FOREX& CFD Strategies

GLOBAL FX500

YOUR GLOBAL SUCCESS

Content

584ADA

Content

GLOBAL FX500

YOUR GLOBAL SUCCESS

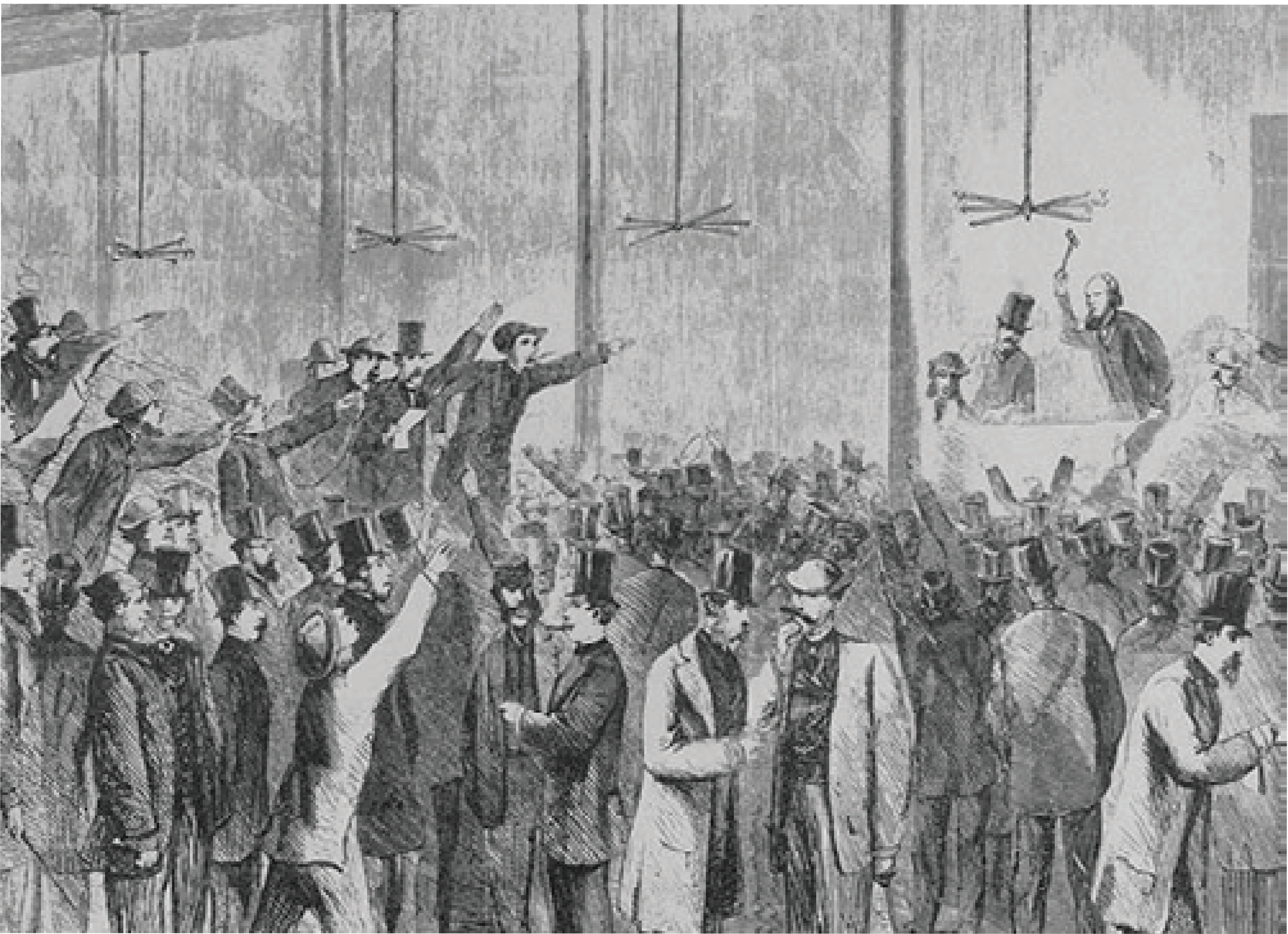
Chapter 1

Different Forex Strategies for Success in the Trading World

Utilizing these strategies betters your chances of having positives returns, increasing the total cash value earned. Each strategy is unique in its own way and the implementation of specific strategies is entirely up to the investor and what works best for them.

