



THE FIRST STEP



instaforex
Instant Forex Trading

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CHAPTER

01



WHAT IS THE FOREX MARKET?

The Forex market, or FX for short, is the foreign exchange market - a place where you can trade with different currencies from around the world. It is an interbank market, created in 1971, when exchange rates in international trade were transformed from fixed to floating. The largest financial market in the world, the daily turnover on the FX market exceeds 6.5 trillion USD.

- Open 24 hours a day / 5 days a week, i.e. from Sunday at 23:00 (GMT+2) to Friday at 23:00 (GMT+2).
- The opportunity of making profits in both an upward and downward trend in the market.
- The opportunity of using financial leverage.

- OTC - there is no one place where trades are made. There is no one specific price. Trades take place directly between the parties without the participation of a centralized stock exchange. We invest in the OTC market with the use of contracts for difference (CFD).

- CFD - Contracts For Difference - derivative instruments the value of which depends directly on the value of the underlying instrument on which they are based. The underlying instruments of CFDs can be currencies, indices, merchandise, commodities, shares from around the world and cryptocurrencies. The design of the CFD contract gives you the opportunity to invest in both increases and decreases.

CHAPTER

02

THE BASIC TERMS

In order to start actively trading in the Forex currency market, it is extremely important to first learn the basic terms related to this market, which will be with you practically at all times while trading. Unfortunately, many beginners ignore this fact, and therefore "throw themselves in at the deep end", learning only from their mistakes. Understanding these terms will be the first step towards developing your own trading strategy.

What is spread?

In every financial market, you bear some costs. The same situation applies to the Forex. The spread, which is the norm in all financial markets, can be defined as the difference between the ask and the bid price of the currency pair.

Simply put: the bid is the price at which the trader wants to buy the currency, and the ask is the price someone wants to sell it for. In the

foreign exchange market, we call this a bid-ask spread. Thus, when buying a currency, the trader will quote two prices - the bid price and the ask price. The spread is the difference between them. And this is where the broker makes money.

Example:

If you want to buy USD/CAD for 1.3530 the broker will quote two prices - 1.3530 and 1.3533. In this case, you will open a long position at 1.3533.

In this particular case, the broker will charge you 3 pips of the spread. On the other hand, if you want to sell USD/CAD for 1.3530, the broker will execute the trade at this level, but will still charge you with a spread when you want to buy back your position.

What is a lot?

Lot is a standard unit for determining the volume of a trade. It is the minimum tradable value of any instrument.

For Forex trading, the standard lot size is 100,000 units of the quoted currency.

In CFD trading, the standard lot size varies between 100 and 10,000 of the quoted CFD.

- Lot Value (margin): (market price of the instrument) x (number of units in lot) / leverage

The starting point is one lot, which is 100,000 units of the base currency.

1 lot for EUR/USD = 100,000 EUR

2 lots for EUR/USD = 200,000 EUR

0.1 lot for EUR/USD = 10,000 EUR

You can decide how much of the base currency you want to invest.

Obviously, you don't need to have that much money in your account.

In the Forex market, the minimum movement is 1 pip. The pip value is always expressed in the quoted currency, so if you want to calculate the pip value for EUR/USD, it will be calculated in US dollars. For a standard lot (100,000 units) the gain amendment when moving by one pip is 10 units of the quoted currency.

Lot and trade size

Example:

We buy 100,000 EUR at 1.2900 for 129,000 USD

The price goes up by 1 pip to 1.2901

We sell 100,000 EUR at 1.2901 for 129,010 USD

We collect 10 USD of profit.

If the value of the transaction was lower, e.g. 10,000 EUR, then the profit would also be lower, in this case it would be 1 USD.

What is a pip?

A pip is the smallest value in a currency quote and may differ between currencies. For most currency pairs, a pip is 1/10,000 (0,0001) of the quoted currency.

