

# Gus FX Quick Guide Into Forex

<http://gusforex.com/>

This guide is meant for those **totally new to trading**. Trading currencies is what Forex is all about, and the aim of this quick guide is to give everyone out there who is new to trading forex an accelerated route into what exactly to do and how to do it. This will give you a quick rundown on what trading is and how to quickly start trading your own demo account.

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## WHAT IS FOREX?

So first things first, in the most basic terms Forex or Foreign Exchange or FX, is simply the exchange of one monetary currency for another.

### QUICK EXAMPLE

Ok then, let's take a nice quick example. You're going on a 5 week holiday from the US to France. Obviously you need Euros to pay for things in France. So what do you do? You go to a foreign exchange office (at the airport most likely), and exchange Dollars for Euros. This enables you to buy stuff in France with your Euros. The foreign exchange office will quote you the current exchange rate, so for example, for every USD, you might get 0.75 Euros. So maybe you want to exchange one thousand Dollars into Euros. So that would mean \$100 = €750. Not bad, 750 Euros to spend in France.

Then after a few weeks when you return back from you holiday, you'll want to swap your Euros back into US Dollars. Take note – the exchange rate probably will have changed a little and you might get a better or worse deal. For example maybe you didn't spend much in France, only spending €250, which means you're left with €500 back into USD. All you do is go back to the foreign exchange office, and exchange the Euros into Dollars. However, the current rate will most likely be different, and you might get a better deal. So if you swap your €500 back into US Dollars, you might get back \$1000. Hang on a second... but didn't you have a \$1000 US Dollars to begin with before setting off to France? Yep, it's just that the Forex rate has changed so much, that it's benefited you a great deal, where now you're getting 2 Dollars for every Euro. Ok ok, so now that's got us thinking. **What IF** you didn't spend any Euros in France? (Let's ignore the fact that you have to eat, drink, etc) So you've spent nothing in France and therefore brought back 750 Euros you started off with. That's right you'd be pocketing \$1500 back in the US. That's a \$500 US Dollar profit.

Okay so that seems like a great deal, well what about if we go one step further, let's say that you didn't even bother going to France, and just swapped your \$1000 US Dollars into Euros, waited 5 weeks sitting at home in the US, and

swapped the Euros back into Dollars? Same thing, you'd get a cool \$1500 US Dollars. Starting to get the picture? **It is the exploitation of this very fluctuation in the currency markets that allow a Forex trader to profit.** Now in reality there's not going to be as much fluctuation as in this example, but the real issue is... How do Forex traders know which currency is getting stronger and which is getting weaker? They don't, but there are methods that allow a trader to have a better idea and help them to make consistent profits.

So there we go, **In FX terminology, we have just been trading the EUR/USD.** And since currencies are bought and sold against each other, they're always traded as pairs, and hence the notation of EUR/USD, GBP/USD, EUR/GBP, etc... The vacation example used above is a very simplistic/idealistic example. Usually the foreign exchange office will charge a small fee when you exchange currencies. After all they are providing you a service, so they'd also want their small bit of profit as well. This small fee is also known as the "spread" or "commission".

That is seriously all that Forex or FX is all about. It is just the buying and selling of currencies, and trying to make a profit from it.

## **THE INTERNET AGE**

The best thing about trading Forex in today's world is that you don't need to go to a physical office to buy and sell currency but you can do it over the web, with certain "**Forex Exchange Brokers**". You just need to have access to a PC with the internet and that's it. Different internet brokers have different software (or platforms) that allow you to buy and sell currencies (24 hours a day, 5 days a week), but the most popular platform and the one I use is called Metatrader 4, (often shortened to MT4), for Microsoft Windows. MT4 is easy to use, powerful and absolutely free.

When starting off, you don't need any real money to practice, since MT4 allows you to experiment with practice money, e.g. \$5000 on a DEMO account. Yep, you get \$5000 fake money to trade and practice without risking your hard earned money. This is by far the best way to practice and learn the nature of Forex trading.

