# Online Trading Manual for Beginners

# Forex

## Contents



## Introduction

Welcome to your Online Trading Manual for Beginners, through this manual we want to prepare you to join the world of online Forex trading.

On our website you will also find an informative FAQ section and a useful glossary to take your online trading training to the next level. Access your own Demo Account to enjoy a risk free practice environment with virtual money and the ability to learn how to buy/sell, practice risk management and give you a real insight into how the world famous MT4 trading platform works.

After reading this manual if you still have doubts, questions or queries talk to one of our award-winning customer service team who are there to give you support through this journey and help you with anything you are unsure of.

It is important to add the purpose of this manual is not to give advice on whether or not a specific product should be traded but rather a guide about what Forex trading is.

## About Us

ICM Capital is UK based online Forex and CFD trading firm offering 24 hour access to a diverse range of trading products including foreign exchange, commodities, futures and indices. Through ICM Capital and the world renowned MT4 trading platform you can take advantage of high liquidity, tight spreads, mobile trading, technical analysis and much more.

We believe that in order for you to be successful in your trades you need complete support and resources. Whilst trading with ICM Capital you will be assisted by our award-winning customer service team who are there to answer all of your questions and make sure your trading experience with us is as rewarding as possible. The support we offer via telephone, email and live chat is suitable for the beginner and the advanced trader and is offered in multiple languages. Furthermore, to assist you in the fast growing retail Forex market an all-inclusive education centre, designed for traders at all levels, is always at your fingertips.

## Financial Markets Explained

Let us introduce you to the term Financial Markets. The financial market is a 'system' that allows people and entities to buy and sell (trade) currencies , financial securities (such as stocks and indices), commodities (such as precious metals or agricultural goods) and other items of value at low transaction costs and at prices that reflect supply and demand.

### Financial Markets

- ✓ Foreign exchange markets which facilitate the trading of currencies,
- ✓ Stock markets which provide financing through the issuance of company shares and the possibility of trading these,
- ✓ Commodity markets which facilitate the trading of commodities,
- ✓ Money markets which provide short term debt financing and investment : Certificate of Deposit (CDs), Municipal notes,
- ✓ Futures markets provide contracts for traders, to buy or sell an asset at a set price at a future point in time

### Contract for Difference (CFD's)

At ICM Capital traders can take advantage of CFD contracts (Contract for Difference) for all products including Forex, Precious Metals, US Stocks and Energy Futures. This simply means that the price of the instrument can be traded but no physical delivery ever needs to take place.

These trades are known as OTC Markets (Over the Counter, Non exchange markets) and have no central physical location; people participant in the trades through modern communication methods such as internet, telephone and electronic trading systems.

**Did you know?**
**The largest stock market in the world, the New York Stock Exchange (NYSE), trades a volume of over $22 billion each day.**

And here is a list of Financial Markets Participants:

### Central Banks

Central Banks – such as the BoE (Bank of England) in most countries have the ultimate control over money supply and interest rates.  They get involved to regulate the rise and fall of market prices for freely convertible currencies by using their foreign currency reserves or by influencing interest rates.

### Commercial Banks

Commercial banks (retail and Investment banks) are market makers that quote two-way spot Forex prices that are continuously changed so as to allow them to balance supply and demand for the currencies.

### Brokers

Brokers are intermediaries that convey the market prices received from banks via electronic means to other market participants. These rates do not serve just as an indication, but are the prices at which they are willing to deal, usually for an accepted marketable amount.

### Corporations

Conventionally firms have entered into currency transactions in order to hedge (cover) their foreign currency exposures and to manage risk. However, these days they are adopting more aggressive policies and actively take positions in the currency market. Multi-national's often have their own in-house dealing department and credit control team, but the majority still conduct their currency transactions through brokers.

### Mutual Funds

Many smaller investors today are purchasing shares in mutual funds. Some of these funds have over USD 1 billion in assets and are often managed by fund managers who invest some of these funds in the Foreign Exchange market. Today, the transaction size and volume of certain funds exceed that of some Central Banks.

### Government Institutions

Governments are generally not very active market participants, but in some circumstances, they can inject large funds into the foreign exchange markets. This sort of activity is mostly carried out by developing countries where import/export commerce is directed through governments.

### Individual Investors

The number of transactions entered into by individuals has increased rapidly over recent years. Today, a growing number of individual investors are trading in Spot Forex and the future contracts by depositing into trading accounts with firms such as ICM Capital. These investors are now gaining in importance and are having short-term influence on exchange rate movements and can also change market conditions.

