FTI
FREEMIUM TRADE IDEAS

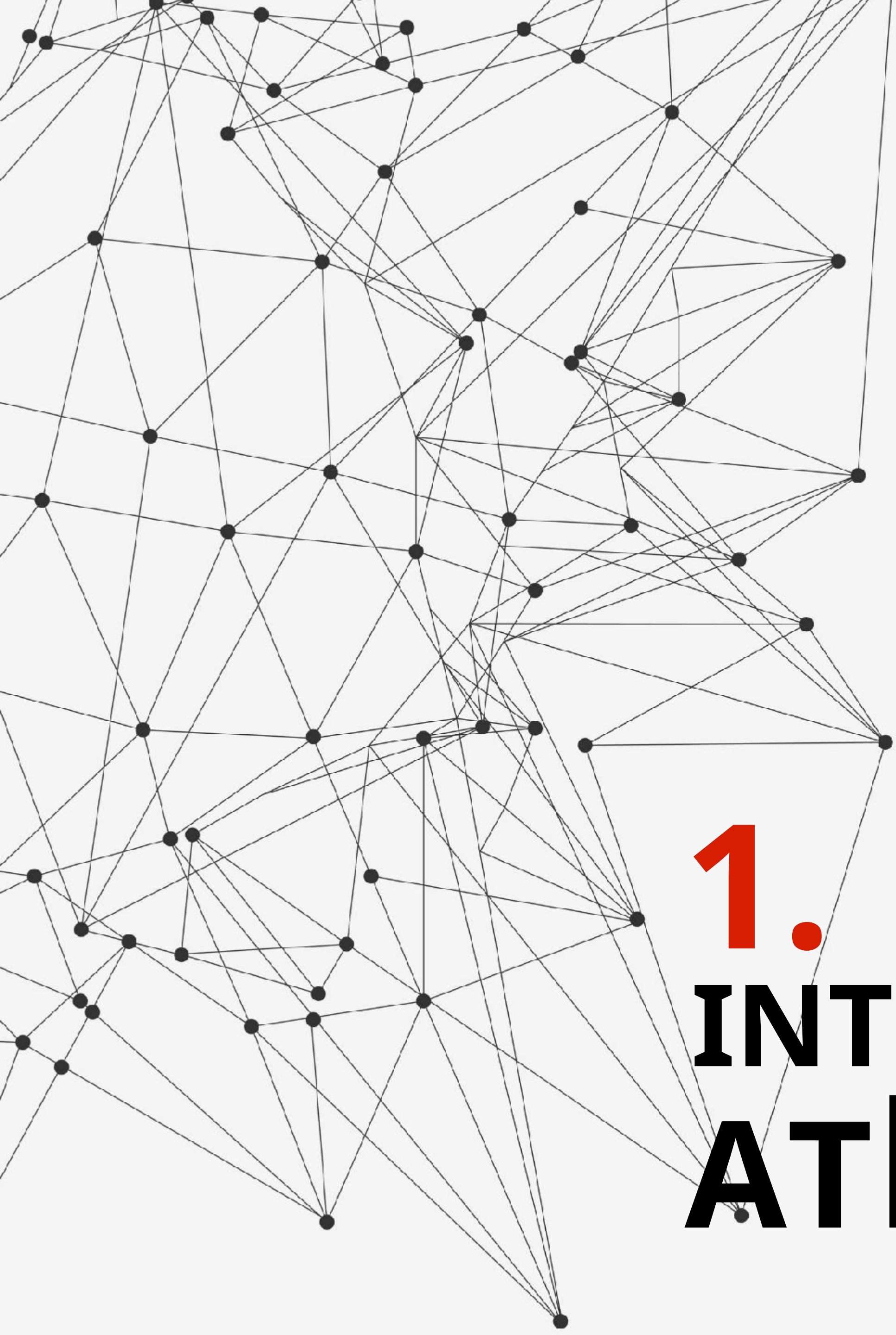
TRADING

GETTING STARTED

SUMMARY

1.INTRODUCTION TO FOREX

- What is forex?
- Stock market opening hours
- What are currency pairs?
- Types of Currency Pairs (Major/Minor/Exotic)
- What is the exchange rate?
- Other tradable assets
- CFDs (Contracts for Difference)
- Trading volumes
- Margin & leverage
- Pips and Pipettes
- Bid, Ask, Spread and Swap
- Order Types
- Stop-loss / Trailing Stop / Take-profit
- Price Alerts
- Balance & Equity / Used Margin & Free Margin
- Other key definitions



1.

INTRO DUCTION ATF OREX

What is forex?