DIFFERENT FOREX STRATEGIES FOR SUCCESS IN THE TRADING WORLD

Forex investing is very similar to stock market investing in that both require the use of some type of strategy to ensure successful and positive returns. Detractors see forex as inferior to traditional stock market investing. But in fact, the most successful forex traders find forex trading just as, if not more, lucrative than stock market trading. This difference of experience can be explained by the type of strategy a trader uses, and how that strategy is employed through the decision making process. Here we are going to take a look at some forex strategies to get a better sense of where the thought process comes from for certain investing decisions.



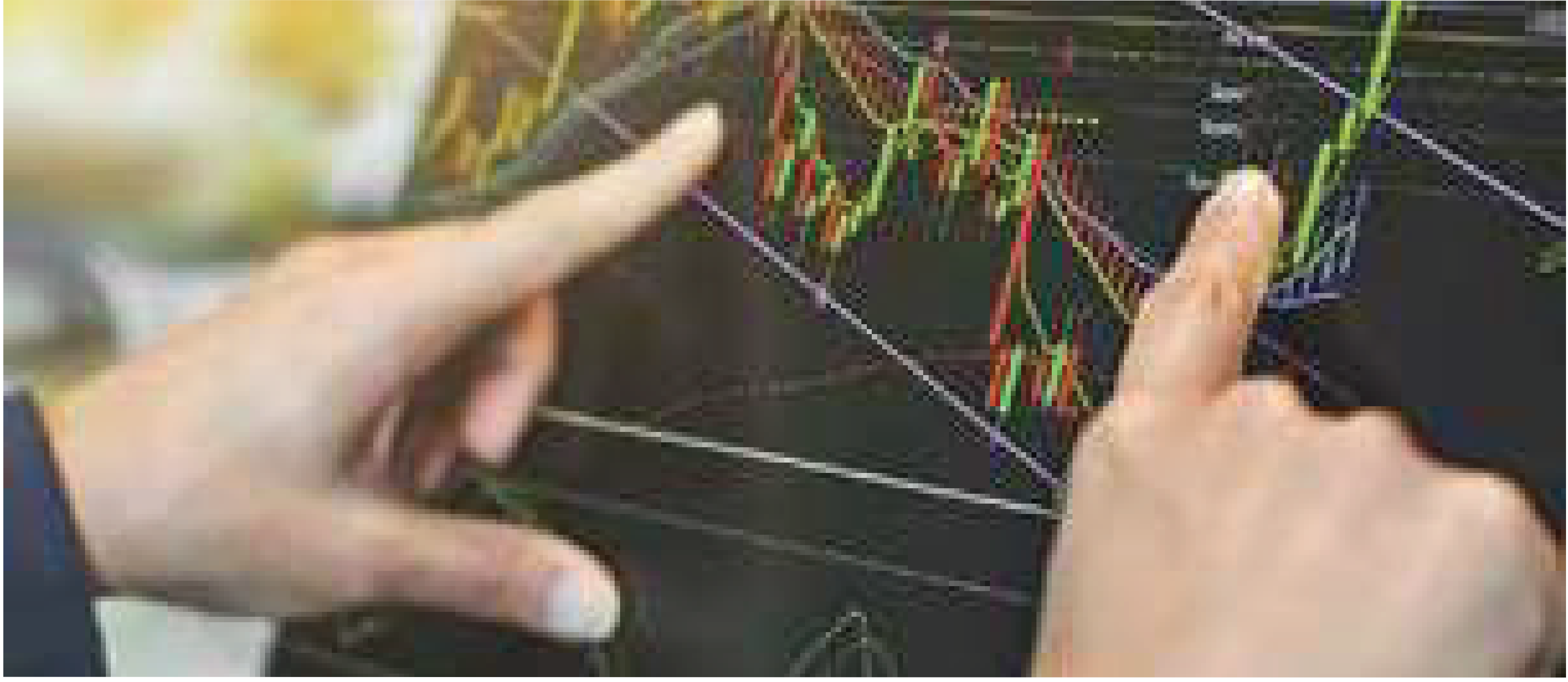
A BASELINE UNDERSTANDING

If you're new to the market and you're asking "Wait, what is forex?" here's a quick overview: forex trading is the investing in specific currencies and monitoring their position and relationship as compared to another currency. Depending on your position, when the value of one becomes greater than the value of the other, the position is closed and a return is cashed in. Forex strategies come into play when predicting the movement of currencies in relation to their paired counterparts. Utilizing these strategies betters your chances of having positives returns, increasing the total cash value earned. Each strategy is unique in its own way and the implementation of specific strategies is entirely up to the investor and what works best for them.

TREND SIGNAL STRATEGY

Trend signal strategy is simply the identification of a shift in the current trend to a previous trend. Forex trading is all about trying to identify the largest change in a currency price, and then trading when that price gap best benefits your position. Using this strategy, you are looking for those instances when the price position shows a different direction. The key to using this strategy is getting the largest window of price history that you can. It is hard to develop a pattern with limited inputs, as what you are looking at might not be a good representation of the big picture. Imagine using a child's growth spurt one summer as a means of measuring average growth rate of an individual. That specific summer would not adequately measure the overall growth rate and by that calculation you might have someone who should be four meters tall.

Most new traders rely on trend signal strategy because it is the simplest to grasp. There are minimal outside factors, and all the information you need comes from the market graph



showing previous price positions.

TUNNEL STRATEGY