However, in pairs with the Japanese yen, the pip refers to 1/100 (0.01) of the quoted currency. Trading profits can be expressed in pips, for example assuming you bought EUR/USD at an exchange rate of 1.06016 and sold it at an exchange rate of 1.06037. $37 - 16 = 21$. You made 21 pips of profit. The fifth decimal place is called the point.

- Pip value

(pip) / (exchange rate) x lot size

The value of a pip can be either floating or fixed depending on the currency pair it relates to and the base currency (i.e. quote currency) of the account.

If the account's base currency is different from the quoted currency, then you simply need to multiply that by the appropriate exchange rate.

For example, what is the pip value on a GBP/JPY deal at 136.64?

Pip value of one standard lot (100,000) GBP/JPY traded at 136.64

totals:

Example:

Value for 1 lot

$0.01 / 136.64 = 0.000073185$ GBP

$0.00007756 \times 100,000 = 7.3185$ GBP

The base currency for the account is PLN, so multiply it by the current PLN exchange rate.

What is a swap?

In the currency market, this is how the costs that the trader incurs if holding the position for the next day are determined. Simply put, a SWAP transaction is a risk transfer. How FX SWAPs work can be compared to insurance. In transactions of this type, as in the case of insurance, one party wants to get rid of the risk, and the other party is ready to assume it for an appropriate fee. The Forex SWAP is one of the trader's transaction costs.

Quote

In the case of the Forex market, we always talk about the price of one currency over another, i.e. one currency determines the price of another. For example, the dollar exchange rate expressed in zlotys in the form "USD/PLN = 3.3050" means, that 1 USD is worth 3.3050 PLN. The currency to the left of the pair (USD in the example above) is the base currency and the currency to the right (PLN) is the quoted currency.

The rates of most major currencies are given to five decimal places (e.g.

EUR/USD = 1.36773). Exceptions are currency pairs with the Japanese yen (JPY) and the Hungarian forint (HUF), the prices of which are quoted to three decimal places (e.g. USD/JPY = 77.413).

What is scalping?

Scalping is a type of speculation that involves opening and closing positions in a short period of time. In scalping, the average duration of a position can last for only a few minutes. A scalping person can perform dozens of different types of transactions in just one day. In this very short-term approach, the idea is to gain a small profit from the market with very little risk. The truth is, this is practically the most difficult way to invest in the Forex market. It requires great discipline and nerves of steel.

Very often, beginners focus on opening as many positions as possible. This is not the best way to go and the percentage of beginners who fail in scalping is the highest one. You should also not associate investment professionalism with the duration of the position. Unfortunately, the forums in this matter will turn out to be useless, because there are many people who constantly want to beat the market in a short time.

Speculators who scalp the market mainly use technical analysis. Fundamental analysis in this approach is practically useless.

Margin Call – What is it and how does it work?

In short, the margin in the Forex market is the amount needed to maintain your open positions. It is not a fee or transaction cost, but a

portion of your equity in the account that is reserved and assigned as a margin. Forex margin is usually expressed as a percentage of the total amount of the position.

Trading margin can have various consequences - both positive and negative, as both profits and losses can be dramatically increased. The margin deposit is nothing more than a deposit made by the Trader, which guarantees that the position is kept open.

The deposit is often confused with a merchant's fee. However the margin is not a transaction cost. In other words: The initial margin is the minimum amount you need to have in your trading account to be able to open a position in any market.

The name Margin Call comes from a time when trading was mainly done via phones. When the deposit on the client's account was too low, the broker called the investor and informed him by phone about the need to increase the deposit.

Stop-Out – How does it work?

Stop-Out is the ultimate solution used by brokers in a situation where our investments turn out to be unsuccessful and we record an increasing loss. This is another mechanism following Margin Call. In practice, it protects you against overdraft on your account. When your balance drops below a certain level set by the broker, it automatically closes the position at the market price. Depending on the broker, all open positions may be closed at the same time or they will be closed one by one from the most lossy one, until the balance of the account balance to the capital involved in the transaction is equalized.

