risks, and benefits this type of investment can provide.

When compared to traditional unit trust funds where the sell order is transacted at the fund's net asset value, the exchange trade funds are traded with the similar style but with the advantage of incurring lower costs.

Also another advantage is that the exchange traded funds conditions provide for the non requirement of having to pay an entry fee. Thus another benefit in terms of cost, in the option to investing in exchange trade funds.

Some may view the risks factor are much lower as compared to going into the investment foray on an individual basis. The exchange trade funds are more cost effective as the means of acquiring the proposed investments are done not only by trained professional with a considerable amount of knowledge in the field of investing, but also done as a “basket of stocks” – meaning a wide variety of stocks, rather than going with one particular option only.

The wise use of the exchange trade funds allows for the decreased but still ever present risks factors.

The exchange traded funds are also more cost effective as the intentions encouraged would be to “hold” the acquired portfolio for a long period of time. Thus the need to be constantly in touch with the very volatile market movements is effectively eliminated, and some level of peace of mind is touted.



# **Chapter 10:**

## ***The Dangers Of Trading If You Don't Know How***

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### **Synopsis**

Among the dangers of forex trading is of course the loss on finances and assets. This very important fact must be acknowledged and properly understood.

There have been many sad scenarios linked to the deviling in this style of trading. Thousands of people have become rich and even more have lost everything to this volatile and unforgiving way of investing.



## **The Nitty Gritty**

This sort of risk trading would require the total or at least a very informed mindset and awareness level that protects and understands the various trading elements involved. Sometimes the investor himself or herself can be their own worst enemy. Thus learning to protect one's self from one's own advice and wisdom maybe worth some consideration. There are several reasons for possible loss in the trading field during the course of a day. These may include tiredness, boredom, taking it too easy, not focused on the market movement and many more. All of these various distractions can cause detrimental and irreversible damage. Being too adventurous will also not always benefit and neither will being too cautious.

Then there are also the outside forces of the market itself, which may cause the unforeseen problems that cause the investments to decrease in value. One may have applied all the right methods and formulas but if the markets takes a turn for the worst then most investments are like to suffer too. Many factors like unseen or unexpected political problems, the shifts in power within companies, secret mergers, and alliances are some of the elements that may not be privy or common knowledge to the ordinary person.

# Wrapping Up

Learning to know when to stop and pull out of an investment is also a very important tool to master. Many people have allowed their greed to dominate their choices when it comes to knowing when the profit margin is enough. Learning to tag the desired profit percentage and sticking to it is wise.