Tunnel strategy uses certain chart indicators to let you know the best time to buy and sell for a given forex pair. Let's use an example for the buy position. In this scenario, we are using the SMA (Single Moving Average) and MACD (Moving Average Convergence Divergence) chart indicators to show price trends, ignoring the actual price itself. A tunnel is created when the upward movement (remember we are buying in this example) reaches the zero-point flat line and begins to go above it. This is point at which to buy as the MACD chart indicator is showing probable upward momentum in the price. The time to sell is when the bar indicators head downward back toward the zero-point line and then cross the line. This is when the tunnel closes, showing the end to the buy position.

For a sell position, the indicators work in the same way, however the tunnel points are opposite. The bars on the MACD indicator resemble that of sound waves and as they approach the centre line you should get ready to make the move. This forex strategy does not look at the main price graph as it is hard to get a true read of the pattern for price fluctuation. For this strategy as well, it tends to work best when the window of the graph is small enough to be able to see the MACD indicator movement.

FRACTAL STRATEGY

Fractal strategy was first used in the stock market to predict future trends in the price of a specific stock. In forex, fractal strategy is used in a similar way, but adjusted to a faster pace to match the speed of the forex industry. Identifying fractals in the candlestick graph is seen as an indicator of possible future price fluctuation. To identify a fractal, it takes a minimum of five candlesticks in the form of a “V” shape for buy positions, and an upside down “V” shape for sell positions. It is possible to have more than five candlesticks; however, each side of the extreme must have the same number. If not, then the selected group of candlesticks is not a fractal. The extreme of the group, which is the middle highest or lowest, is the indicator to buy or sell. It is the start of an upward or downward trend that ends at the emergence of another fractal. When the next fractal is identified, the middle candlestick is the indicator for the extreme and consequently the start of a trend in the opposite direction. This is the point to close the position.

Fractal strategy can be used at multiple window sizes of the graph, but it is important to choose one and stick with it. When you recognize the different fractals and create a pattern, it will be easier to use this pattern to make predictions about future price fluctuation.