- ForexOrFXis an acronym for the English term "FOReignEXexchange"; in French "foreign exchange market"
- The Forex market is a market where one can trade currencies according to their respective exchange rates.
- Exchange rates are based on supply and demand, as well as statistics and the global economic and political context.
- When you buy one currency, you sell another simultaneously.
- You yourself have probably already made a Forex transaction while traveling in a country that uses a different currency to yours.

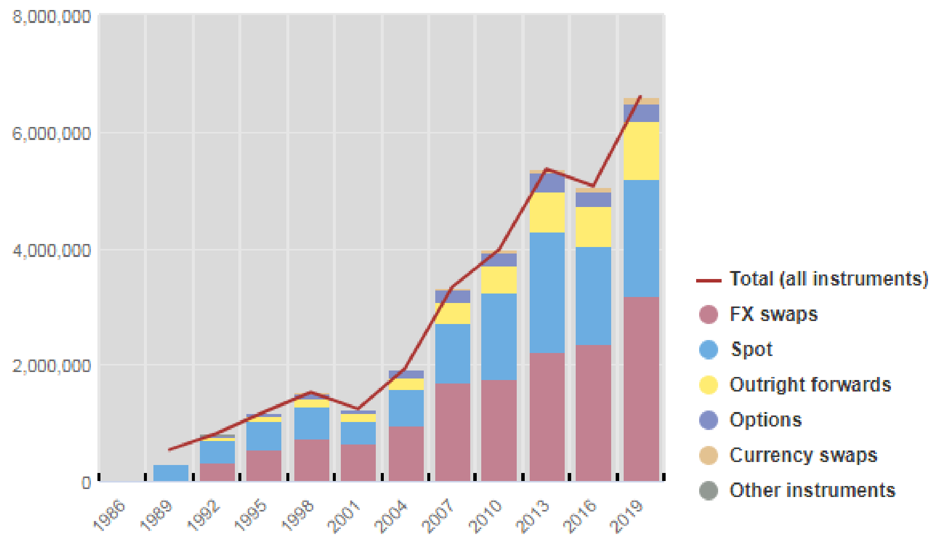
Example:

Cyprus is a member of the Eurozone and therefore uses theEuros.

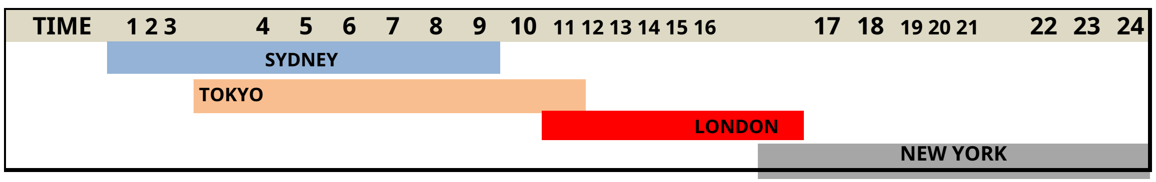
I have to exchange my euros for Books to be able to consume in the United Kingdom.

Stock market opening hours

- Forex is the most active market in the world.
- More than $5 trillion is traded on average every day.
- In comparison, this volume is 25 times larger than the global volume of shares traded.



- The Forex market is open 24/5. The market is closed only during weekends.



Source
http://www.bis.org

What are currency pairs?

A currency pair determines the economic value of the country to which it belongs.
Appreciation and depreciation depend on specific events that influence a particular country or territory.

For example: The currency of the USA is the American dollar (USD). In the Eurozone, we have the euro which is used by 19 out of 28 member states. The United Kingdom has the pound, Japan the yen, etc.

The International Organization for Standardization (ISO) has established standard abbreviations for currencies:

CURRENCY	CODED
US Dollar	USD
Great Britain Pound	GBP
Japanese Yen	JPY
Euro	EUR
Australian Dollar	AUD
Swiss Franc	CFH
Canadian Dollar	CAD

CURRENCY	CODED
Swedish Krona	SEK
New Zealand Dollar	NZD
Korean Won	KRW
Singapore Dollar	SGD
Norwegian Krone	NOK
Mexican Peso	MXN
Russian Ruble	RUB

