

Forex Trading Software Can Be Dangerous For Your Account

By Albert Schmidt

Many new traders are looking for a simple solution to make profit in Forex. Trading software become more and more popular lately. I see there are two kind of software. One shows the trading opportunities on the chart. It can be something very simple like combination of moving averages. Or it can be quite sophisticated based on some complex algorithm to generate buy and sell signals. Another type of software is the one that actually opens a trade on trader's account. Can those pieces of software actually help in trading? Are they any threat to your trading account? Let's discuss it in more detail.

1. Auxiliary trading software

By auxiliary trading software I mean the software that either shows the simplified data like indicators or give buy and sell signals. It looks like it can really simplify the task of finding right trading opportunity so that a beginner trader can trade Forex as good as some advanced currency trader. Unfortunately as practice shows it is not the case. Advanced trader if he uses the software will make profit while a new trader who is not very familiar with the market will lose his money using exactly the same software. Why is that so? Again the big difference is in mindset and patience to rigorously following the trading rules.

1. Automated trading robots.

The second type of software, as I have mentioned, is the one that actually performs trading on your account. It seems like a holy grail since a machine does not have human emotions like greed and fear. Therefore it should not be susceptible to trading errors that a human trader makes due to those emotions. Again practice shows that application of these robots gives different results for different traders. Experienced Forex trader will test the software thoroughly before applying to his own account. But most new traders seeing how it performs a few trades put the software to their live account to lose their money quickly.

What's the reason for such a different results? First of all these pieces of software are based on some kind of trading strategy. There is no universal trading strategy that would make profit in any market conditions. For example a trading system that makes profit in trending market will lose money in ranging market. Only a human can identify the difference in market condition and adjust the use of software accordingly.

That's why it is necessary to study market and practice your trading skills. It will develop your trading mindset that will allow you to trade profitably. Once the mindset is in place trading tools like software and robots will only help you to achieve success faster. Otherwise they will help you to empty your trading account.