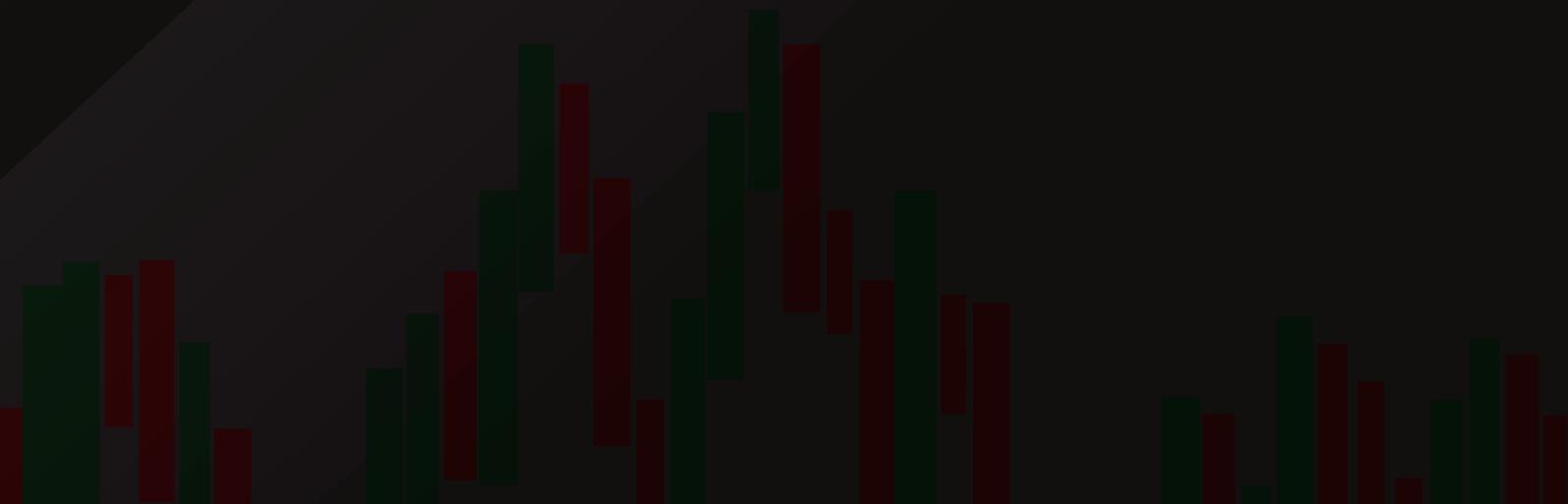




Forex For All
garnettrade

A Beginner's Guide

**TYING IT
ALL TOGETHER**



01 CHAPTER 1: TYING IT ALL TOGETHER

Part 1: FOREX Trading Psychology

Part 2: Mastering Risk Management

Part 3: Choosing a Broker

Part 4: Opening a Real FOREX Trading Account

I CHAPTER 5:

TYING IT ALL TOGETHER

Part 1: FOREX Trading Psychology

Anyone can read about FOREX trading and decide that they are going to make a fortune trading the FOREX market. They can learn the indicators, charts, analysis and strategies and they might be moderately successful. However, if you are going to have long-term success trading FOREX, you have to understand the psychology behind the decisions you make. You have to learn to control your emotions while you are trading because emotions get in the way of your rational decision-making capabilities. You need to know if you are cut out for the business before you ever get started.

First of all, once you set your rules of trading and create your trading plan, you cannot break your own rules. You will find yourself getting excited, scared or hopeful at certain points during the trading process and it can be easy to throw your plan out the window and break your rules. You must have the self-discipline to stay with your plan if you want to be successful.

When you lose money, you are going to experience fear, which can derail your trading system. You are going to lose money at times, but you cannot let those losses make you afraid to take advantage of another opportunity. You also cannot let fear get in your way of maximum profits by causing you to get out of a trade before you should. You have to trust that your analysis will allow you to make more gains than losses, which is all a trader can expect in the long run.

Excitement can lead to greed, which is an emotion that can also cause you to break your rules. You must be objective about your trading system so that you exit a trade even when you think you could make more by breaking your rules. Be satisfied with what you have, follow your plan and move on to another trade.