CHAPTER

03



THE MAIN CURRENCY PAIRS

Do you want to start your adventure in the currency market? If so, you need to learn about the main Forex currency pairs at the very beginning. The good news is that the basics are simple and the way to quote currency pairs is the same for all currencies.

The main Forex currency pairs that are most commonly traded are also known as Majors.

The major Forex currency pairs, i.e. the most liquid ones, are traded every day. There is no formal list for the major Forex currency pairs and one that strictly identifies the best Forex currency pairs. However, when we talk about Forex currencies, the so-called Majors, we usually refer to the seven most commonly traded currency pairs.

The main and, at the same time, the most liquid Forex currency pairs are listed below:

- EUR USD - euro/US dollar
- GBP/USD - pound sterling/US dollar
- USD CAD - US dollar/Canadian dollar
- USD/JPY - US dollar/Japanese yen
- USD/CHF - US dollar/Swiss franc
- AUD/USD - Australian dollar/US dollar
- NZD/USD - New Zealand Dollar/US dollar

In other words, major currency pairs refer to the most liquid currencies of the world's largest economies.

CHAPTER

04

HOW DOES THE LEVERAGE WORK?

The additional feature of this market is the opportunity to use the leverage. Thanks to the leverage, the market participants can manage much more capital than they have in their account. The maximum leverage on major currency pairs available in Europe is currently 30: 1. This means that with the capital of PLN 1,000 on the trading account - in fact, we have the possibility to dispose of funds up to 30 times larger.

However, you should remember that leverage is a double-edged sword - it is much easier to open a larger trade, but during price movements in the opposite direction - a position can be closed very quickly, resulting in a loss.

At Insta Forex, the leverage for the major currency pairs is 1:30, which means placing a position using a margin of 3% of the transaction value.

Example:

BUY: EUR/USD; 1 lot; leverage of 1:30 or 3%.

A purchase of EUR 30,000 will be made with a margin of EUR 300.

Calculation of the margin volume
1 lot EUR/USD = EUR 100,000 x 1% (0.01) = EUR 1,000

The required deposit will be converted into your account currency.

CHAPTER

05



THE TYPES OF ORDERS

Orders are the investor's primary tool. In the Forex market, you can distinguish between orders for opening a position (starting an investment) and closing it (ending an investment, e.g. take profit). Among the closing orders, we additionally distinguish protective orders (e.g. stop loss), which minimize losses or protect profits, and orders that take profit.

Another breakdown criterion is the execution time: we can place instant or pending orders.

Forex order management is an important aspect that is essential not only for your strategy, but also helps you better manage your risk. When trading, investors usually use the simplest orders such as "buy" at market price or "sell" at market price, but there are also limit orders on the market, which rather most have heard of, but they do not use them, which is a pity, because they allow you to save time and money.

Types of Forex orders:

Buy/Sell – opening an instant transaction at the current market price.

Buy Stop – opening a long position after a rate increase and when it exceeded a given price level. The purchase order is executed at a rate higher than the current rate.

Sell Stop – reverse order to Buy Stop, based on the assumption of a sharp drop in the price after breaking the resistance line. The order activation price is lower than the current market price.

Buy Limit – we apply the order assuming a temporary decline in price to a certain level, after which there will be a rebound and the price will return to the upward trend.

Sell Limit – it is the mirror reflection of the Buy Limit order. We assume a temporary increase in price to a certain level, after which there will be a return to the downward trend. This means opening a short position at a higher price than the current one.