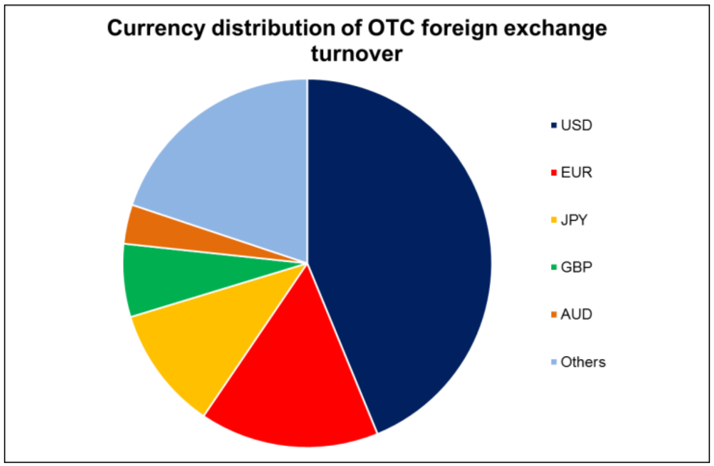
Types of Currency Pairs (Major/Minor/Exotic)

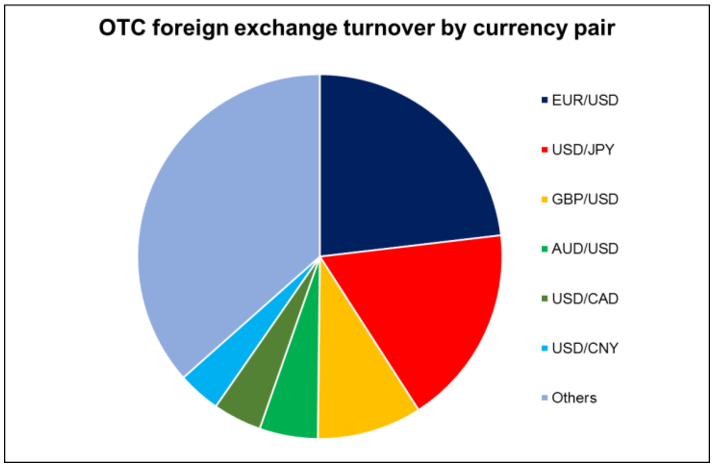
Major Currency Pairs | They necessarily include the US dollar on one side and are the most traded pairs in the world. They represent 80% of global Forex trading.

EUR/USD, USD/JPY, GBP/USD, USD/CHF, USD/CAD, AUD/USD, NZD/USD

Minor Currency Pairs | Also called cross currency pairs, do not include the US dollar, but include at least one of the world's three other major currencies: EUR, JPY, and GBP. (For example: EUR/GBP, GBP/JPY, EUR/CAD).

Exotic Currency Pairs | They include a major currency on one side and a currency from an emerging economy or a small economy from a global perspective such as Hong Kong or Singapore, and some European countries outside the Euro Zone (Ex: EUR /HUF, USD/ZAR).





Source
http://www.bis.org

What is the exchange rate?

The exchange rate is the difference between the value of two currencies.
It is the rate at which one currency can be exchanged for another.

EUR USD

Base **Quote**

- The BASE currency will always be equal to 1, while the QUOTE is variable
- Example: EUR/USD = 1.11523, we understand that 1 EUR is equivalent to 1.11523USD.

There is**3 main factors**which influence the value of a currency:

- **Economic factors|**They are considered the most objective factors. They include GDP (Gross Domestic Product), trade balance, financial regulations, inflation, potential deficits and surpluses.

- **Political context|**Traders prefer a stable political environment. Any signs of uncertainty, such as an attempted coup or civil war, are detrimental to the country's currency as well as its global market position.

- **Psychology and state of the market |**Refers to the general attitude of investors towards a particular asset. This represents market sentiment and can be compared to mass psychology.

Other tradable assets

There are other asset classes besides Forex that you can use to diversify your trading portfolio:

Actions | Also known as “Securities” or “Equities,” they are a type of asset that represents proportionate ownership of the issuing company. (Apple, Google, Alibaba, Amazon, etc.)

Stock market indices | Represented by a hypothetical portfolio of the main stocks of such a country. By following them, we can determine how the country's economy is developing. (GER30, US100, etc.)

The commodities market | These are the basic products used in commerce. The quality of these commodity products may differ slightly, but this remains consistent between producers. (Crude oil, Coffee, Sugar, etc.)

Metals | Precious metals are globally recognized for their value and Forex does not exclude this. Investors prefer to trade metals in times of uncertainty since, as usual, their rates increase (Gold, Silver, etc.).

CFDs (Contracts for Difference)

A “Contract for Difference” (CFD) is a financial instrument that allows market participants to invest in an asset without actually owning it. CFDs are derivatives that allow traders to profit from price changes in underlying financial instruments and are often used to speculate on these markets.

The CFD is a contract between two parties: the investor (buyer of the contract) and the broker (broker, seller of the contract).

