

Contents at a Glance

Introduction	1
Part 1: Getting Started with Currency Trading	5
CHAPTER 1: Currency Trading 101	7
CHAPTER 2: What Is the Forex Market?	17
CHAPTER 3: Who Trades Currencies? Meet the Players	35
CHAPTER 4: The Mechanics of Currency Trading	51
Part 2: Data and Details You Can Use to Trade Currencies	79
CHAPTER 5: Looking at the Big Picture	81
CHAPTER 6: Cutting the Fog with Technical Analysis	109
CHAPTER 7: Getting Down and Dirty with Fundamental Data	139
CHAPTER 8: Getting to Know the Major Currency Pairs	165
CHAPTER 9: Minor Dollar Pairs and Cross-Currency Trading	191
Part 3: Executing a Trading Plan	207
CHAPTER 10: Leveraging AI for Consistent Profits	209
CHAPTER 11: Pulling the Trigger	227
CHAPTER 12: Managing the Trade	243
Part 4: Forex Alternatives	255
CHAPTER 13: Currency Exchange-Traded Funds	257
CHAPTER 14: Currency Futures	271
CHAPTER 15: Currency Options	285
CHAPTER 16: Trading Cryptocurrencies	309
Part 5: The Part of Tens	317
CHAPTER 17: Ten Habits of Successful Currency Traders	319
CHAPTER 18: Almost Ten Rules of Risk Management	325
CHAPTER 19: Ten Great Resources for Currency Trading	329
CHAPTER 20: Ten Golden Rules for Currency Trading Beginners	335
CHAPTER 21: Ten Things to Look for in a Good Broker	341
Appendix: Trading Strategies	347
Index	355

Table of Contents

INTRODUCTION	1
About This Book	1
Foolish Assumptions	3
Icons Used in This Book	3
Beyond the Book	4
Where to Go from Here	4
 PART 1: GETTING STARTED WITH CURRENCY TRADING	 5
CHAPTER 1: Currency Trading 101	7
What Is Currency Trading?	7
Speculating as an enterprise	8
Currencies as the trading vehicle	9
What Affects Currency Rates?	10
Fundamentals drive the currency market	10
But sometimes it's the technicals that are driving the currency market	11
Or something else may be a driving force	12
Developing a Trading Plan	12
Finding your trading style	12
Planning the trade	13
Executing the Trading Plan from Start to Finish	14
 CHAPTER 2: What Is the Forex Market?	 17
Getting Inside the Numbers	18
Trading for spot	18
Speculating in the currency market	18
Getting liquid without getting soaked	19
Around the World in a Trading Day	20
Introducing the major trading sessions	20
The opening of the trading week	21
Trading in the Asia-Pacific session	22
Trading in the European/London session	23
Trading in the North American session	24
Key daily times and events	25
The U.S. dollar index	26

Looking at Currencies and Other Financial Markets	28
Gold	28
Oil	29
Stocks	30
Bonds	31
Getting Started with a Practice Account	31
CHAPTER 3: Who Trades Currencies? Meet the Players	35
The Interbank Market Is “the Market”	36
Getting inside the interbank market	36
Bank to bank and beyond	37
Hedgers and Financial Investors	39
Hedging your bets	40
Global investment flows	42
Speculators: Running the Forex Show	43
Hedge funds	44
Day traders, big and small	46
Governments and Central Banks	47
Currency reserve management	47
The Bank for International Settlements	49
The Group of Twenty	49
CHAPTER 4: The Mechanics of Currency Trading	51
Buying and Selling Simultaneously	51
Currencies come in pairs	52
The long and the short of it	56
Looking at Profit and Loss	58
Margin balances and liquidations	58
Unrealized and realized profit and loss	59
Calculating profit and loss with pips	59
Factoring profit and loss into margin calculations	61
Understanding Rollovers and Interest Rates	61
Currency is money, after all	62
Value dates and trade settlement	63
Market holidays and value dates	64
Applying rollovers	64
Checking Out Currency Prices	66
Bids and offers	66
Spreads	67
Executing a Trade	67
Trading online or on the phone	68
Orders	71

PART 2: DATA AND DETAILS YOU CAN USE TO TRADE CURRENCIES	79
CHAPTER 5: Looking at the Big Picture	81
Currencies and Interest Rates	82
The future is now: Expectations for interest rates	84
Relative interest rates	84
Monetary Policy 101	86
Looking at benchmark interest rates	87
Easy money, tight money	87
Unconventional easing	89
Watching the central bankers	90
Interpreting monetary policy communications	91
Official Currency Policies and Rhetoric	94
Currency policy or currency stance?	94
Calling the shots on currencies	95
Taking a closer look at currency market intervention	98
Financial stability	101
Debts, deficits, and growth	102
Gauging credit risk	103
Geopolitical Risks and Events	104
Gauging risk sentiment	106
Risk on or risk off?	106
CHAPTER 6: Cutting the Fog with Technical Analysis	109
The Philosophy of Technical Analysis	110
What is technical analysis?	110
What technical analysis is not	111
Forms of technical analysis	111
Finding support and resistance	112
Waiting for confirmation	114
The Art of Technical Analysis	115
Bar charts and candlestick charts	115
Drawing trend lines	117
Recognizing chart formations	119
Fibonacci retracements	129
The Science of Technical Analysis	130
Momentum oscillators and studies	131
Trend-identifying indicators	134
Trading with clouds: Ichimoku charts	136