## Forex Explained

The foreign exchange (Forex or FX) market is a decentralised global market for the trading of international currencies. It is the largest and most liquid market in the world with over USD 5.3 trillion traded by people, every day. It is also important to know it is considered an Over the Counter (OTC), or "Interbank", market due to the fact that the entire market is run electronically, within a network of banks, continuously over a 24-hour period 5 days a week.

If you have ever visited another country and exchanged your money into the local currency you are essentially taking part in the foreign exchange market. You've exchanged one currency for another. Or in Forex, assuming you are British person visiting Spain, you've sold GBP and bought Euros**.**

On your return you want to change your money back and notice the exchange rates have changed. It's these changes that allow people to make, and sometime lose, money in the Forex market.

The market participants include those we mentioned earlier: Central Banks, multinational corporations and individual investors.

### Opening Hours

The Forex market is a global market without which is open as long as there are banks or financial institutions to process the currency orders. In this case it is open 24 hours a day, five days a week!

**Tokyo Session**
Midnight - 9:00 GMT

**Hong Kong Session**
1:00 - 10:00 GMT

**Sydney Session**
22:00 - 7:00 GMT

**New York Session**
13:00 – 22:00 GMT

**Active currencies:**
USD, EUR, GBP, AUD, JPY

**London Session**
08:00 –17:00 GMT

**Active currencies:**
EUR, GBP, USD

**Chicago Session**
14:00 - 23:00 GMT

**FrankfurtSession**
7:00 – 16:00 GMT

That means at any time, wherever you are you will always find a buyer or seller. Although you can trade currencies 24 hours a day you will find some times are busier than others. And you should watch out for this.

### Speaking Forex

The currency exchange rate is the rate at which one currency can be exchanged for another. It is always quoted in pairs like the EUR/GBP (the Euro and the GBP). Exchange rates fluctuate based on economic factors like inflation, industrial production and geopolitical events. These factors will influence whether you buy or sell a currency pair.

### Main Currencies

- ✓ U.S. Dollar ($)
- ✓ European Currency Unit (€)
- ✓ Japanese Yen (¥)
- ✓ British Pound Sterling (£)
- ✓ Swiss Franc (Sf)
- ✓ Canadian Dollar (Can$)
- ✓ Australian (AUS) and New Zealand Dollars (NZD)
- ✓ China Yuan (CNH)

ICM Capital has over 32 currency pairs to choose from. As a new trader, however, you will probably make your first trades with the 'major currencies' shown below.

### Major Currency Pairs

- ✓ EUR/USD (Euro vs. US Dollar)
- ✓ GBP/USD (UK Pound vs. US Dollar)
- ✓ USD/JPY (US Dollar vs. Japanese Yen)
- ✓ USD/CHF (US Dollar vs. Swiss Franc)
- ✓ USD/CAD (US Dollar vs. Canadian Dollar)
- ✓ AUD/USD (Australian Dollar vs. US Dollar)

**Did you know?**
Do you know that the pound sterling was the world's reserve currency before the U.S. dollar?

### Forex Slang

Often you'll hear currency pairs being given unique names by the experiences trader, below you can see a few examples:

| Pair | **Countries** | **Forex Slang** |
|---|---|---|
| EUR/USD | Euro zone / United States | euro dollar |
| USD/JPY | United States / Japan | dollar yen |
| GBP/USD | United Kingdom / United States | pound dollar |
| USD/CHF | United States/ Switzerland | dollar swissy |
| USD/CAD | United States / Canada | dollar loonie |
| AUD/USD | Australia / United States | aussie dollar |
| NZD/USD | New Zealand / United States | kiwi dollar |

**Did you know?**

Currency Codes are always three letters: the first two represent the country name and the last letter usually identifies the name of the currency.

**GB- Country Name - Currency Name**

The exception is the Euro (EUR), which is used in many countries in the European Union.

## Preparing to Become a Forex Trader

We make learning on a practice account simple; and provide support and the guidance you need to start trading. Our complete support will help you to apply the most important trading rules and help you think and act like a trader.