It specifies that the seller will pay the buyer the difference between the current value of the underlying asset and its value at the time of the contract (closing the position). If the difference is negative, the buyer pays the seller.

In simple words: The participating counterparties in a CFD agree to exchange the difference in the price of a particular contract in an unspecified future time.

Trading volumes

- Order releases are placed in lot sizes. Lot sizes change depending on financial instruments

- Typically, trading volumes are divided as below:
  - -1 Standard lot (1.00) = 100,000 units
  - -1 Mini batch (0.10) = 10,000 units
  - -1 Micro lot (0.01) = 1000 units

- CFDs on stocks or indices are traded by contract
  - -The minimum volume for Shares is 10 contracts (10 lots).
  - -The minimum for Indices is 1 contract (1 lot)

Instrument	Min Volume in Lots	Max Volume in Lots	
		Live	STP/ECN
FX	0.01	40 lots	80 lots
Metals	0.01	15 lots	30 lots
Futures: Equity/Base Metals/Commodity Currency/Equity Index	0.01 0.01 1.00	15 lots 15 lots	N / A N / A
Shares	10 shares 10 shares	US:2,000 UK:4,000	N / A

Margin & leverage

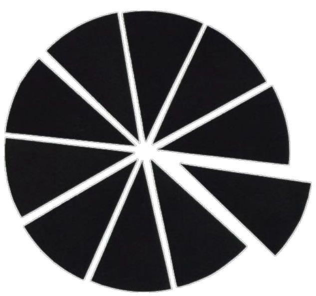
- In general, when a product costs €10,000, you have to pay €10,000 for it. In Forex, you don't need to own the total amount of what you buy. In a trade you can commit much less than the amount you want to trade. The amount committed is called the margin. Trading volume is generally your margin combined with the multiplier, which is called leverage.

Leverage in simple words: Leverage is a multiplier. This allows the trader to open positions with a lower investment than is generally required.
This can be compared to a double-edged sword since it represents an amplifier for your investment and profits, but also for your losses.

- **Advantage:** High return achieved from low invested capital.

- **Inconvenience:** A small price movement in the opposite direction can cause you to lose the entire amount invested.

Margin in simple words: Borrowing money from a broker to buy stocks is called buying on margin. Margin requirements generally vary from asset to asset and depend on the specific requirements of the broker.



EUR 10,000

I only engage 1/10th of the sum (1000€) This is the margin.

The trading volume is 10 times larger than the margin, so leverage is 1:10.

Pips and Pipettes

The unit of measurement that expresses the variation in value between two currencies is called a "PIP". The pip is generally the last decimal placed behind the price "Quote"

Most pairs have 4 decimal places, but there are some exceptions like the Japanese Yen (JPY), which only has 2 decimal places. There are some Forex brokers who include the pipette in their prices. They represent a "tenth of a pip".

EUR/USD

USD/JPY

Value of a pip

The value of a pip is its value in monetary terms. It depends on three factors:

- The currency pair
- The exchange rate
- Transaction volume

Calculation:

PIP Value = Pip size * Position size

Examples:
1 lot EUR/USD = 0.0001 * 100.000 = 10 USD
0.10 EUR/USD = 0.0001 * 10.000 = 1 USD

Pip value converted by base currency:

PIP Value = Pip size * Position size / (FX rate)

Bid, Ask, Spread and Swap

BID & ASK | Bid and Ask or Bid-Offer are the terms used in the financial markets to designate the price to which participants sell or buy assets, in particular currencies. The Bid is lower than the Ask. On the seller side, the Bid corresponds to the purchase price and the Ask to the sale price

BID price ←

→ **ASK price**

SPREAD | The price difference between the Bid and the Ask is called the Spread. This is the margin that the broker takes when opening a trade.

For example: Ask price EUR/USD Bid Offer 1.08067/1.08079, so Spread = 1.2 pips.

SWAP | The swap (or rollover) is interest paid by the online broker's client for positions opened from one day to the next. This is an interest rate applied to the nominal value of the trading position open for more than 24 hours.

Order Types

- **MARKET ORDER |** It is an immediate buy or sell order at the current market price. Closing a position at such a price on the market is also a stock market order.

- **PENDING ORDERS |** Orders are not executed immediately, but are executed later when a certain price is reached.

- **Pending orders to configure:**

  -Buy stop: A pending order to buy at a higher price than the current price.

  -Sell stop: A pending order to sell at a lower price than the current price.