CHAPTER 7:	Getting Down and Dirty with Fundamental Data	139
	Finding the Data	140
	Economics 101 for Currency Traders: Making Sense of Economic Data	141
	The labor market	141
	The consumer	142
	The business sector	142
	The structural	143
	Assessing Economic Data Reports from a Trading Perspective	144
	Understanding and revising data history	144
	Getting to the core	145
	Market-Moving Economic Data Reports from the United States	146
	Labor-market reports	147
	Consumer-level data reports	149
	Business-level data reports	152
	Structural data reports	155
	Major International Data Reports	159
	Eurozone	159
	Japan	160
	United Kingdom	161
	Canada	161
	Australia	162
	New Zealand	162
	China	162
	Singapore	163
CHAPTER 8:	Getting to Know the Major Currency Pairs	165
	The Big Dollar: EUR/USD	166
	Trading fundamentals of EUR/USD	166
	Trading behavior of EUR/USD	170
	Tactical trading considerations in EUR/USD	172
	East Meets West: USD/JPY	174
	Trading fundamentals of USD/JPY	174
	Price action behavior of USD/JPY	179
	Tactical trading considerations in USD/JPY	181
	The Other Majors: Sterling and Aussie	182
	The British pound: GBP/USD	183
	The new kid in town: Trading the Aussie	185
	Understanding Forex Positioning Data	187
	How to interpret the data	187
	The FX fix	188
	Forex and regulation	188

CHAPTER 9:	Minor Dollar Pairs and Cross-Currency Trading	191
	Trading the Minor Dollar Pairs	192
	Trading fundamentals of USD/CAD	192
	Trading fundamentals of NZD/USD	194
	Tactical trading considerations in USD/CAD, AUD/USD, and NZD/USD	196
	Trading the Scandies: SEK, NOK, and DKK	199
	Swedish krona: "Stocky"	199
	Norwegian krone: "Nokkie"	200
	Danish krone: "Copey"	200
	Checking Out Cross-Currency Pairs	200
	Understanding reasons for trading the crosses	201
	Stretching the legs	202
	Trading the JPY crosses	204
	Trading the EUR crosses	204
	PART 3: EXECUTING A TRADING PLAN	207
CHAPTER 10:	Leveraging AI for Consistent Profits	209
	Gathering Your Simple AI Trading Tools	210
	Walking through Your Daily AI Trading Workflow	210
	Step 1: Your AI macro briefing (the "big picture")	211
	Step 2: Trade ideas (from bias to opportunities)	215
	Step 3: Technical refinement (the chart analysis)	217
	Step 4: Risk and execution (the "safety first" step)	221
	Step 5: Trade monitoring (staying level-headed)	222
	Step 6: Post-trade AI debrief (the growth phase)	224
	Following a Few Nonnegotiable AI Trading Rules	225
	Understanding the Importance of Consistency	226
CHAPTER 11:	Pulling the Trigger	227
	Getting into the Position	227
	Buying and selling at the current market	228
	Averaging into a position	229
	Trading breakouts	233
	Making the Trade Correctly	238
	Buying and selling online	239
	Placing your orders	240
CHAPTER 12:	Managing the Trade	243
	Monitoring the Market While Your Trade Is Active	244
	Following the market with rate alerts	244
	Staying alert for news and data developments	245
	Keeping an eye on other financial markets	246

Updating Your Trade Plan as Time Marches On.....	248
Trend lines move over time	249
Impending events may require trade plan adjustments.....	251
Updating Order Levels as Prices Progress.....	252
Increasing take-profit targets	252
Tightening stop-loss orders to protect profits	253
PART 4: FOREX ALTERNATIVES	255
CHAPTER 13: Currency Exchange-Traded Funds.....	257
Defining Currency ETFs.....	258
Picking Out the Pros of Currency ETFs versus Other	
Currency Vehicles	259
Currency ETF advantages.....	259
Other factors when choosing currency ETFs.....	261
Comparing U.S. Dollar Bullish and Bearish ETFs	262
Feeling bullish	262
Being bearish.....	264
Examining Other Currency ETFs	265
Euro ETFs	265
Yen ETFs	266
Choosing Currency ETFs: Hedged or Unhedged?.....	268
Studying Some Currency ETF Resources	269
CHAPTER 14: Currency Futures	271
Defining Currency Futures.....	272
Comparing Currency Trading and Currency Futures.....	273
Focusing on the Fundamentals of Currency Futures Contracts.....	273
Basics included in a futures contract	274
Margin and maintenance requirements	274
Common currency futures contracts	276
Leverage: The double-edged sword	277
Surveying Basic Futures Trading Strategies.....	278
Going long	278
Other strategies.....	279
Reading Currency Futures Quotes	280
Sizing Up E-Minis and E-Micros.....	281
E-minis 101	282
Trading with the E-micro	282
Common currency E-mini and E-micro contracts.....	283
Checking Out Futures Trading Resources and Brokers.....	284
CHAPTER 15: Currency Options.....	285
Introducing the Basics of Options.....	285
Why consider options?	286
What assets have options on them?.....	287