### Why should I trade Forex?

- ✓ Traders can profit when prices move up AND down
- ✓ 1-2 hours a week is enough to manage your account and start trading
- ✓ As little as USD500 is enough to start trading in a Live Account
- ✓ Speculation - take advantage of exchange rate fluctuations
- ✓ Trade 24 hours a day, 5 days a week
- ✓ No middlemen - trade directly with the market responsible for the pricing
- ✓ High trading volume - around USD 5.3 trillion is traded daily on the FX market
- ✓ Liquidity - the largest and most liquid of all the financial markets
- ✓ Extensive educational resources
- ✓ Leverage - a small deposit can control a much larger total contract value
- ✓ Low margin requirements

### What do I need to Start Trading Forex?

- ✓ A smartphone, tablet, laptop or PC
- ✓ A reliable internet connection
- ✓ A demo or live trading account (depending on your experience) installed on your device
- ✓ A trading plan

### What do you need to ask yourself before you start trading?

- ✓ How to start? What is my trading style, behaviour, strengths and weaknesses?
- ✓ Have I had enough training on the demo to feel confident in live trading conditions?
- ✓ Do I have the ICM Capital's support team contact details close by in case I have any questions?
- ✓ What is my risk appetite? Decide on a risk ratio for each trade you place

ICM Capital provides powerful tools for successful trading. While practicing on the demo account you need to consider on what bases you will open a position (Buy/Sell)? You also need to know the 3 approaches that will help you open a valid position:

- ✓ Fundamental analysis
- ✓ Technical analysis
- ✓ Market sentiment

## Types of Traders

### What kind of trader are you?

Speculators are people who analyse and forecast futures price movement. There are several different styles of trading which will more often than not categorise a trader into one of the two below.

### Hedger

A person whose primary motivation is not seeking profits, but instead to reduce the risk of adverse price movements in a security

### Speculator

A person seeking large profits in return for large risks by trying to anticipate price movements, in the hope of making quick, large gains

Overall, hedgers are seen as risk averse and speculators are stereotypically seen as risk lovers. Hedgers try to reduce the risks connected with uncertainty, while speculators bet against the movements of the market to try to profit from price fluctuations. Which category do you fit into?

### Trading Style

Also you need to identify your trading style, is it?

- ✓ Day trader - short term, you will only hold your positions for a day - no overnight positions,
- ✓ Swing trader - short term, you will hold your positions for a few days or weeks,
- ✓ Position trader - long term, you will hold your positions for months or years.

### Top 10 Tips for Trading

1. Trade within your understanding of the markets - **always be a student,**
2. Make decisions away from the market - **don't just be a screen watcher,**
3. Try to **avoid putting everything** on one commodity or product,
4. Do not overtrade - **trade within your means** &**keep learning,**
5. Always use **protective stops losses,**
6. Go in with a **plan and don't trade impulsively,**
7. **Predetermine risk** as well as profit,
8. **Don't move stops higher or lower** and say "It'll come back”,
9. **Control emotions** - don't let ego get in the way,
10. **Keep it simple**, more complicated is not always better

## Above all, be disciplined.

## Writing your Trading Plan

View a trading plan as a document which will be used as your business plan for trading. It is very important that you write this plan down then stick it somewhere where you can easily see it on a daily basis….your wall, your window, or on your desk, anywhere as long as you can easily locate it and remind yourself of your goals.

**To start ask yourself the following questions and write down the answers:**

1. Will you trade only one major currency pair or a mix of many?
2. Will you trade every day or will I hold your positions for weeks or months?
3. How much profit do you want to make?
4. How much are you willing to lose per trade?

**Now continue to write out your plan using these questions:**

5. If you trade daily, how many recurring losses will you accept before you stop each day?
6. How will you view the markets? Will you be fundamental or technical or both?
7. How will you use stop losses and take profit to control your risk?
8. What is your profit target?