You can open a Demo account through the makers of MT4 or you can go to a specific broker and opening a demo account through them, which is what I recommend.

MT4 Platform Developers:

<http://www.metaquotes.net/downloads/>

Favorite Brokers:

IBFX

<https://secure.ibfx.com/forex-software.aspx>

Alpari

<http://www.alpari-us.com/en/open-demo-account.html>

Once you go to one of the previous links, all you have to do is download the software, install the MT4 Client Terminal.

The first thing you will need to do once you run the MT4 platform is create a demo account.

Open an Account

**Personal details**  
To open an account, please fill out all the following fields:

Name: demo

Country: United States      State: demo

City: demo      Zip code: demo

Address: demo

Phone: demo      Email: demo

Account Type: standard      Currency: USD

Leverage: 1:200      Deposit: 50000

I agree to subscribe to your newsletters

< Back      Next >      Cancel

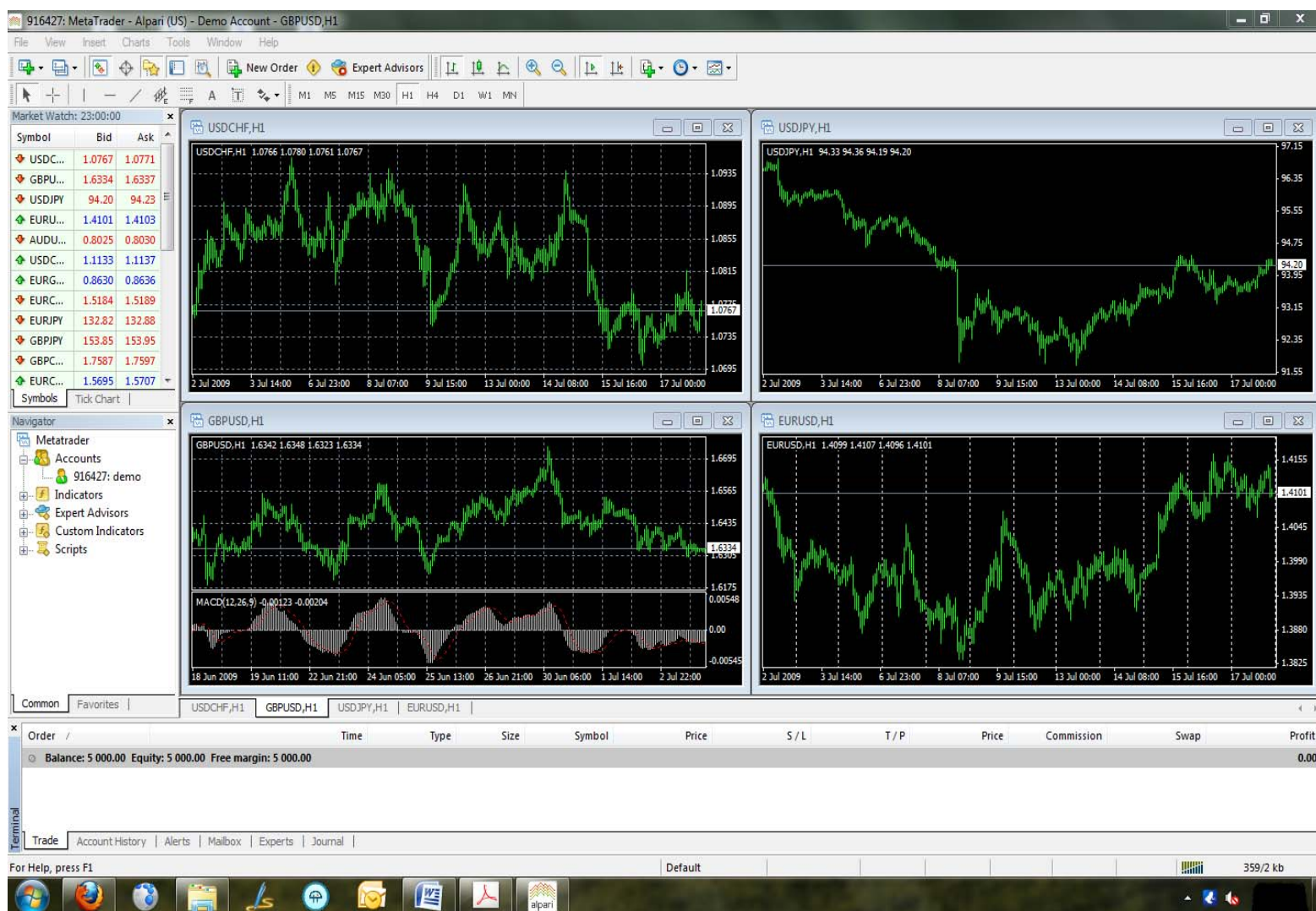
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Don't worry about leverage right now 1:200 will be ok for this account. It is an indication of how much buying power you have.