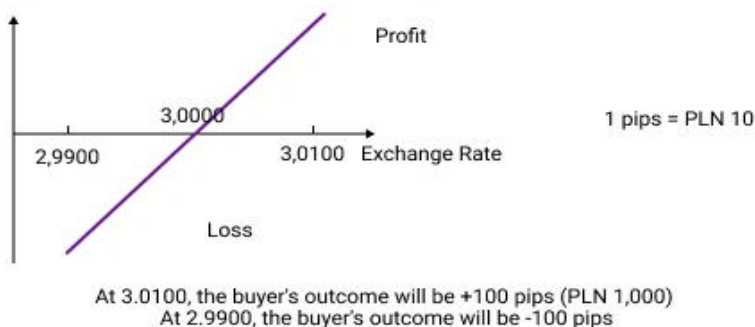
Market orders

It means that we agree to open the transaction at the price that is currently on the market. This is **the simplest order of all the available ones**. In most cases, transactions are opened at the current rate by issuing a "buy"/"sell" instruction from the platform. Depending on the instrument, these are orders with instant execution.

- Long position, buy - instant execution (BULL) - BUY

A trader opens a long position expecting the price to go up when buying a currency pair.

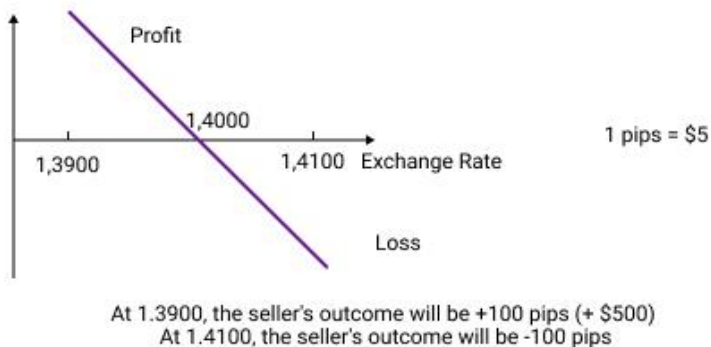
Buy 1 LOT USD/PLN at 3.0000 - long position



- Short position, sell - instant execution (BEAR) - SELL

A trader opens a short position expecting the price to go down when selling the currency pair.

Sell 0.5 LOT USD/PLN at 1.4000 - short position

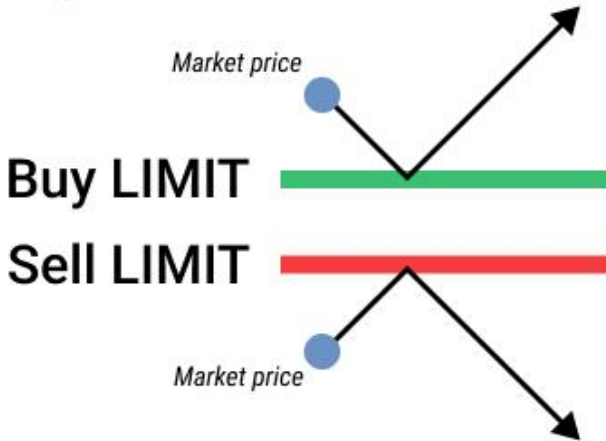


Pending orders

Pending order with a limit.

The pending order is used when you want to open a transaction, but the current price does not suit you, or you are waiting for the appropriate market situation. It can be placed during the trading hours of the instrument it is for. It should contain the type of instrument, transaction volume and activation price (price limit). In the case of a buy order, the indicated price level must be lower than the current market level, and in the case of a sell order it needs to be higher. An order may be placed for any period (several hours, several days) or until cancelled. It will be executed automatically when the requested price is available on the market.

An order placed below the market price that triggers a buy order on a downward move