Buying a Call Option for Big Gains	287
Understanding how buying a call option works	288
Looking at the features of a call option	289
Distinguishing the “moneyness” of call options	290
Writing a Call Option to Generate Income.	291
What if the security goes to the strike price or higher?	292
What if you don’t want to sell at the strike price?	292
What if the security’s price stays flat or moves sideways?	293
What if the security’s price goes down?	293
How often can you write a covered call?	293
Using a Call Option for Safety or Hedging.	294
Picking Apart Put Options	295
Use #1: Bearish speculation	295
Use #2: Generating income	295
Use #3: For hedging and protection	296
Considering Some Combination Trades	297
Debit spreads and credit spreads.	297
Diagonal and vertical calendar spreads.	297
The bull call spread	298
The bear put spread	300
Breaking Down the Mechanics of Making Options Trades	301
Choosing a brokerage firm and gaining approval for options	301
Placing an order.	302
Reading an options table	303
Getting a Few Golden Rules for Options Beginners.	306
Trying Options Tutorials and Resources	307
CHAPTER 16: Trading Cryptocurrencies	309
Introducing the Basics of Trading Cryptocurrencies	310
Defining cryptocurrency trading	310
Using ETFs as an easy entry point.	310
Noting some major cryptocurrencies.	311
Making a transaction.	311
Managing risk.	312
Checking Out ETFs as Prime Cryptocurrency Trading Vehicles	312
Cryptocurrency ETFs	313
Optionable cryptocurrency ETFs.	314
Consulting Cryptocurrency Resources for Beginners	314
Cryptocurrency tutorials.	315
Cryptocurrency information, news, and views	315

PART 5: THE PART OF TENS	317
CHAPTER 17: Ten Habits of Successful Currency Traders	319
Follow the Trend	320
Never Chase a Trade.	320
Always Put in a Stop-Loss Order	320
Plan Your Trade and Trade Your Plan	321
Be Aware of News Releases.....	321
Trade with Consistency and Discipline.....	322
Never Add to a Losing Position	322
Focus on a Few Pairs First	322
Watch Other Markets	323
Pay Yourself Consistently.....	323
CHAPTER 18: Almost Ten Rules of Risk Management	325
Leverage to a Minimum	325
Stay on Top of the Market	326
Trade with an Edge	326
Step Back from the Market	326
Take Profit Regularly.....	327
Understand Currency Pair Selection	327
Double-Check for Accuracy	327
Take Money Out of Your Trading Account.....	328
CHAPTER 19: Ten Great Resources for Currency Trading	329
Technical Analysis of the Financial Markets	329
Japanese Candlestick Charting Techniques.....	330
Technical Analysis For Dummies.....	330
Market Wizards: Interviews with Top Traders.....	331
Investing.com.....	331
BabyPips.com.....	331
Forex Factory	332
Commodity Futures Trading Commission.....	332
TradingView	333
MarioSingh.com.....	333
CHAPTER 20: Ten Golden Rules for Currency Trading Beginners	335
Do Research before Trading	335
Practice Simulated Trading First	336
Start Small	336
Keep a Ceiling on Your Total Speculating	337
Be Diversified.....	337
Know that Successful Trading Isn't Just What You Do but How You Do It	338

Analyze the Trades That Went Bad.....	338
Study the Work of Experienced Traders	338
Note that History May Not Repeat, but It Does Rhyme.....	339
Specialize If Possible (Focus!).....	339
CHAPTER 21: Ten Things to Look for in a Good Broker	341
Regulatory Compliance and Security	341
Execution Speed and Latency	343
Spread and Commission Structure.....	343
Platform and API Compatibility.....	344
Depth of Market and Asset Variety.....	344
Leverage and Margin Flexibility.....	344
Deposit and Withdrawal Efficiency.....	345
Quality of Data Feeds	345
Reputation and Slippage History.....	346
Professional Support and Transparency	346
APPENDIX: TRADING STRATEGIES	347
INDEX.....	355