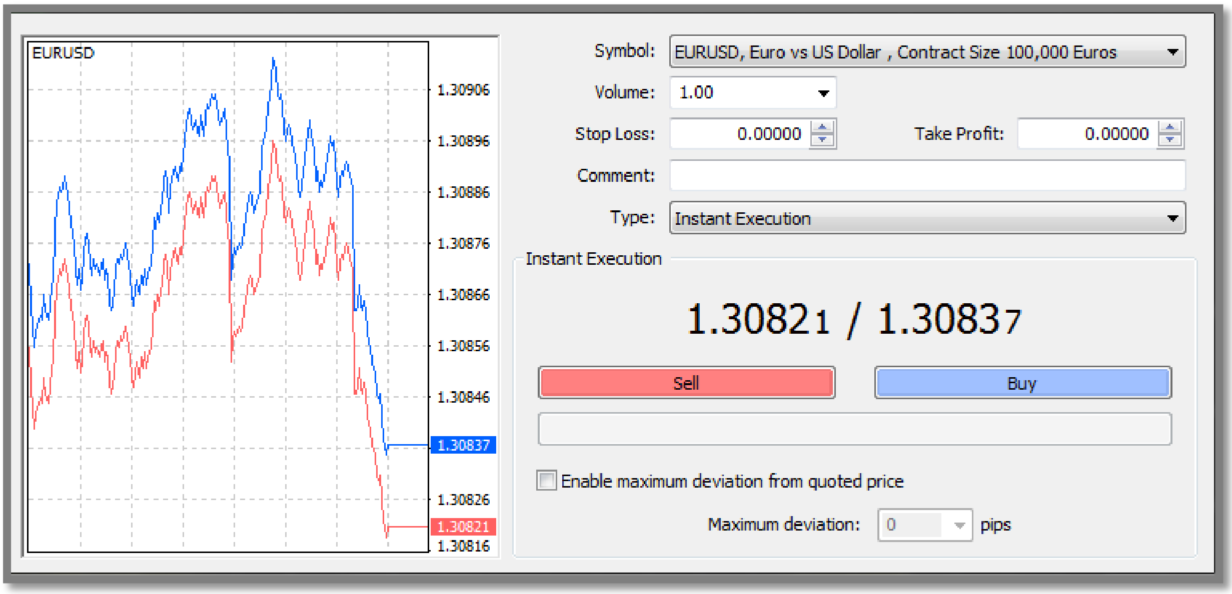
**And remember:**

9. Stick to your plan!
10. And keep a diary of your trades! This will help you follow your rules.

Failing to plan is planning to fail…..

## Introducing the MT4 Platform

Below is an example of how you will see currency pairs in our MT4 platform. You can see an example of the Euro and USD: **EUR (Base Currency) / USD (Quote Currency)**




### Opening a position

The EUR/GBP rate represents the number of Great British Pounds one Euro can buy. The first abbreviation (EUR) in a currency pair is called the base currency, the second (GBP) is called the quote currency.  If you believe that the Euro will go up in value against the Great British Pound's, you will buy Euros with the GBP. If the exchange rate rises, you will sell the Euro's back, making a profit.

Because you always get a free online demo account before you open a live account you will be sure to know what you're doing once you start trading on the real markets. And if you ever have any questions we are always happy to help – yes it's that easy! But first let's get into more detail about the specific terms.

### What is the spread?

You may have already had a look at a few different firms similar to ICM Capital and realised everyone keeps shouting about the Spread, we will explain to you what it's really all about.

The spread is the difference between the buy and the sell price. Because of the high volumes traded in the Forex market you can always benefit from high liquidity which makes the market competitive and allows brokers to offer tighter (small) spreads.

If spreads are less it means your costs are less. Typical spreads are 2-4 pips on the majors, and 4-7 pips on many of the other pairs, also known as crosses. ICM Capital has tight spreads as low as 1.6 pips on the EUR/USD. Below is an example of how spread is reflected in the Bid and the Ask price.

| Instrument | Sell (Bid) | Buy (Ask) | Spread |
|---|---|---|---|
| EUR/USD | 1,31233 | 1,31249 | 1.6 |
| GBP/USD | 1,61046 | 1,61073 | 2.7 |
| USD/CHF | 0,92106 | 0,92178 | 2.8 |

In the EUR/USD you can see there's a difference of 1.6 pips between the sell and the buy price. There is no commission, administration or subscription costs when you trade Forex, you only have the spread.

EUR/USD = 1,31233 this means you would need 1,31233 USD to buy 1 EUR.

> **Did you know?**
> The dollar is the most traded currency, taking up around 80% of all transactions.

## Pips

Pips are the smallest price movement in a currency pair. We offer fractional pips to allow our clients to benefit from smaller price movements in the market.

## Advantages of Fractional Pips

- ✓ Provide lower spreads for popular currency pairs
- ✓ Very competitive transaction costs
- ✓ More accurate and tighter spreads
- ✓ Better liquidity with less slippage

In the past a 1 pip move (number sitting the furthest to the right of the decimal point) was the smallest price change that a pip could make. Without fractional pip pricing, the buy price is either rounded up or down to the nearest pip.

With fractional pip pricing, prices are quoted to an additional decimal place for example the EUR would appear as 1.22542 instead of 1.2254. We can call the last decimal place in this example a fractional.

## Standard Lot

A Forex Standard Lot is the amount of currency you buy or sell. One standard lot is equivalent to 100,000 units of any currency in a Forex trade. It is one of the three commonly known lot sizes; the other two are mini-lot (0.10) and micro-lot (0.01). A one-pip movement for a standard lot corresponds with a 10 USD movement in the price.

## Leverage

ICM Capital offers leveraged trading, meaning that you can control 500,000 USD worth of Gold with 1,000 USD (using leverage of 1:500). Leverage can offer great potential for profit if the market moves in your favour, but it can also lead to large losses if the market moves against you.