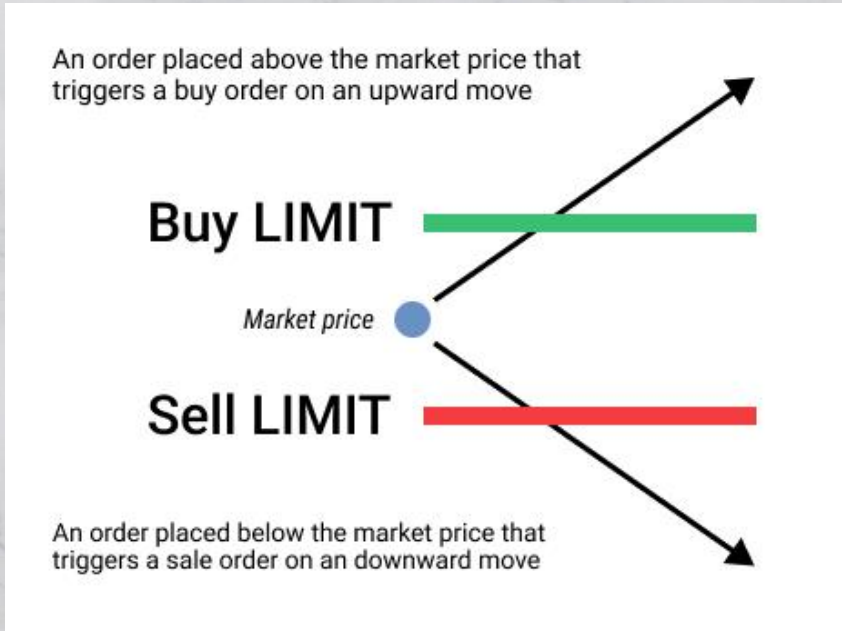
An order placed above the market price that triggers a sell order on an upward move

Pending orders such as "buy stop" and "sell stop".

Pending stop orders might seem illogical at first. You set them in order to open positions at "worse" prices than those currently available.

This happens when you want to follow a trend that has not yet emerged, e.g. you're waiting for the market to rise above the maximum levels (buy stop order) or drop below the minimum prices (sell stop order).

Therefore, you are waiting for the so-called breakout of a price from a technical pattern. Due to the above, you need to set specific limits.



Protective orders such as Take Profit and Stop Loss

Stop Loss.

The Stop Loss order shows where you want to "get away" from the position when things in the market start to turn in an unfavourable direction for yourself. When you open a short position (you sold the currency), the Stop Loss order will apply to the ask level (currency purchase). It is good practice for the trader hedging the risk to place a stop loss when opening a position.

On less liquid instruments or in times of high volatility, it may turn out that your Stop Loss order was executed at a lower price than you had assumed.

Take Profit.

Take Profit order is a type of a closing order. You set a price level in it that is better than the current market price, i.e. you take a profit - hence the name of the order.

The execution condition means reaching or exceeding the activation price. For long positions, the designated activation price must be higher than the current BID market price. For short positions, the activation price should be below the current ASK market price.

Orders are always executed at the first activation price specified by the client. During the opening of quotations, orders are executed at the opening price, if it only meets the execution condition. This means that in the event of a price gap, the Take Profit order will be executed at a better price than the activation one.

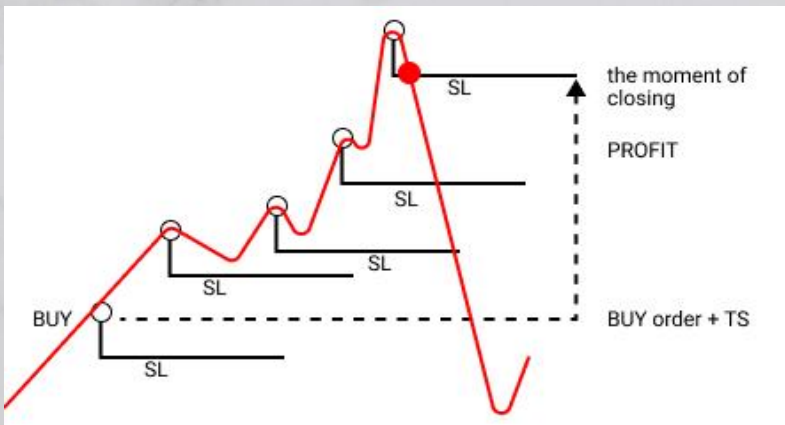
Trailing Stop

The Stop Loss order saves your position only if the market moves in the opposite direction than you assumed.