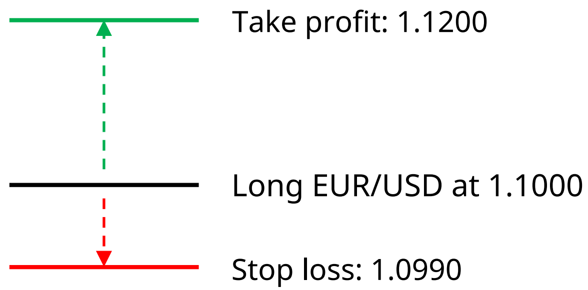
  -Buy limit: A pending order to buy at a lower price than the current price.

  -Sell limit: A pending order to sell at a higher price than the current price.

Stop-loss / Trailing Stop / Take-profit

- **STOP LOSS |** An automatic stock market order to close a position if the market moves in the direction opposite to this position. A stop loss order is defined as the maximum loss that the investor wishes to take on a stock market position.

- **TAKE PROFIT |** An order to close a position if the market moves in the same direction than your position. It is set to close a position automatically when prices reach a predefined profit level.



- **TRAILING STOP |** A modified version of Stop Loss, which consists of maintaining a gap of points between the asset price and the Stop Loss level. For example, I can place a Trailing Stop set to 20 pips below the price. When the price moves 10 pips in the desired direction; the Stop Loss will also move 10 pips in the same direction.

Price Alerts

What are Price Alerts?

- The idea of Price Alerts is simple: an alert is triggered when the price of a currency pair reaches or exceeds the level indicated by the user.

How to configure Price Alerts?

- Users can set their price alerts on the trading platform interface by clicking on a price level on the Forex chart.

- Customize your price alerts using a wide range of settings like custom messages, tables, timings and restriction expirations.

- Once the alert is set, the trading platform's software will monitor the forex market in real time 24 hours a day. When your alert conditions are met, you receive an alert notification on the device of your choice including email, phone/ SMS, Messenger or RSS feed.

Libra & Equity | Used Margin & Free Margin

BALANCE

This is the amount of money you have in your account. Unrealized profits or losses are ignored. For example, if you have $5,000 in your account and $200 in unrealized losses on open positions, your balance is $5,000.

EQUITY

This is the amount of money you have in your account if you close all your open positions simultaneously.

Equity = Balance + P/L (Profit/Loss).

Let's say you deposited $5,000 and opened a position with $300 that is currently earning $25; then: Equity = ($4,700+$300) + $25 = $5,025

USED MARGIN

This is the equivalent of funds already involved in open positions. It is calculated from the base vacuum.

Used Margin = (FX Rate * Volume) / leverage

We want to buy 1 lot of EUR/USD Ask current price of 1.1485, with leverage of 1:100. **Used Margin = (1.1485 * 100.000 units (1 lot)) / 100 = 1148.5 EUR**

FREE MARGIN

This represents the amount that is still available to trade.

Pending orders are deleted if the Free Margin is not sufficient to cover the margin necessary to open a position/

Free Margin = Equity – Used Margin

Other key definitions

MARGIN LEVEL

- The Margin Level determines the risk level of the account.
- Calculation: (EquityMargin) * 100

If you win on your open positions, your Equity increases as well as your Margin Level. When you commit more money to trades and your Equity decreases due to losses, the Margin Level drops.

STOP OUT LEVEL

This is a certain margin level percentage level required; from which the trading platform will automatically start closing positions to avoid more losses on the account.
When the margin level is equal to or less than 20% then positions are automatically closed, starting with the largest loss recorded in order to release the remaining margin.
For STP accounts, the Stop-Out Level is set at 80%.

This is the limit to which the margin level can fall. At this level, we can still close positions but we can no longer place new ones.

MARGIN CALL LEVEL

This is the broker's warning that the margin level of the account has fallen below the required percentage and that there is not enough equity.
Generally, brokers have the right to start closing their clients' positions starting with the least profitable when the margin level is less than 40% on live accounts and less than 100% for STP accounts.

Other key definitions

- Bull Market
A market characterized by increasing prices.

- Bear Market
A market for which prices are decreasing remarkably.

- Short Position
A position in which a base currency is sold. It is profitable when the price decreases.

- Long Position
A position that becomes profitable when the market price increases. A pair in which the base currency is purchased is called: Long Position.

- Haven
An asset that investors turn to during periods of market turbulence, also known asSAFE HAVEN(JPY, gold).

- Gap
A gap is a period of time during which no quotation takes place but the price of a security or an index has varied, for example between the close of a stock market session and the opening price of the next session.

- Hawk
An official central bank concerned by high inflation and which favors higher interest rates.

- Dove
An official central bank concerned about weak growth and favors lower interest rates.