The other emotion that can wreak havoc on your trades is hope. Many traders hope that they can make their money back by staying with a trade long after it should have been exited. If one of your trades goes wrong, the prudent action is to get out of it sooner rather than later. Hope is not based on any reasonable analysis and can lead to bigger losses over time.

Self-discipline is the single best quality a trader can have. You have to be able to walk away from trades that aren't profitable or from trades where the maximum profit has been reached. You cannot let yourself get carried away like a gambler that hits a big pot only to gamble it all away looking for an even bigger pot. If you are going to be a successful trader, you need to be able to see the big picture so you can link events and identify trading opportunities, use logic and analysis to make solid trading decisions and be organized, decisive and disciplined.

Part 2: Mastering Risk Management

Risk management is essential in FOREX trading. You have to take steps to minimize your losses or you will be finished trading almost before you begin. You are going to lose on some trades, and possibly on many trades. However, your goal is to use strategies to prevent continuous loss so that you still have capital to continue trading.

Stop-loss orders are critical to controlling risk. Most trading experts advise that you put a stop-loss order in for every open trade you have. This allows you to exit the trade if it starts to go against you. Novice traders are often overly worried about losing trades, so they don't exit early enough to keep from incurring more loss. They simply hope the market will reverse and their losses will be wiped out. As mentioned earlier, hope is not a strategy. Stop-loss orders will keep you from hoping too much.

Before you ever get into a trade, you need to determine how much of your initial investment you can afford to lose if your trade turns on you. This will allow you to remove emotion from your trade. If your losses reach your predetermined amount, you can get out of the trade without feeling like you lost more than you could afford to.

You must also continually evaluate your trading strategy, especially if your current strategy does not appear to be working. Again, before you ever trade a single currency, you must decide when you will re-evaluate your strategy if your trades aren't working. This point will be determined by your account size and your loss tolerance level. If you reach that level, you will need to reassess your analysis methods and determine if you would benefit from using other indicators or methods to help you succeed.

When you place your stop-loss orders and your limit orders, you must decide how much loss is too much and how much profit is enough. You should not place your orders too close to the normal market price, though, because any little fluctuation could trigger one of them. However, you don't want to place them too far from the norm either, since the further away you get, the more risk you are taking. That being said, stop-loss and limit orders are designed to help investors manage those risks, so take advantage of them for all trades.

Part 3: Choosing a Broker

After you have practiced for several months, you will be ready to open a real account. The first thing you need to do is choose a broker. You will have some experience with various brokers from your demo accounts, but you will still have a great number of brokers to choose from. Here are the steps to identifying a broker for you.

1. Research. your broker should be registered with a regulating authority. Find out if the broker offers fixed or non-fixed spreads, which is important if you want to trade in the short-term. Next, find out how much or little leverage a broker gives. As a new trader, less leverage is usually better. New traders with little capital will probably want to start out with micro lots. If you have \$2,000 or less to begin with, you will want a broker that offers this feature. Not all of them do. If you are going to keep trades overnight, you will want to find out how the broker deals with rollover interest. Finally, you will also want to find a broker that offers services like charting, market commentary and news feeds. These are especially important if you intend to use technical analysis as your primary method of trading.
2. Compare at least two brokers, preferably brokers you have had a demo account with. Using common features such as business information, customer service and trading platform, decide which broker offers more of the features you want and need. Charting these features out will help you visually determine which broker is right for you.
3. On your broker's home page, there will be a button that you must click to sign up for a live account. Clicking on that button will take you through the steps to opening an account and trading with real money.

Part 4: Opening a Real FOREX Trading Account

Some brokers are going to have many requirements for a real account, while others will only need a few basic documents. You will want a broker that has a user-friendly trading platform and has tools to help you analyze FOREX.

Most brokers will give you the option of a micro, mini or standard account. Again, it is recommended that new traders with low capital open a micro or mini account. This will lower your risk until you become a seasoned trader. Only then should you open a standard account.

At this point, you will need to provide an address with proof (such as a utility bill or bank passport) and an ID with proof (such as a passport or driver's license). You will have to wait for confirmation from the broker before you can start trading on the real FOREX market. All of this verification will be done online, so you can choose just about any broker you want, regardless of location.

Now you are ready to start trading for real. Keep your goals in mind and you will be a successful FOREX trader before you know it.