But what will happen when the market is in line with your expectations? So, for example, will it grow when you have a long position?

You have two solutions then. Either you can move your Stop Loss manually or set an automatic Stop Loss or Trailing Stop, which is a very useful order in the ongoing portfolio risk management. The Stop Loss level is then more flexible and changes depending on the movements of the underlying instrument by the value you had set.

This order is very useful when playing with the trend, as it allows you to keep a large part of the profits earned without having to constantly, manually modify the Stop Loss order.



CHAPTER

06



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Instant Forex Trading

THE GOLDEN RULES OF TRADING

Profitable Forex trading is difficult, but it can be very rewarding. There are no guaranteeing methods of success to help investors, and many successful traders take a simple, disciplined approach and recognise it as the key rule.

These rules may seem simple to act, but in practice, emotions can prevail. Remember to treat your trading account as your own business, be rational and follow the rules that may bring you profit.

1. Define your goals. Identify the reasons why you want to trade as well as what you want to achieve with it.
Most people who trade in the financial markets do this for a purpose.

Trading in itself is not a goal, but a way to achieve what the trader has set out to do. Specify exactly what you expect from the Forex market.

Not only will this help you stay motivated, it will also ensure that you choose the right trading approach for your personality.

2. Trust the statistics, never judge a strategy based on a few moves. The true value of the methods used is revealed in the trader's long-term ability to convert assumptions into profitable trading. The fact that you managed to earn three times in a row does not mean that you should immediately take out a mortgage and throw all the capital on the market. On the other hand - even the best patterns applied with the trend and in the right locations do not always "pay off", which does not mean that more moves will not generate satisfactory profits.

3. Cut your losses quickly.

The saying "cut losses quickly" means that if you see a losing position, you should close it quickly, but human nature, especially in the market, does not allow us to close a position when we see that it is bringing losses. We are waiting for the position to be profitable and only then we want to close it.

Unfortunately, the market follows its own path and your losing position might not be profitable at all. Your capital grows when you avoid large losses so your profitable open positions can grow. You should define in advance what part of the capital you can lose in one position with the same risk as you incur when entering the market.

Your task is to determine how much of the capital you can lose in one transaction and stick to it, e.g. when losing 2.5% on one position, I close the losing position and do not wait any longer for the market to reset my account - Stop Loss and Take Profit tools are useful for this, where in advance the market will automatically close the position with a profit or loss if the price reaches the chosen level, e.g. if you deal with the EUR/USD currency pair and open a buy position of 1 lot at the rate of 1.1200, set the Take Profit at 1.1250 and when the market reaches this level, the position will be automatically closed with a profit. And the other way around, when you open a sell position of 1 lot of the same instrument at the rate of 1.1200, set the Take Profit at 1.1150, and the Stop Loss at 1.1220. When the market goes down and the position rises to 1.1220, your transaction will be closed automatically with a loss. It is very important that the Take Profit is always greater than the Stop Loss. Your transactions will never be 100% profitable. It is important to come out in profit in the end.

Therefore, to be successful in the currency market, the most important thing is to protect your capital against large losses.

4. "Trend is your friend".

This slogan means that you should open positions in accordance with the trend - when there is a bull market (the trend is ascending), you should start buying instruments by opening long positions. When there is a bear market (the trend is descending), you should also trade in line with it and open short positions (sell the instrument). It is very difficult to implement in the strategy, because if you see a clear upward or downward movement, you think that the trend will soon reverse so you trade against the trend. Sometimes it can be profitable for a short period of time, but the statistics show that the market is always right and by not using a protective position (Stop Loss) you can lose a large part of your capital by trading against it.

5. Limit the number of instruments you watch. 3-4 different markets are enough for trading purposes. By focusing on a few instruments, the investor is able to react in time to most of the emerging signals, which extremely increases the psychological comfort of trading. Research shows that for the average trader, the frustration resulting from missed opportunities is much more painful than an activated Stop Loss order. Another advantage in the industry is also understanding the specifics of particular markets, which is very helpful in quick and proper trend analysis or marking important locations.