## FX TRADING IS ALL ABOUT CHARTS

Ok so what do we see below, some charts with bars going up and down, different colors, symbols, etc...

This is the first thing you should see once you finish opening your demo account:



Now a little introduction into your new best friend MT4. See those M1, M5, M15, M30, H1, D1, MN symbols near the top? Well, they just refer to the **TIMEFRAME** of the **chart** that you're looking at. You need charts to help you determine the

trend. You can't just look at the left hand price column and decide, "Yup, I'll go short (sell) here", unless you want an unhealthy bank account. You need to analyze charts. A chart simply contains a representation of "**price action**", i.e. those bars going up and down. Those bars you see are known as "**candlesticks**", they tell the trader 4 key things.

- 1) The price at which the candle opened.
- 2) The price at which the candle closed.
- 3) The highest price the candle reached.
- 4) The lowest price the candle reached.

Because price fluctuates up and down constantly, you'll see that the candlesticks are going up and down constantly.

So, as we said, charts can be viewed in different timeframes, such as the one minute (M1), five minute (M5), fifteen minute (M15), thirty minute (M30), one hour (H1), four hours (H4), daily (D1), weekly (W1), and monthly (MN). Which timeframe is the best? Well, that can depend on how many pips you're looking to make and the style of trading you are looking to do.

**Short-term traders:**

M1, M5, M15 charts

**Long-term traders:**

H4, D1, W1 charts

**Intra-day traders:**

H1, H4 charts

Your "**system**" will determine what timeframe charts you need to be observing.

Here is an example of a normal chart:



This is a H4 (four hour) chart on EUR/USD. As you can see, the black candlesticks are going up, and the white candlesticks are going down. If a candlestick is black, what this means is that in that four hour period (because it is a four hour chart, every candle is four hours) the overall price of the EUR/USD moved upward. If the candlestick is white, this means that on that four hour period, the overall direction of the price was downwards. The bits sticking out of each candlestick (also known as the “wick”) just tells us how far high or how far down the price actually went. Pretty straightforward and simple.

## QUICK LESSON ON DIFFERENT FOREX TERMINOLOGY



Market Watch: 23:00:00

Symbol	Bid	Ask
USDCHF	1.0767	1.0771
GBPUSD	1.6334	1.6337
USDJPY	94.20	94.23
EURUSD	1.4101	1.4103
AUDUSD	0.8025	0.8030
USDCAD	1.1133	1.1137
EURGBP	0.8630	0.8636
EURCHF	1.5184	1.5189
EURJPY	132.82	132.88
GBPJPY	153.85	153.95
GBPCHF	1.7587	1.7597
EURCAD	1.5695	1.5707
EURAUD	1.7568	1.7578
NZDUSD	0.6441	0.6451
CHFJPY	87.45	87.54
EURNZD	2.1866	2.1884
AUDJPY	75.56	75.63
AUDNZD	1.2438	1.2458
AUDCAD	0.8929	0.8939
AUDCHF	0.8636	0.8646
CADCHF	0.9667	0.9675
CADJPY	84.58	84.64
NZDJPY	60.66	60.78

Symbols | Tick Chart

On the above picture one can see the different currency prices. You'll see two columns, the **"bid"** and **"ask"**. The difference between these is the **"spread"**. It's just the broker's way of making money each time you want to make a trade.

