

# WHAT IS

# TRADING?



FX CAREERS

A hand is shown from the bottom right, holding a glowing blue candlestick chart. The chart features a series of blue candlesticks with white outlines, connected by a thin blue line. The background is a dark blue gradient with faint white grid lines and a starry pattern.

**WHAT  
IS TRADING ?**

Open Trading a/c 

# What is trading?

Trading is the act of buying and selling a financial asset/instrument in order to make money; you can buy then sell (a long trade) or sell then buy (a short trade). The idea is to open and close a trade within a relatively short period of time e.g. Day Traders are so called because they buy and sell a specific asset within a day. Some trades can be multi-day, weeks or sometimes months, but they are unlikely to be longer.

Trading is all about spotting a trend and taking advantage of it. This differs from investing which is the act of holding an asset, for example a company share, over the long term in the expectation that it will grow. All a Trader is trying to do is to identify the market direction and use that to take trades and make money. The markets can only go up or down so in theory you have a 50:50 chance of success. However, trading is much more complicated than that and many people have ended up poorer but wiser by trying to chase those odds.

## Can you make money

Yes you can make money trading. You can use it to generate a second income or even use it to replace your main income and become a Lifestyle Trader (so called because they have complete freedom to trade when they want, from where they want and for how long they want).

The majority of people who fail have one thing in common, they haven't mastered the basic skills required for trading so they haven't tipped the odds in their favor. They tend to rush into trades and emotion ends up playing a big part in the decisions that they make, a sure route to failure.

However, if you take time to understand the markets and how to trade then you can make money. It requires no more focus or discipline than when you completed high school, so it's within reach of most people. But unfortunately a lot of people don't put in the time or effort to learn and then wonder why they lose. The industry statistics say that upwards of 80% of Retail Traders will lose money so bear that in mind. By learning how to trade properly you can put yourself in the 20% of winners.

The key is in understanding why prices move higher or lower for the asset that you are trading and using that information to predict what will happen next. It's all about understanding support and resistance and predicting price levels. That is how you win. Don't just copy an approach or another Trader blindly, understand what is going on and you'll be learning a skill for life.

It's important to note that trading is experiential. The more you watch and follow a market the more you'll get an understanding and feel for the rhythm of the market. The screen time you put in is invaluable in helping you become a competent trader.

## What can you Trade

You can trade multiple types of financial assets, these can be any number of things:

- Stock - a share within a company
- Commodity - a raw material or primary agricultural product, such as copper or coffee
- Forex - currency pairs on the Foreign Exchange market
- Futures - contracts for assets (especially commodities or shares) bought at agreed prices but delivered and paid for later
- Options - a right to buy or sell a particular thing at a specified price within a set period of time

You can also trade Bonds (commercial and government debt) but this tends to be more for professional institutions and banks.

It's up to you what you want to trade but when you start make sure it's something where there is a pure and liquid market i.e. there is somebody to buy/sell your asset when you want to offload it. Forex, Stocks and Futures are the most popular markets for Retail Traders.

## What you need

To start trading you will need a Trading account. This gives you the means to deposit money and make trades. You'll need a data feed, a charting platform

and a broker.



The company that you open the Trading Account with should be able to set you up with all 3 elements. You can open a trading account typically with around \$1,000 to \$1,500.

### Steps to Success

#### 1. Open a Trading Account

Think about the market(s) you want to trade and look for a Trading account that will let you trade those markets

#### 2. Become a market geek

- You need a crash course in how the markets work and need to understand some core areas such as Technical Analysis and Support & Resistance.
- Start reviewing market news on a daily basis, what's moving, what's not and why, find out what impact economic news has on the markets particularly when the Treasury and Federal Reserve Bank speak

#### 3. Get a mentor

- Starting from scratch on your own is going to be tough. Do you have friend/colleague who already trades who can help you learn
- Think about signing up to a course with clear outcomes that will help you improve

#### 4. Practice on SIM

- When you think you know what you're doing and your account is set up then you can start 'dummy' trading in Simulation Mode (or

SIM as it is usually called). This means you start taking trades without risking any real money

- Repeat this until you get a high success rate and are making more money than you lose. Trading is experiential so screen time is important.

5. Move to low risk live trading

- When you are happy that you are getting the performance that you want then you can move to live trading. We recommend you use a low risk instrument like micro e-minis to consolidate the learning you've done on SIM before increasing your risk

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