

Risk Disclaimer

Trading foreign exchange on margin carries a high level of risk, and is not suitable for all investors. The high degree of leverage can work against you as well as for you. Before deciding to trade foreign exchange you should carefully consider your monetary objectives, level of experience, and risk appetite.

The possibility exists that you could sustain a loss of some or all of your deposited funds and therefore you should not speculate with capital that you cannot afford to lose.

You should be aware of all the risks associated with foreign exchange trading, and seek advice from an independent advisor if you have any doubts. Past returns are not indicative of future results.

Your trading results may vary. No representation is being made that any software or training will guarantee profits or not result in losses from trading.

FOREX

Foreign Exchange

Introduction

The foreign exchange market is the largest financial market in the world, used for trading and exchanging the world's different currencies.

The trading occurs by simultaneously buying currency of one country and selling the currency of another country.

<http://www.babypips.com/>

Currency ETFs

- **Single currency ETFs**
FXA – Australia, FXE – Euro, FXY – Yen
- **Leveraged currency ETFs**
Double exposure for Euro and Yen
- **Inverse currency ETFs**
Double-short Euro and Yen
- **Multi-currency ETFs**
Dollar Up/Down, Emerging Markets, Asia

Currency Futures

- Like other futures – designated size per contract and traded in whole numbers
- Forex futures are traded on several exchanges throughout the world
- CME – floor and GLOBEX – has majority of volume
- Quoted in USD
- Size is $1/100^{\text{th}}$ of spot forex market

Spot Forex

- **Currency spot market**
- **Majors - USD, EUR, GBP, CHF, JPY**
- **Pairs - USDJPY, USD/JPY, U-J**

Base Currency – first currency in the pair – USD in above case

Counter Currency (Terms Currency) - second currency in the pair – JPY in above case

Pair = Base/Counter

- **Leverage 50:1 in US**
- **Trading 24/5 (Sun afternoon – Fri afternoon)**
- **Trading "day" varies (broker)**
- **Generally there is a credit or debit on all open positions at 17:00 NY time due to the interest rate differential (swap)**

Shares - Contracts - Lots

- **ETF – FXE – 100 EUR/Share**
100 shares represents 10000 EUR
- **Futures – Ticker = EC; GLOBEX = 6E**
Contract size – 125,000 Euro
- **Spot – EURUSD etc.**
Standard lot 100,000 Euro

PIPs

- **The smallest price increment a currency can make. Also known as points or ticks.**
- **1 pip = \$0.0001 for EUR/USD**
- **1 pip = \$0.01 for USD/JPY.**

- **ETF – 100 pip / sh * \$0.0001 / pip = \$0.01 / sh**
- **Futures – 125,000 * \$0.0001 = \$12.5**
- **Spot – 100,000 * \$0.0001 = \$10**

Spot Forex Lot Sizes

- **Depending upon your broker and how you have set up your account, you can trade ...**

standard lot - 1 @ \$10.00 / pip,

mini lot - 0.1 @ \$1.00 / pip,

micro lot - 0.01 @ \$0.10 / pip, or

nano lot - 0.001 @ \$0.01 / pip.

- **The above values result when the dollar is the counter currency ...**

AUD/USD, EUR/USD, GBP/USD etc.

When USD is the base currency

- **USDJPY pip = $0.01 \times 100,000 = \text{JPY } 1000.00$**

To convert to the base currency divide by the exchange rate:

