Overview of the Currency Market

ABSTRACT

Get ready, choose 1 challenge, and start your journey with Sieg fund!

If the word 'forex' (foreign exchange) has scared you and made you turn away without investigating further, there is nothing to be afraid of. Forex trading is simply exchanging one currency for another. According to the Bank for International Settlements' 2019 report, the daily trading volume for the forex markets was $6.6 trillion. This statistic tells us two things:

A. There are plenty of opportunities to trade in foreign currencies.
B. There are many other people trying to do the same thing.

As a forex trader, you will have competitors ranging from professional and experienced traders to amateurs and beginners. All forex traders work through broker-dealer computer networks to make their trades with each other, rather than through a centralized exchange. The market is open for five and a half days a week, 24 hours a day, to accommodate the different time zones of countries involved. As a result, there is constant activity in the market, and currency prices are always changing.

Forex trading has always existed in some form, dating back to the exchange of different currencies or even the exchange of money for goods. However, the modern forex market as we know it today emerged in 1971 when currencies could float against each other. The values of currencies are based on demand and circulation, and a trading services body closely monitors this.

There are two main ways to profit from forex trading:

A. You can profit from the difference in interest rates between two currencies.
B. You can profit from the movement in exchange rates.

For beginners, I would recommend focusing on the second way to make a profit. The first way can be complex and requires a significant amount of capital to be worthwhile. It involves borrowing money from a currency with a low interest rate and investing it in a currency with a high interest rate. The difference between the interest rates becomes your profit, as you pay back what you borrowed. However, this strategy requires stable interest rates, as any sudden changes in currency strength can eat into your profit or even result in a loss. It is not recommended for beginners, but it can be interesting to explore once you gain more experience.

In the past, forex trading was only accessible to large corporations, hedge funds, and wealthy individuals. Thanks to the internet, small individual investors can now participate in forex trading through banks or brokers. However, it is important to note that retail forex trading only makes up 5.5% of all forex trading. Therefore, individual investors are a small presence compared to professional traders backed by large financial institutions.

Given the competitive nature and complexity of forex trading, I generally advise beginners to stay away from it. The moves and actions of financial institutions in the foreign exchange markets have a greater impact on currency value than the economic conditions of the country itself, as highlighted in the 2019 report mentioned earlier.

In forex trading, traders typically trade in pairs. The seven major pairs, which account for over 75% of all trading in the forex markets, are:

- Euro/U.S. Dollars (EUR/USD)
- U.S. Dollars/Japanese Yen (USD/JPY)
- British Pounds/U.S. Dollars (GBP/USD)
- Australian Dollars/U.S. Dollars (AUD/USD)
- U.S. Dollars/Canadian Dollars (USD/CAD)
- U.S. Dollars/Swiss Francs (USD/CHF)
- New Zealand Dollars/U.S. Dollars (NZD/USD)

In addition to these major pairs, there are minor combinations that consist of the other combinations of the listed currencies. There are also exotic pairs, such as the Malaysian Ringgit (MYR) and Polish Zloty (PLN). For beginners, it is advisable to focus on the major pairs, starting with the most major pair of all, the EUR/USD, to minimize risks and gain experience.

When trading a currency pair, you are always buying one currency and selling the other. For example, in the USD/JPY pair, you are buying USD and selling JPY. The first currency in a pair is called the base currency, and the second currency is called the quote currency. The pair indicates how much quote currency is needed to buy the base currency. The goal of a forex trader is to identify price movements in the base and quote currencies that present profit opportunities.

Forex trading can be traced back to the impact of currency values when different currencies existed or when people exchanged money for goods. However, it is important to note that forex trading is a complex form of trading, and not all countries have regulations in place for it. Therefore, I do not recommend beginners to jump straight into forex trading. It requires thorough research and understanding due to its specific nature compared to other trading avenues.

If you choose to find a broker or dealer for your forex trading, it is crucial to thoroughly research them. Brokers and dealers in the U.S. and UK are generally considered safer options due to oversight by regulatory bodies. Additionally, consider the level of protection you have in case the broker or dealer goes bankrupt. Will you receive any compensation, or will your funds be lost?