FISHING STRIP STRATEGY

The fishing strip strategy employs the use of Bollinger bands to determine the best times to buy and sell a specific trade. The fishing strip strategy is great in that it can be used in all types of investing, not just the forex market. Bollinger bands are used to show price trends and average upward and downward motion. To use the fishing strip strategy for a buy position, you need to purchase when two or more candlesticks close the price at a point that is below the bottom Bollinger band. This indicates the most probable lowest price point for that iteration of the pattern. The time to sell is when the next candlestick closes above the top Bollinger band. This indicates that the price has reached its peak for this iteration and will begin a declining motion back towards the centre. Though there may be upward and downward motion within the Bollinger bands, this strategy is used to identify the upper and lower extremes of the price which is the best time to buy and sell for maximum profit.

This strategy is one of the simpler strategies to use and is very consistent with its results. Though it is recommended to use time windows that are as large as possible, you can use this strategy at any time interval and the methods will not change. It is up to you and your investment needs as to the best way to implement this strategy.

ZIGZAG STRATEGY

The zigzag strategy looks at the high and low values of all the price changes in a given time window of a graph. It plots the closing prices for each interval and draws a line connecting each price point in order to view the comparisons of change between sets of points. This graph is used to identify a breakout and then take advantage of the momentum created to boost earnings. An example of using zigzag strategy is in finding harmonic patterns which are called AB=CD. In this pattern, a high point might have a value of 10 and the subsequent low might have a value of 6. (These numbers do not represent normal price points but for the purpose and ease of the example it is better to use whole numbers). Now let's say the next high is an 8 and the next low is a 4. Though the values are not the same, the percent change between them is what indicates a time to either buy or sell, depending on your position. A zigzag strategy can also be fine-tuned to show only the instances where the value change is above a certain point. This mean that the graph will show only significant changes rather than including unimportant, minute changes. The zigzag strategy is usually combined with additional chart plots to give a more well-rounded view of the graph and more accurate prediction of price movements.

Overall, forex strategies might be based on different methods, but they are all part of the same goal: predicting price movements and positions to indicate where and when to buy and sell. Forex strategies are only as good as the investor who applies them so knowing the ins and outs of each strategy thoroughly will better your chances of success. Trying out the methods in a forex simulator can be the best way to really challenge your understanding of the forex strategies. You can see how the markets move in real time and apply different strategies and predict the results. Each strategy is good in its own way and it's up to you, the investor, as to which strategy you choose to boost your financial portfolio and become profitable.

Chapter 2

Building a Forex Strategy with Trend Signals

Trend signal strategy is simply the identification of a shift in the current trend to a previous trend. Forex trading is all about trying to identify the largest change in a currency price and trading when that price gap benefits your position best. Using this forex strategy, you are looking for those instances when the price position shows a different direction. Most new traders rely on this strategy because it is the simplest to grasp. There are minimal outside factors, and all the information you need comes from the market graph showing previous price positions.

BUILDING A FOREX STRATEGY WITH TREND SIGNALS

Any successful forex trader will tell you that strategy is key. Success in forex trading is very rarely associated with luck; but rather a carefully designed forex system that allows a trader to make educated decisions on when to buy and sell. Some traders have elaborate systems that they swear by and are proven to work, but they are all built upon a foundation of basic key concepts. One of these concepts is the idea of trend signal strategy.

WHAT IS TREND SIGNAL STRATEGY?

Trend signal strategy is simply the identification of a shift in the current trend to a previous trend. Forex trading is all about trying to identify the largest change in a currency price and trading when that price gap benefits your position best. Using this forex strategy, you are looking for those instances when the price position shows a different direction. Most new traders rely on this strategy because it is the simplest to grasp. There are minimal outside factors, and all the information you need comes from the market graph showing previous price positions.