## Advantages of trading Forex with Leverage:

- ✓ Leverage in the Forex markets is much higher than in most other markets,
- ✓ Forex is the largest and most liquid market in the world,
- ✓ It’s very easy to open and close positions,
- ✓ Profit can be made in a rising and falling market,
- ✓ Possible to exit a position quickly and efficiently,
- ✓ You cannot lose more money than you put in,
- ✓ Demo Accounts available to practice leveraged trading.

## Leverage combined with Margin Trading

It is very similar to buying real estate. When you buy an apartment or house with a mortgage, you a buying with more money than you have in your bank account. Your bank then lends you money which will allow you to afford that house.

Now let’s adapt this concept to trading in which case it takes on a ratio form. If you were to trade with leverage of 1:500 and chose to trade 1 lot of EUR/GBP, you would ultimately be trading 100,000 units of the base currency – the base currency being the EUR in this example. You then take these 100,000 units and divide them by 500, which gives you 200. This 200 USD is your margin requirement to trade one standard lot.

Trading on margin is an excellent trading tool and can enhance your profits but remember it can also work against you and amplify your losses.

### Did you know?

Did you know that "buck" is the nickname for USD?

## Money Management

Money management simply means having the knowledge and ability to manage your funds in your Forex trading account. It is important that you understand the term money management in order to control your deposits in your trading career. The main points to remember when you think about money management are:

- ✓ Don't always look for the biggest gains you can make,
- ✓ Consistent trading means successful trading,
- ✓ Never think you will always make profit – always plan for losses as well,
- ✓ Risk a small percentage of your total balance for each trade

If you follow all of these steps it simply means you minimize your risk so even if you lose during one trade it won't have a disastrous effect on your overall balance.

## Risk Management

Risk Management is the concept of having a plan that sets a maximum amount of risk that you will place on any one trade. Most importantly you need to know when to cut your losses on a trade. Having a trading strategy and plan in place and sticking to it is the best way you will be able to do this. The most common risk management tools in Forex trading are the take profit orders and the stop loss orders.

### Stop Loss

An order placed with a broker to automatically close a trade on an instrument when it reaches a certain price. Fixing a stop-loss is designed to limit your losses on trade. This would only be used on a position where the market has moved against you and is causing you to lose money.

### Take Profit

An order placed to sell a security when it reaches a certain price level resulting in profit for your position. Placing this order will result in your position being automatically placed when it has been reached.

You should also be able to calculate the odds of your trade being successful. In order to do this you need to understand both fundamental and technical analysis. You must understand the dynamics of the market in which you are trading.

Every trade you make will entail a certain element of risk, but remember as long as you can measure risk you can manage it. Risk can be magnified by using too much leverage in respect to your trading capital. With a disciplined approach and good trading habits you can manage your risk.

Remember that the best tool at your disposal is behind your eyes...

## Trading Terms Explained

**Bulls and Bears**
These are nicknames used for traders, movements and trends: if you think the market will go up you are a bull, if you think it will go down you are a bear. Think of the movements a bull makes with his head and a bear makes with his paw, then you get the idea.

**Opening a Position**
Simply means buying or selling one or more products

**Going Long or Short**
If you think a currency will rise in value, you buy (long), if you think it will fall you, you will sell (short)

**Stop Loss**
An order placed with a broker to automatically close a trade on an instrument when it reaches a certain price. Fixing a stop-loss is designed to limit your losses on trade.

**Take Profit**
An order placed to sell a security when it reaches a certain price level resulting in profit for your position. Placing this order will result in your position being automatically placed when it has been reached.

**Margin**
Margin is the amount of money required in your account to open a position or to keep your positions open. If there are insufficient funds available, your open positions will be closed out. Margin is usually expressed as a percentage of the full amount of the position. For example, to buy 100,000 EUR, you will require a minimum amount of USD 1,000 only.

**Profit**
When trading Forex currency pairs are volatile and prices are continuously changing. The way a trader can profit is by buying one currency pair and then selling it at a higher rate, or you sell a pair and then buy at a lower rate. As your positions gain profit you will notice your equity increasing in your MT4 account. When you close your profitable position your profit will be added to your account balance.

**No Commissions**
Forex market costs are usually worked out on the bid-ask spread. ICM Capital charges no commission and is compensated through a mark-up which is added to the spread it receives from its liquidity provider. What's more at ICM Capital we have no exchange fees and no clearing fees.

**Swap Free**
Swap-free accounts are trading accounts in adherence with Islamic religious principles. The overnight which is charged or paid as the price difference between rollover close and open trades is not applied to swap-free-accounts. There is no roll over on the spot products. Swap-free-accounts shall be used strictly in good faith for Muslim religious compliance reasons only.

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