

10 Forex Trading Essentials that can Improve Your Trading Immediately

Here is my list of 10 Forex trading essentials. Compare your trading style against this list and if you are struggling to make profits, try these suggestions...

1) Increase your time perspective - If you are not a *well seasoned* Forex trader, you shouldn't even look at a price chart of less than 60 minutes. The randomness of the "normal" transactions which occur in Forex will distort your judgment of the "true picture." Use longer time frames, such as 60 minute, 4 hour and daily charts when planning your trades.

2) Reduce your position size to 5% *Maximum* - Having more than 3 to 5 percent of your trading capital "on the table" is a major "no no". High leverage makes it soooooo easy to get in, way over your head. This combination snares many traders and can rapidly destroy your account. You need to have the ability to ride the volatility waves common in Forex.

3) Give your trade time to work - You can only use this option effectively if your position is sized safely... as per 2) above. Prices will fluctuate dramatically in Forex, and you need to be sure that a "loss really is a loss" before you close a trade that is moving against your plan. A 30 pip stop loss will often kick you out of a trade, just as it's about to turn in your direction. You need to allow for larger price swings... if you have determined the major price trend, be patient and let the odds work in your favor.

4) Reduce your dependence on technical indicators - Due to the fact that technical indicators get their data from past events, the reality is they have no ability to predict the future. Pro's that enjoy success using these indicators, often profit from the knowledge of how "the masses" are likely to react to this data, rather than the information itself. You need to determine the major trend (a simple moving average will show you this) and hop aboard. Use a longer time frame, as in 1). The largest players in Forex, rely about 25% on technical indicators when making their trading decisions.

5) Trade only one or two currency pairs - And stick to the majors... not the crosses. Currency prices are driven primarily by fundamental data. In order to anticipate what is likely "coming down the road", you need to follow some basic data for each of the countries involved. Trading too many currencies will make it difficult to keep up to date. There is equal opportunity to profit from each of the pairs, so wait until your experience level has matured and the information tends to "sink in" without as much effort on your part before you start to trade more currencies.

6) Average in and out of your trades - If your trading account is less than \$10,000 have your broker enable mini-lots for your account. This will allow you to average in and out of your trades... a real "plus" as you will see on the Forex Strategy page. If this applies to you and your broker doesn't offer mini lots, find a new broker... this is an important "need to do".

7) Follow the data for your currency pair(s) - Know what data is pending for release. Volatility often increases dramatically when these releases occur. The safe strategy is to exit your positions prior to major releases... this is the way many of the larger accounts handle these situations. Data releases can often cause a change to the trend. Take them seriously.

8) Determine the trend and get aboard - As with any type of trading, the safest bet is to determine which way prices are trending, and then trade in that direction. You don't need anything fancy... a simple moving average on your candlestick chart is sufficient. Zoom your chart out to be sure you have the "big picture". Compare where the price is now, relative to where it has been for a

significant amount of time (at least a month). Use caution if the current price is near upper or lower extremes, as there may be a trend change once that extreme is reached.

9) Know when to take a profit - A winning position can quickly turn into a loser if you set your sights too high. Don't be afraid to take your profit - or a part of your profit at 20 or 30 pips. The price waves in Forex make it ideally suited to averaging into and out of positions by using multiple entry and exit points for each position. The benefit of spreading out your position is that your overall risk is reduced. See the strategy pages for more on this one.

10) Stop listening to "Gurus" - Don't fall into the trap of believing everything, or even "most" things, you hear. The trading world is overflowing with gurus only too willing to offer their opinion on the future. It will only be an opinion, nothing more. They may seem to have convincing data, but trust your own brain. You need to weigh the economic data from "your" countries... that is what drives currency prices. The enormous size and nature of Forex ensure there is no "insider information". You have access to the same data as everyone else in the game. In time, your own instinct will guide you to your goals, and that is what you need to trust.

These 10 Forex trading essentials are a high-level peek at the pitfalls that catch many traders. Each of these are more completely explained throughout this website. Compare your trading style with these simple "fixes" and if you are not employing some or all of them, you are placing yourself at a higher risk level.

Source: <http://www.make-money-trading-forex.com>