THE BIGGER THE BETTER

If you are a doctor looking at someone's medical history, you want to examine the largest amount of time possible to accurately make a decision about that person's health. You cannot just look at one month or one year and ignore everything that happened up until that point. Trend signal strategy acts in a similar fashion. When you trade, you can adjust the time interval of your market graph to zoom in or zoom out of the current view and look at the history of the currency price. To identify larger differences in trends, it is best to get as large a picture as you can for the history of the currency, just as you would a medical history for a person. Accurately identifying patterns takes as much information as you can provide to develop said pattern.

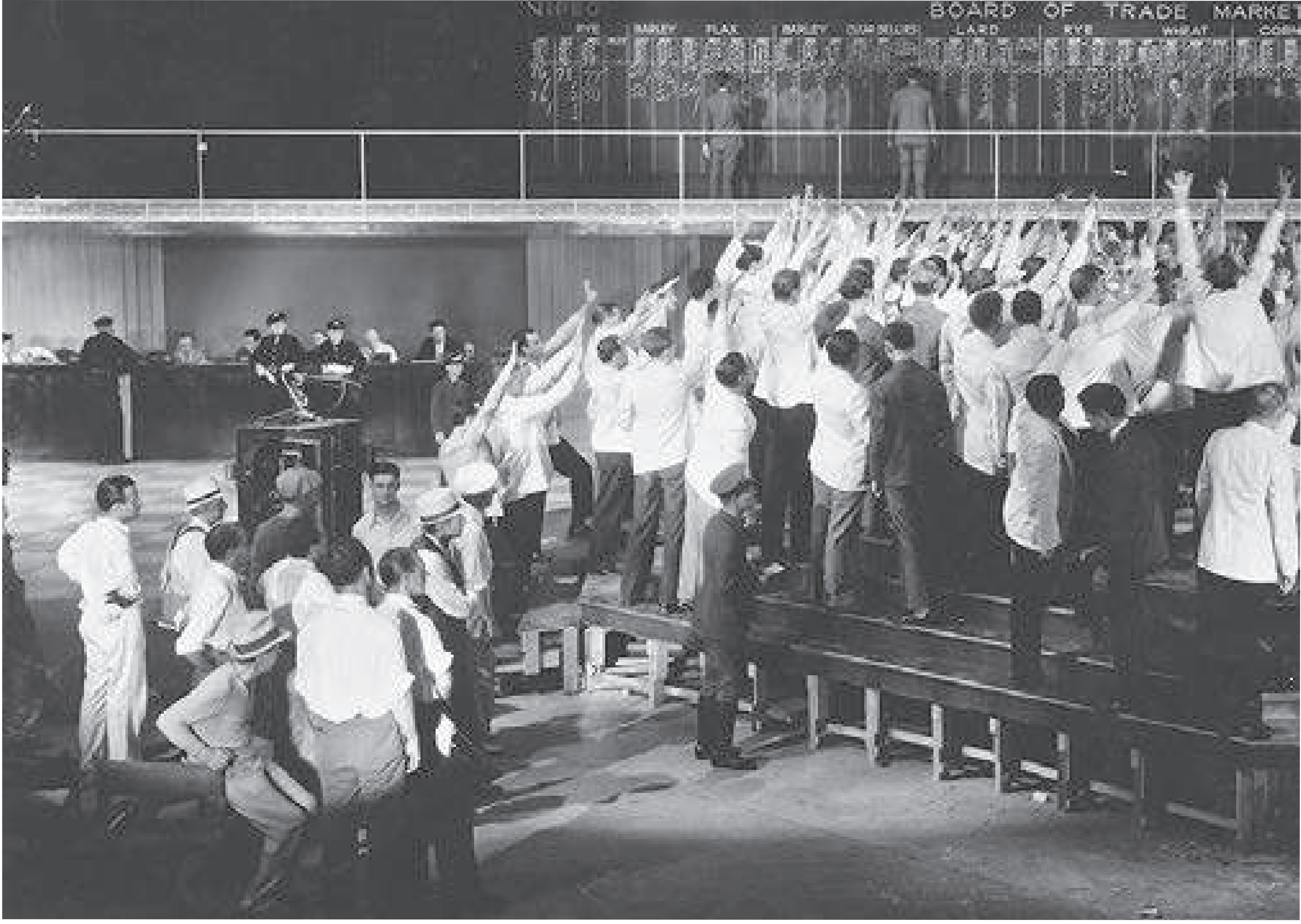
TEST OUT YOUR STRATEGY

Before implementing any forex strategy for practical use, test it out on the platform you plan to use to trade. Some platforms have a training aid that will allow you to practice trading with fake money and with real time changes in the market. This allows you to get a feel for the market and how the platform operates. If this is not an option, go to another currency that you are not currently invested in, and play around with the graphs to try to use trend signal strategy to identify trends. Break out the pen and paper and keep track of when you would invest and sell and you can see if your understanding of trend signal strategy leads you to a profit. When you are ready to use it, start out small so you are not getting ahead of yourself as sometimes the use of actual money can cloud judgement and cause us to make poor investment decisions. Trend signal strategy, just like most forex strategies, take time to perfect but with a little practice, you can be on your way to successful forex trading.

Chapter 3

CFD Trading Strategies: A Brief Primer

When participating in online CFD trading, you may find that you will use more than one strategy. In fact, there are a number of trading strategies available, and learning a new strategy will further increase your skills as a trader. In this article, we briefly review a few of the most popular CFD trading strategies.



CFD TRADING STRATEGIES: A BRIEF PRIMER

Many traders prefer CFDs (contracts for difference) to stocks, as they can profit from the market without having to own the underlying CFD asset. Moreover, trading strategies used for trading CFDs are very similar to those used for the underlying assets. When it comes to managing your investment portfolio, use the strategy that best fits your skills, needs, and goals. When participating in online CFD trading, you may find that you will use more than one strategy. In fact, there are a number of trading strategies available, and learning a new strategy will further increase your skills as a trader. In this article, we briefly review a few of the most popular CFD trading strategies.