To get started with forex trading, you need a trading account through a broker. For beginners, micro accounts are available, which limit the amount you can trade, usually around 1,000 units of the currency you are trading in. This helps mitigate significant losses while you are still learning and discovering the best strategy for you. Micro forex accounts typically range up to $10,000, while standard accounts can go up to $100,000. Brokers may also offer leverage, allowing you to borrow money to amplify your potential profits, but this also increases the risk of losses.

It is essential to keep track of your trading figures, review your positions at the end of the day, and ensure you have sufficient funds in your account for future trades.

Emotions should be kept in check when forex trading, no matter in a demo or live account, trading with prop firm or with your own capital, as with any trading activity. Do not be disheartened by losses or overly confident when making profits. It is crucial to remove emotions from trading decisions. Forex trading can be particularly challenging as you become familiar with how events shape currency values. Do not be too hard on yourself, and be prudent in exiting trades to minimize losses.

Two approaches that can help with your trading strategy are fundamental analysis and technical analysis.

Fundamental analysis involves assessing various factors that can impact the value of a currency, such as economic conditions, interest rates, and political situations. This type of analysis is typically used for long-term trades, although some traders use it for short-term trades based on news events. Reports, meetings, and economic indicators can help fundamental analysts develop a strategy for the long-term.

Technical analysis, involves identifying patterns and trends in price movements to guide trading decisions. However, unlike stock markets, forex markets never close, making it more challenging to determine trends accurately. There are various trend analysis methods, such as Fibonacci studies or pivot points, that you can research and incorporate into your strategy over time.

SiegFund Types of analysis

Technical analysis

Looks purely at price actions and ignores the noise created by news and economic data.

Fundamental analysis

Takes a more rigorous asessment of the core fundamentals of a currency that may drive demand.

Combination of technical and fundamental analysis

Considers both technical and fundamental aspects when assessing trading opportunites for a much more balanced view.

Most of the trading strategies discussed earlier, such as day trading, scalping, swing trading, strategy that suits their preferences. For beginners, position trading, which involves holding onto currency for a longer duration, and focusing on major pairs to minimize risks, may be a suitable approach. Setting stop-loss orders is always a good practice to limit potential losses.

It is essential to recognize that forex trading can have an impact on daily life. Exchange rates affect the amount of foreign currency you receive when traveling abroad, as well as the margins and profits of businesses involved in importing and exporting products. Therefore, forex trading should be approached with caution.

In conclusion, forex trading is not to be taken lightly. It is not recommended for beginners, and even experienced traders face challenges when competing against professional traders backed by large institutions. Forex trading involves trading currency pairs, with the goal of profiting from changes in exchange rates. It is crucial to conduct thorough research, choose a reputable broker or dealer, and develop a trading strategy based on analysis and risk management.

Now you have the basic knowledge of forex trading and knowing that there is a challenge involved in obeying your rules, leveraging your intelligence, and controlling your emotions... it's not an easy task for everyone. But get ready, choose one challenge, and start your journey with Siegfund!

	1 STEP	2 STEP
IN COMMON	Show your skill with EA. Copy trade is allowed. Sizing chance to trading big new! Overnight holding has been protected by the SL requirement! Enjoy 90/10 profit split immediately once you certificated!	
TARGET	8%	Phase1 : 10% Phase2 : 5%
LEVERAGE	Forex : 30:1 Metals : 10:1 Energy : 10:1 Indices : 5:1 Stocks : 10:1	Forex : 100:1 Metals : 30:1 Energy : 30:1 Indices : 20:1 Stocks : 10:1
TESTING PERIOD	30 Days	Phase1 : 30 Days Phase2 : 30 Days
MINIMUM TRADING DAYS	3days	3days
HARD BREACH	Daily Loss Limit : 3% Max Drawdown : 6%	Daily Loss Limit : 5% Max Drawdown : 10%
START FROM $	$ 80	$60