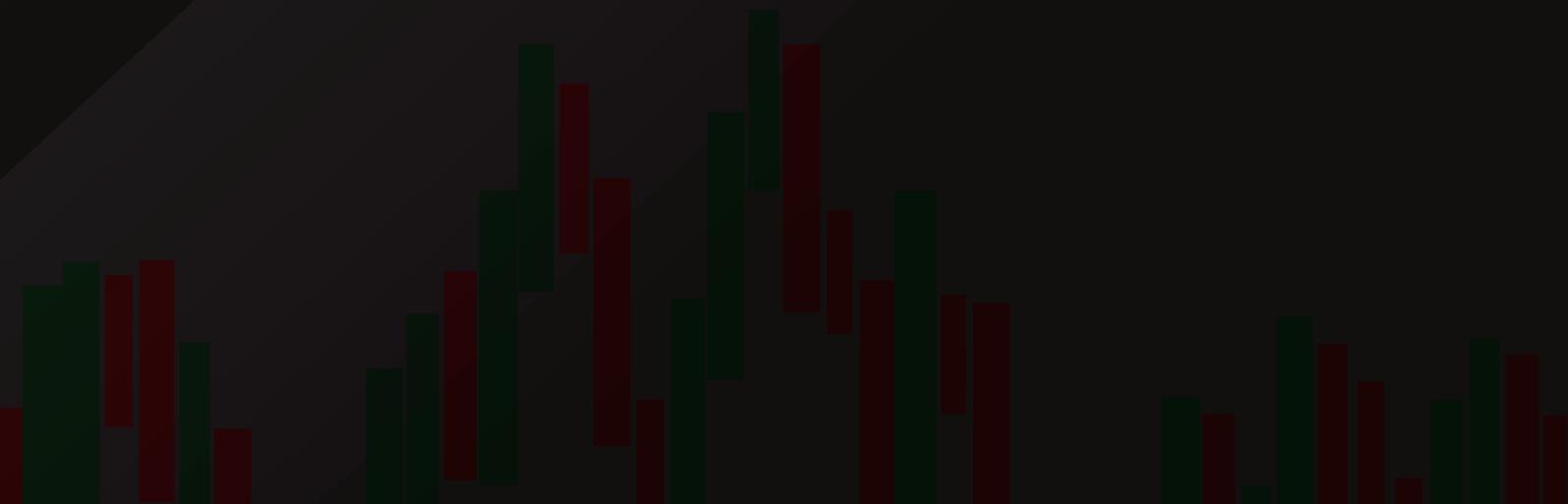




Forex For All
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A Beginner's Guide

FUNDAMENTAL ANALYSIS



01 | CHAPTER 1: FUNDAMENTAL ANALYSIS

Part 1: What is Fundamental Analysis?

Part 2: FOREX Economic Calendar

Part 3: Trading on News and Announcements

Part 4: Benefits of Fundamental Analysis

I CHAPTER 3:

FUNDAMENTAL ANALYSIS

Part 1: What is Fundamental Analysis?

When you start looking deeply into the FOREX market, you are going to be examining specific forces that affect the price of currencies. This is known as fundamental analysis. You will be scrutinizing the economic, political and social forces that impact the supply and demand of a currency. Basically, fundamental analysis is no different from the fundamental principles you learned in your first economics class. Supply and demand determine price.

The ultimate goal for you as a FOREX trader is to determine which countries have healthy economies and which ones have struggling economies. In order to make this determination, though, you must understand the reasons why specific events, such as a rise in unemployment, affect not only that country's economy, but also the demand for that country's currency.

Essentially, the reason why traders perform fundamental analysis is to attempt to forecast countries' future economies. You are looking for economies that are strengthening which should increase the need to buy those countries' currencies. To begin learning fundamental analysis, you simply need to understand that this type of analysis is a way to look at currency prices through the weakness or strength of a country's economy.

Part 2: FOREX Economic Calendar

If you are going to analyze countries' economies, you must be aware of what is going on in the world in terms of economics. For this reason, every successful FOREX trader uses an economic calendar to keep track of events that are sure to impact the market.