BASIC STRATEGIES

With any CFD trading strategy, a trader must make predictions regarding the movement of the market. There are some basic strategies which set forth the foundational ideas that can later be used in more advanced trading strategies.

Traders may choose a strategy based on the idea of ‘going long’. This type of strategy can be used for short-term or long-term trades. When employing a strategy of ‘going long’, the length of time depends on the length of the CFD’s trend, as well as the length of the trailing stop set by the trader. The basic tenet of this strategy is to enter into a CFD when the asset price is low and exit when the asset price is high. This idea of “Buy low, sell high” can be seen in many trading strategies.

Another basic strategy is ‘going short’. This strategy is best suited for traders who already have a familiarity with short-selling stock. With this strategy, a trader will exit a CFD when the price is high and then enter back into the CFD when the price drops to a lower point.

In addition to these choices, traders must also decide whether to hold a long position or a short position. A long position assumes that the asset’s value will increase during the contract. A short position assumes that the asset’s value will decrease.

Taking a long or short position should not be confused with making a long-term or short-term investment. With short-term trading, traders make a profit from CFDs with term lengths of minutes or hours. The trading usually happens within one trading day. Long-term trades have a longer time span of a month or even a year. Long-term trading gives a trader a more informed perspective of the market and allows them to make better forecasts as to how trends will form.

FUNDAMENTAL AND TECHNICAL TRADING STRATEGIES

When broadly categorized, most trading strategies are labeled as either a Fundamental Trading Strategy or a Technical Trading Strategy. Fundamental CFD trading strategies are based on an analysis of the company's fundamentals, which includes a deep dive into the asset's intrinsic value. When completing a fundamental analysis, a trader must learn the details of the company's market position and cash flow, as well as their growth and profit history. Other information, such as the skills and expertise of the company's executive team and the reputation of the company itself, is also used in fundamental analysis. Fundamental trading strategies are best suited for long-term trading.