6. Create and develop your trading strategy. There is a reason why so many trading strategies can be found - each of them only works to a certain extent. The success of any system depends on the trader's skills, the amount of time they can spend trading and the ability to react to changing market conditions. Traders often develop and adjust their strategies to the changing situations. You should do exactly the same as it will give you more experience in the market.

7. Never take too much risk. Most of the losses are due to too much risk - this means that you are investing too much capital in one position, using the leverage to the maximum and forgetting that you should rationally use your funds according to the position.

Opening a large position in relation to your account balance carries a huge risk of losing most or all of your funds on your account. Opening a position with high leverage is like a poker "All In" rule, meaning you are risking all your capital.

You should risk no more than 2% of your capital in one position, keeping in mind the protective orders (Stop Loss and Take Profit) as your human nature will not allow you to close the position when it is losing. When opening a position it is also necessary to leave a large reserve of capital needed to withstand a series of losing trades. With too large a position in relation to your capital and unfavourable market conditions, your position may be closed by a margin call.

However, you can always reduce your risk by closing one or more positions. Remember that success in the market is about steadily gaining capital, even in smaller positions.

8. Keep a trader's journal.

An excellent way to document investments are screenshots of graphs (print screens), and then their archiving on the hard disk. When you return to your investments from a month or six months ago, you will be able to assess not only how the market has changed, but also how honestly you were able to stick to the rules you had set. The journal is also very useful when you have a bad batch of transactions.

Reminding yourself of the best decisions restores your faith in the effectiveness of the methods, which in turn makes it easier to open new positions when the market generates the right signals.

9. Accept that the market is always right and there's nothing you can do about it. There is no point in looking for rationality in the value of quotes. Just because it's expensive doesn't mean it can't get any more. The market may or may not react to important macroeconomic data. The range of movement, even after the most sensational data, may be smaller than in the case of supporting publications. Remember that trading is a game of probabilities, certain patterns repeat, but you do not have the right to demand 100% effectiveness. So let's treat the investment like any other business. You have a good product, a liquid market and appropriate management preparation. Whether you manage to achieve a lucrative deal depends, however, on many external conditions.

Therefore, the only thing you can do is limit your risk and consistently implement the business plan. As you continue your business rhetoric, you must realise that losses in line with your capital management model are an integral part of trading. There is no point in dwelling on them. Thus, when assessing your investment results, you can actually account for the honest implementation of your assumptions, and not the results of individual transactions. If you had selected your tools well, you can be sure that sooner or later the losses will be recovered, and with the change of the market to a more favourable one, your capital curve will start pleasantly heading north. So, as long as you successfully limit your risk and trade according to your plan, loss should be considered as part of this business, not as a personal failure.

10. Never stop learning. Even if you are satisfied with your workshop, there are many reasons for attending seminars. New interesting applications supporting trading (such as One Click Trading) appear on the market almost every month. There are workshops organised in which investors from all over the world share their experience (also in the field of psychology), and after all, "the day when you recognise that you have already known and seen everything will be the first day of the end for yourself".

Summary:

I have described rules that I believe should never be broken when trading. If you try to comply with them, your results should noticeably improve. Good luck and successful trading!

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A longtime observer and enthusiast of the stock exchange and currency markets. Author of many webinars in the field of technical and fundamental analysis, investment psychology and MT4 platform service. He puts emphasis on fundamental elements, based on technical analysis, and his goal is safe investing and money management. In his opinion, it is best to make money where there is big money, and this is what sparked his interest in the subject of markets and investments.



CFDs are complex instruments and come with a high risk of rapid money loss due to leverage. 71.05% of retail investors lose money when trading CFDs with this CFD provider. Consider whether you understand how CFDs work and whether you can afford the high risk of losing money.

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