Certain economic news is released at roughly the same time each year. These are events that will be documented on a FOREX economic calendar. In addition, most economic events are planned early enough to give traders a warning that fluctuations in the market are on the horizon. For instance, if the European Central Bank is meeting to discuss interest rates, the date of that meeting will be put on the calendar so that you and other traders will all get the information released from the meeting at the same time.

Most brokers have a live online economic calendar that is updated automatically whenever economic or political news is released. Typically, calendar tells you when the data will be released,

what the data is when it is released, the previous numbers and what kind of impact the data will have on the market. Many traders use these numbers to decide their next trade.

Yesterday **Today** Tomorrow This week

GMT+2

	Country	Priority	Event	Period	Previous	Forecast	Actual
Jul 7, 2016							
02:30	 Japan	●●●	Bank of Japan Governor Kuroda Speech				
06:30	 Netherlands	●	Consumer Price Index n.s.a (YoY)	Jun	0%		0%
08:00	 Germany	●	Industrial Production (MoM)	May	0.5%	0.0%	-1.3%
08:45	 France	●	Current Account	May	€-2.1B		€-0.3B
09:00	 Austria	●	Wholesale Prices n.s.a (YoY)	Jun	-4.1%		-3.4%

Part 3: Trading on News and Announcements

Trading on news can be extremely risky, but there is also the potential for a huge profit as well. As a beginner FOREX trader, you might want to get your feet under you before you try to trade on news and announcements. The concept is relatively simple. You want to make a trade either right before or right after an important news announcement. The reason for this timing is that there is a high probability of market prices moving either up or down when the announcement is made.

For instance, if the U.S. Federal Reserve is going to announce an increase in interest rates, FOREX traders might buy U.S. currency, expecting that it will increase in value. They will probably trade right before the U.S. Federal Reserve is scheduled to make the announcement, because once it's made, the currency will likely start to rise and traders will miss out on potential profits.

However, there is a risk that the news might not go the way you expect. If, for example, the Federal Reserve does not raise rates as expected, you could lose your money very quickly if you bet that the price of the U.S. dollar would go up. If you are on the wrong side of the trade, you won't even have time to manually close your trades.

To be successful at trading on news and announcements, you have to have an extremely reliable and fast news source. You also have to be skilled enough to get your trades in at the right time. The upside is that you don't have to spend hours researching indicators and price indexes. You simply wait for the news announcements and make your move then.

There are many news items that can cause the FOREX market to move. However, the most important events that will definitely lead to price fluctuations include news about interest rates, retail numbers, FOMC rate decisions, the consumer price index (CPI) and other inflation indicators, the producer price index (PPI), industrial production announcements, unemployment numbers, and business and consumer confidence.

Economic news and announcements will have varying effects on the market, but be aware that you are looking for news that has an effect that lasts at least a few minutes or hours. It is very risky to attempt to trade on the minute fluctuations that occur right after announcements are made. Combining the expected news with your chart analysis will make your job as a trader easier. So, if you decide to trade on news and announcements, don't abandon everything you learned in terms of chart analysis. It will still come in very handy.

Part 4: Benefits of Fundamental Analysis

At its core, fundamental analysis helps you decide if a country's currency is a good or poor trade choice. It is the study of what causes market movements. The biggest benefit of fundamental analysis is that you have the potential to make a huge profit in a relatively short amount of time. The traders who are most successful at fundamental analysis are long-term investors, but that doesn't mean you can't be a medium or short-term investor and do well.

There are other benefits of fundamental analysis that give you an advantage in the FOREX market. For instance, you will increase your knowledge of the global market and understand better how it works. Therefore, you will have a better picture of the overall health of the world economy.

You will also be able to explain certain unexpected movements of the market. This gives you an advantage because you can understand what factors cause prices to move lower or higher. When you know what a certain event will do, you can exploit that news to make a profit.

There are some drawbacks to fundamental analysis as well. Along with the fact that it can be risky, you also have a lot of information to sort through in order to make sense of it in terms of trading. Moreover, you have to be careful not to be lured into reading a false signal that can cause you to get caught up in a significant loss.

After all is said and done, you can make a lot of money using fundamental analysis on the FOREX market. You just have to be sure you are willing to accept the risks associated with investing based on economic news.