Technical CFD trading strategies can be divided further into two groups: Mechanical and Discretionary. Mechanical trading strategies can all be viewed as a type of range trading. Range trading is also known as rangebound trading. Due to the mechanical nature of these strategies, many find them to be a bit boring. Mechanical trading strategies can be seen as those that you set up and then forget about. With these strategies, traders set a rule that is automatically followed, such as "When X hits €€€, then sell."

On the other hand, discretionary trading strategies are dynamic and allow the trader to be very active. Many traders find these strategies to be much more interesting than mechanical strategies. Discretionary trading strategies are built on the idea that the trader is uniquely able to identify and appropriately act on emerging trends. This is because the trader has a broad view of the market. A trader isn't bound to a specific rule, as is the case in mechanical trading. Instead, they are able to consider a myriad of data using their previous trading experience and knowledge. This knowledge is applied to the insights the trader extracts from different analytical tools, such

as Wave Theory, simple moving average, or the Fibonacci Sequence. By combining all of this data together, the trader has a good perspective regarding the future price movements of different assets.

DISCRETIONARY RADING STRATEGIES

There are a great many different CFD trading strategies that fall under the category of discretionary strategies. The News Playing Strategy and Trend Following are just two examples of this type of strategy.

The News Playing Strategy is one that encourages opportunistic trades. With this strategy, a trader must be constantly following the news surrounding the industry, and related industries, of the CFD they wish to trade. While staying up-to-date on world and economic news is beneficial to all traders, for those employing a news playing strategy, it is paramount. A breaking news story can affect the price of an asset, which may signal to a trader whether to buy or sell their CFDs. If the news reveals positive information, then a company's asset may rise. Conversely, a negative story may cause the company's asset to fall. A trader will use this information to buy or sell, according to which will create a profit for them.

Some discretionary trading strategies focus on short-term trading. Two examples of such strategies are the Breakout Trading Strategy and Swing Trading. With both of these strategies, a trader will hold the CFD for only a short period of time.

The Breakout Trading Strategy requires the trader to have an understanding of how the market fluctuates and to be able to identify when a price movement may happen. A trader may choose to purchase a CFD as the asset is experiencing a downward trend. If the trader is using the Breakout Strategy, then they enter into a CFD during the downward trend just before the asset rises. Once the asset rises to a certain point, the trader exits CFD. Without a deep understand of the market and the way the market moves, a trader can suffer great losses. A wrong prediction regarding the direction of the price can cost an inexperienced trader a lot of money. Be sure to only employ this strategy if the market is giving very clear signals as to which direction the price of an asset will move.

A Swing Trading Strategy is based on the same idea as the Breakout Trading Strategy. With Swing Trading, a trader aims to make a profit from smaller reversals, or swings, that take place throughout a longer trend. Within a bull market, for example, asset prices often experience periods of consolidation. During this time, the price falls below a previously held high. This provides an entry point for the trader, who will then exit the CFD after the asset price continues to rise. The opposite actions are taken in a bear market. With a Swing Trading Strategy, positions are not held for a very long time. Most often, these trades are completed within a day. At times, trades may last a longer period of time, such as a week.

ADVANCED TRADING STRATEGIES

Advanced traders are able to execute more complicated strategies. Their years of experience in trading assets and their knowledge of the analytical tools used for market analysis give them the ability to utilize more advanced techniques and strategies when trading CFDs. Spread trading and hedging are two examples of advanced strategies used by CFD traders.

Spread trading, also known as 'scalping', is one of the most active trading strategies available to CFD traders. With this trading strategy, the trader follows the market very closely and finds momentary difference between the ask and bid prices of an asset. The trader then acts quickly to exploit this difference. The window of opportunity is quite small, so the trader must be vigilant in watching the market and act quickly when an opportunity is detected. This strategy can be used to bring many small profits throughout the day, creating a steady stream of profits earned over the course of a dozen, or more, trades within a trading day.