When you buy, it's referred to as **"going long"**, and when you sell, it's referred to as **"going short"**.

When a particular currency is gaining strength, i.e. going upwards, its known as a **"bullish"** trend, and when a currency is weakening, i.e. going downwards, its known as a **"bearish"** trend.

The number of points how far a currency has moved (against another currency) is known as “**pips**”. So for example, the GBP/USD, this pair might be currently trading at 1.6334. What does this mean? It means that for every Great British Pound, (£ 1), you will get \$1.6334 US Dollars in return. The next minute, the GBP/USD might be trading at 1.6339. What does this mean? It means the GBP has got stronger in comparison to the USD, by **four pips**.

Now let’s look at the USD/JPY, it is trading around 94.20. This means that for every US Dollar, you’ll get 94.20 Japanese Yen in return. Now if the USD/JPY starts a bearish trend and starts going down, then we might see it trading at 94.00. This means that the USD/JPY has gone down 20 pips.

### **JUMP INTO THE WORLD OF FOREX TRADING**

Ok getting down to business, let’s say you want to make a trade. So you might want a profit of 50 pips (known as the take profit or **TP**). And the most amount of pips you are willing to risk is 30 pips (known as the stop loss or **SL**). Your TP is 50 pips and your SL is 30 pips. This would mean your potential reward is better than you potential risk, which is a very good idea. Let’s apply this to a currency pair. So, let’s say you think the GBP/USD is going to move up and you want to buy that pair, therefore if you went long (i.e. bought) GBP/USD at 1.6334, your TP would be at 1.6384, and your SL would be at 1.6284. So far, so good.

But, the price of GBP/USD might go down, against your anticipated direction, and hit your “stop loss” at 1.6284, meaning you’ve made a loss of 30 pips. Or, the GBP/USD might go up, in favor of your anticipated direction and hit your “take profit” at 1.6384, meaning you’ve just made a profit of 50 pips. Of course, you’d have to take the “spread” into consideration (that the broker charges), and on the GBP/USD is typically 3 pips. So, really you’ve made 47 pips profit.

How much money is a pip worth? It depends. Usually on a standard lot, 1 pip = \$10. So if you’ve made 47 pips on the GBP/USD on that standard account, you’ve just pocketed \$470. Do not think it’s THAT easy. Because as mentioned before, you can’t just be guessing the market direction. You still need to know when to enter and why to enter. A system really helps making those types of decisions.

## **WRAPPING IT ALL UP**

This guide is just a small bit of information into the huge world of Forex trading. Once you've understood the basics of how the MT4 platform works, you'll want to actually start testing a system on your Demo MT4 account. What is a system? This is the biggest thing you need to learn, this will be your rules to enter and exit the market. You don't want to just guess and hope the market goes in your direction. You have to have a plan. A system, something that tells you, how much profit you want out of a trade, and how much risk you're prepared to take, plus when to enter, taking into consideration other factors.

Ok so we are close to the end, just go and make some trades, just experiment with the platform. Go to any chart, click on the new order button near the top of the screen. Just try experimenting with SL and TP. You can see your open trades in the trade box at the bottom of the screen.

## **FURTHER EDUCATION**

I recommend visiting my website where I have some of my favorite trading systems and a lot of information on using MT4 and changing settings.

<http://gusforex.com/>

Once you are comfortable using MT4 and opening charts, etc...

I recommend heading over and reading over some of the systems I have on my website and trying to test them out yourself and get the feeling for trading Forex.

Good Luck,

Gus FX