



BASICS GUIDE TO FOREX TRADING

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Chapter 1: Stock Market 101

In any business or moneymaking venture, preparation and foreknowledge are the keys to success. Without this sort of insight, the attempt to make a profitable financial decision can only end in disaster and failure, regardless of your level of motivation and determination or the amount of money you plan to invest.

In the stock market, this rule applies to the nth degree, as you are investing your own money in what could be considered a high risk wager, and you are playing with fire if you do not have at least a general background knowledge of how it functions. Since having a background in any area is helpful in guiding you down a path in that particular region, the more solid your basis of investment knowledge is, the more likely you are to profit from any attempt to trade on the open market.

In many ways, trading on the stock market can be compared to driving – you do not have to be an expert to get behind the wheel of a car, though you are expected to have some previous knowledge about basic traffic laws, including moving violations, safety regulations, and other legal vehicular infractions, which are learned through either specific study and coursework or even through some form of simple exposure (such as the years you have spent riding with your parents and others who have driven for years).

You should be able to comprehend the basic tools used to navigate a car (where the break pedal is located versus the gas, and how to use the rearview mirror, for example), even if you have never touched a steering wheel.

The same is true in entering the world of the stock market. While you do not have to know all the terminology (you will not be short selling or determining your own long and short positions at first, so you do not have to understand these references completely, though you should be aware of them), you should certainly be versed in the basic functionality of trading stocks, bonds, securities, and other commodities.

And just like someone who is behind the wheel of a car and getting ready to touch the gas pedal for the first time, you should start out with caution and work your way in slowly. A first time driver will first set the mirrors to his or her own liking, then put the car in gear, look for any interfering traffic, and ease onto the gas pedal, never flooring it and testing the engine coming out of the gate on the first attempt.

Likewise, when you select your first investment, you should choose something stable with little fluctuation and not invest a large sum of money on this first venture.

When a person is learning to drive, he or she will be accompanied by another individual who is more experienced and can assist them in making better driving decisions and offering corrections that will aid in learning to handle the car more efficiently. In the stock market, there are stockbrokers and other experts who can give you input and advice to help you in building your knowledge of the commodities in which you are interested, essentially “steering” you toward better stock market buying and selling decisions.