Hedging is a protective strategy that is used by advanced traders to remove risk from their portfolio. Hedging can be used to protect positions a trader holds in volatile markets, or when the trader wants to eliminate risk from their trading portfolio. When hedging, a trader takes up a position in a secondary market that is opposite to their current open position. As the current open position produces a loss for the investor, the goal is for the position in the secondary market to create a profit and thus cancel out the loss experienced by the trader.

HOW TO CHOOSE THE RIGHT STRATEGY FOR YOU

There is no simple answer as to which strategy you should use when trading CFDs. As you research different trading strategies, consider your knowledge level, your trading goals, and your appetite for risk. All trading requires research, diligence, and hard work, including trading CFDs. Trading CFDs is a skill that takes time to develop. The best way to develop your trading ability is to learn about analytical tools and different CFD trading strategies, and then experiment to see which strategy works best for you.

Chapter 4

Cryptocurrency and Forex Trading Strategies: Trend Trading

The forex market attracts traders who embrace a variety of styles. While most people new to the market may only be familiar with day trading, trend trading is also one of the more popular forex trading strategies. This technique is especially popular with people who are looking to trade crypto on the foreign exchange, as bitcoin and other crypto coins provide an exciting challenge.

CRYPTOCURRENCY AND FOREX TRADING STRATEGIES: TREND TRADING

The forex market attracts traders who embrace a variety of styles. While most people new to the market may only be familiar with day trading, trend trading is also one of the more popular forex trading strategies. This technique is especially popular with people who are looking to trade crypto on the foreign exchange, as bitcoin and other crypto coins provide an exciting challenge.

It's not enough to have a definite trading plan, trading of any asset also requires a detailed knowledge of the asset you're holding. A crypto trader especially must have at least basic knowledge of digital currencies, particularly of the coin they're trading. Cryptocurrencies are far more volatile than a fiat currency or stocks and bonds. This means that you need to be far more careful while trading them

Whether you're looking to trade cryptocurrencies or fiat currencies, trend trading is a good strategy to apply to the forex market. Read on to learn more about this technique.

TRADING ON THE FOREX MARKET USING "TREND TRADING" STRATEGY

Trend trading is a trading strategy where you buy an asset, keep following all news and trends related to it, make price predictions based on those trends, and then trade it accordingly. This strategy is very popular when it comes to trading crypto on the forex market given the unusually high volatility rates of cryptocurrencies.

While volatility does make an asset riskier to trade, it is also what makes it more profitable. High volatility rates mean more ups and downs and thus more profitable trading opportunities. Given their high volatility, cryptocurrencies are fairly unstable trading assets.

A digital currency's price is affected by almost everything happening in the crypto space that is even remotely related to it. This is exactly what makes cryptocurrencies perfect for trend trading. All you have to do is to follow crypto-related trends and news vigilantly and keep a keen eye on your coin's charts and indicators.

Technical analysis and trend lines are two of the best tools to make predictions for your asset, which you're trading crypto coins or fiat currency. Trend trading is suitable for both short and long-term traders, giving both of them ample opportunities to make profitable trades. Trend traders are making hefty profits by trading various cryptocurrencies, especially bitcoin.

TRADING CRYPTO ON FOREX

It's becoming increasingly popular to trade cryptocurrency against fiat like USD or EUR. This trading option is mostly available only on forex trade platforms where traders employ forex trading strategies to earn profits.

This is a relatively new form of crypto trading. The reason for its rapid popularity gain is because it adds a layer of certainty to your trade due to the inclusion of a stable fiat currency. Forex trading strategies like trend trading are becoming more and more popular as bitcoin currency trading on forex becomes a widely adopted trading option.

Regardless of what your trading strategy is, you must always remain cautious. Dealing in an unstable market has its pros and cons. The only way to protect yourself from frauds and losses is to do thorough research about your cryptocurrency and your chosen trade platform and by following your trading strategy strictly.