Say USDJPY exchange rate = 81.52 =
 $1000.00 / 81.52 = \$12.27$

Margin Requirements

- For US residents, leverage is limited to 50:1 since Dodd-Frank

standard lot - $100,000/50 = 2000$,

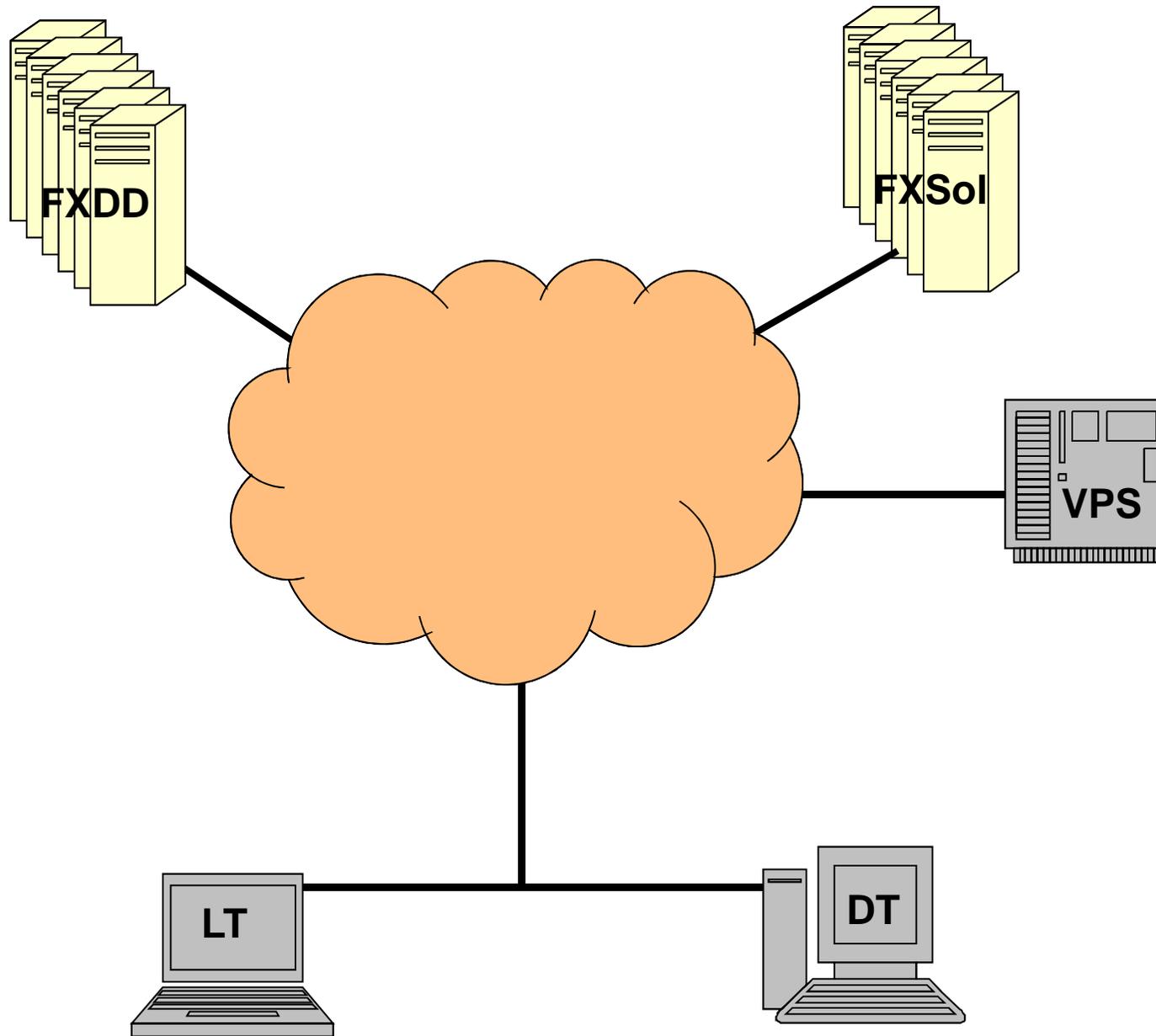
mini lot - $10,000/50 = 200$,

micro lot - $1000/50 = 20$, or

nano lot - $100/50 = 2$.

Why I Trade Spot Forex

- **October Results thru Oct 18, 2012**
- **Judith**
 - **FXSol + 14.08 / 279.34 - 5.0%**
 - **FXDD + 200.53 / 3570.73 - 5.6%**
- **Joint**
 - **FXDD + 169.46 / 2547.69 - 6.6%**
- **Forrest**
 - **FXSol + 43.85 / 927.56 - 4.7%**
 - **FXDD + 50.40 / 873.61 - 5.8%**
 - **GFT + 16.30 / 273.31 - 6.0%**
- **Total + 494.62 / 8472.24 - 5.8%**



Introducing Broker

- **An introducing broker is a customer catering arm for the dealing firm. The IB drives business to the dealing firm and provides additional customer support for both the client and the dealer. Introducing brokers are usually compensated as a portion of the spread on each trade their client makes. The dealing firm, in most cases, has a close relationship with the IB and provides them with multiple perks that are then passed on to the IB's clients - assuming you work with a reputable IB.**
- **Many traders are skeptical of using an IB because it seems as though you are going through a middle man, when in fact you aren't. Introducing brokers should never hold client funds nor interfere with the trading processes in any way (altering platforms or spreads). Using an IB can actually increase your potential for success in the Forex markets for the following reasons:**

Leverage with the dealer

- Let's say you have an account at a dealing firm that's funded with \$10,000 USD. Even at a major clearing firm, mistakes can happen, and if your orders are filled with outrageous slippage you may need to call the clearing firm. Anyone who trades Forex knows that customer support at the ground level operations can be very inconsistent, and often times, if you have less than \$20,000 USD in your account, then you will go to the bottom of the priority list.
- When you are using a large IB that refers clients to a clearing firm, chances are that the dollar amount in funds under that IB is over \$500,000. So now, instead of a 10K client, you are now looked at as a 500K client. This means that should you run into a problem with the clearing firm, you now have the clout and support of your IB to back your claims and resolve the problem.

