Do You Make These Simple Mistakes By Not Picking One Market?

Many traders are overwhelmed by the size and intricacy of the FOREX market, and yet a knowledgeable trader has the potential to realize profits in this market that is unmatched by any other. There are a number of aspects of the FOREX market that set it apart from any other market that give it this potential.

First off, FOREX is a 24-hour market. You don`t need to wait for the opening bell here. Anytime a trader wants to take advantage of positive market conditions, they can. This 24 hour timeline of FOREX also means there is very little of the gaping that can occur in other exchanges. Trends, and trading, progress more smoothly. The FOREX market is also the most liquid market in the world. That means that a trader can enter or exit the market whenever they want, and there is little chance of being caught in a position you can`t exit.

Another aspect of the FOREX market that creates a favourable trading environment is its high leverage. Leverage ratios of up to 400 are normal in this market, compared to a leverage ratio of 2 (50% margin requirement) in the equity markets. Of course, this also increases the potential downside of FOREX trading, something which should always been taken into account when considering a trade. To offset this there is the FOREX`s low transaction cost. The retail transaction cost (the bid/ask spread) is actually less than 0.1% (10 pips) under normal market conditions. At larger dealers, the spread could even be less than 5 pips.

Also consider that at FOREX it`s always a bull market. A trade in the FOREX market means selling or buying one currency against another. In essence, a bull market or a bear market for a currency is defined in terms of its outlook for value against other currencies. If the outlook is positive, you get a bull market for that currency, where a trader profits by buying the first currency against other currency. However, if the outlook is negative, you have a bull market for other currencies and the trader profits in the other direction. Whatever way you look at it, there is always a bull market trading opportunity somewhere.

The FOREX market is so large and has so many participants that no single trader, even a central bank, can control the market price for an extended period of time. Even when the central banks of large countries try to intervene in the market, they find that their efforts have little effect on market prices. What they do have is short-lived. FOREX is so large and liquid that no one can corner the market.

Just as no one can corner the market, no one can regulate it either. The daily operations of retail FOREX brokerages are not regulated under any laws or regulations specific to the FOREX market. In fact, many of these types of establishments in the United States do not even report to the Internal Revenue Service, though they are regulated under the banking laws of their respective countries. However, the currency futures and options that are actually traded on exchanges like Chicago Mercantile Exchange (CME) are under the regulation in the same manner that other exchange-traded derivatives are regulated.

These characteristics combine to create a market environment that always has a good trading opportunity somewhere, at any time of the day. It gives us a market that is remarkable liquid, with high margins and low fees, and it is a market that has very little governmental intervention of any kind. By this time, it should be clear to you that it is worth investing your time and energy to get to know the FOREX, so that you can take advantage of this highly profitable market.

About the Author

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