http://www.tradingmarkets.com/.site/forex/how_to/articles/-75250.cfm

Value added services

- Many IBs will offer other services free of charge to their clients, because after all, they are getting paid per client that they bring to the clearing firm.
- Some of these services can include advanced charting software, or a free eSignal, which can dramatically improve your trading if you take the time to learn how to apply it. Services like the ones offered by many IBs for free usually cost a monthly subscription fee or upfront charge if you try to obtain it on your own.
- These services can be of great value to a trader, but it's also important for a new trader to be cautious of any "managed account" product, or high frequency trade strategy. These products usually advise traders to make a lot of trades, and thus increasing the IB's profits, as they are getting paid on each trade made.

Volume based trade rebates

- Since the IB is compensated each time their client makes a round turn trade, some IBs, especially those with a large enough client base, will offer their clients a rebate on every trade they make.
- Since forex has a high trade frequency per trader by nature, even a nominal rebate per trade can easily add up at the end of the month. If you trade a larger volume of standard lots, you can usually negotiate a higher rebate for yourself.
- Many traders use this trade rebate as an instrument to preserve their capital, and others look at it as a way to tighten the spread. Regardless of what angle you look at from, it's free money that you receive on every trade, whether it's a win, lose, or draw.
- Introducing brokers are always on top of the industry, and if they aren't then they won't succeed. Traders should learn how to utilize their IB in a way to give them an advantage in the market. IBs usually have the latest information on clearing firms, platforms, and even strategies, so don't hesitate to inquire about anything to your introducing broker.

The IB we use is ...

CompassFX | Forex Trading | Metatrader | Mini & Micro Account Spot Currency Forex Trading - Windows Internet Explorer provided b

http://www.compassfx.com/

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TRADING TIP OF THE DAY

The Bullish Flag, one of the most reliable continuation chart patterns, is the continuation of an uptrend after a brief pause of lower highs and lower lows. After a break of the flag, the measured move is typically the distance of the previous flagpole from the break point.

FOREX VIDEO COMMENTARY

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<http://www.compassfx.com/>

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Dean Malone

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Active Trade Room

Monday – Friday
8:00 AM – 11:30 AM Eastern
(12:00 - 15:30 GMT)

IMPORTANT NOTICE: Off-Exchange Forex trading has large potential rewards, but also large potential risk. You must be aware of the risks and be will order to invest in the Forex markets. Don't trade with money you can't afford to lose. Nothing in our website shall be deemed a solicitation or an off-futures and/or options. No representation is being made that any account will or is likely to achieve profits or losses similar to those discussed on our room. Also, the past performance of any trading methodology is not necessarily indicative of future results. TRADING involves high risks and YOU ca

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*Disclaimer: CompassFX receives a volume based referral fee for our services. Trading in the off-exchange Foreign Exchange market (FX, Forex) is ve nature, involves considerable risk and is not appropriate for all investors. Therefore, before deciding to participate in off-exchange Foreign Exchange carefully consider your investment objectives, level of experience and risk appetite. Investors should only use risk capital when trading Forex becau risk of substantial loss. Most importantly, do not invest money you cannot afford to lose. Any mention of past performance is not indicative of future access, trade executions and system response may be adversely affected by market conditions, quote delays, system performance and other factors.

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- ADR Calculator
- Advanced Synergy
- Asian_Session.ex4
- CompassFX - Custom Indicators for MT4
- CompassFX - TDI / Synergy Model
- CompassFX Forex Video Commentary
- Divergence_Chart.pdf
- Dollar_Index_no_USDSEK.ex4
- Dollar_Index_with_USDSEK.ex4

Systems We Use

- Synergy - Dean Malone of CompassFX

Basic Synergy is free.

- Market Maker Forex - Steve Mauro

Not free and non-disclosure.

Links

- <http://www.babypips.com>
- http://en.wikipedia.org/wiki/MetaTrader_4

- <http://www.fxdd.com/en/index.html>
- <http://www.fx solutions.com/>
- <http://www.alpari-us.com/>
- <http://www.gaincapital.com/>

- <http://www.compassfx.com/>

- http://www.tradingmarkets.com/.site/forex/how_to/articles/-75250.cfm
- <http://seekingalpha.com/article/31129-a-guide-to-currency-etfs-and-etns>

- http://finance.yahoo.com/education/currencies/article/106084/Getting_started_in_currency_futures

- <http://www.goforex.net/forex-basics.htm>
- <http://www.forexfactory.com/>