Four steps to making your first trade

AN INTRODUCTION TO TRADING CURRENCIES
A FOREX.com educational guide

It's Your World. Trade It.

Four steps to making your first trade in forex

Now that you know a little more about **forex**, we'll take a closer look at how to make your **first trade**. Let's say that you opened an account with **FOREX.com**. Before you trade, you need to follow a few steps.

1 SELECT A CURRENCY PAIR

The nature of forex trading is to exchange the value of one currency for another. In other words, you will always buy one currency while selling another at the same time. Because of this, you will always trade a pair of currencies.

Most new traders start out by trading the most commonly offered pairs of major currencies, but you can trade any currency pair we have available as long as you have enough money in your account. For this walkthrough, we'll look at the EUR/USD (Euro/U.S. Dollar).

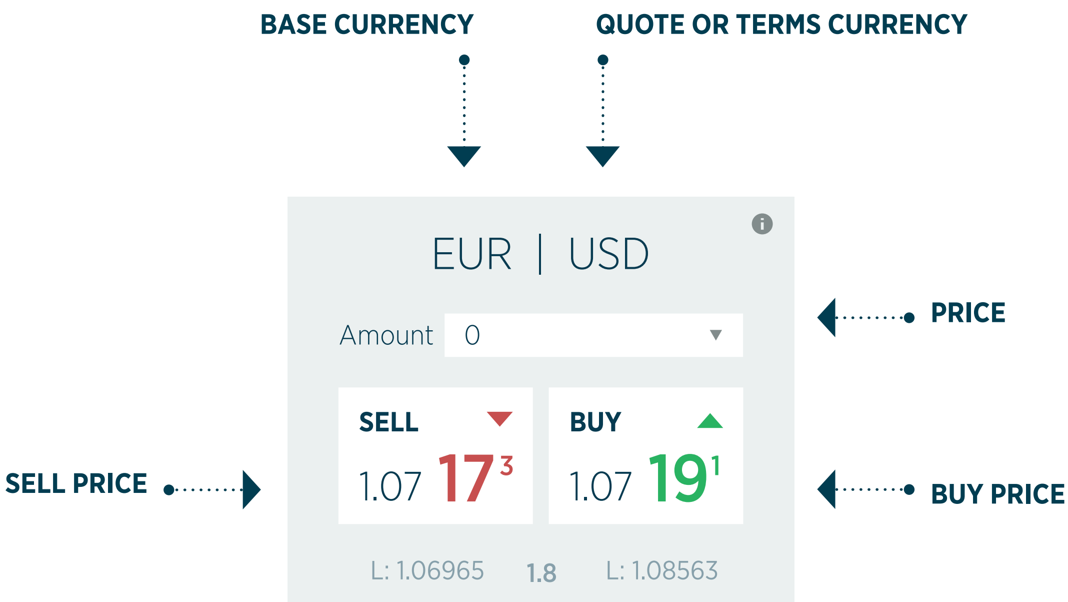
2 ANALYZE THE MARKET

Research and analysis should be the foundation for your trading endeavors. Without these, you're operating largely on emotion. This doesn't typically end well.

When you first start researching, you'll find a wide wealth of forex resources—which may seem overwhelming at first. But as you research a particular currency, you'll find valuable resources that stand out from the rest. You should regularly look at current and historical charts, monitor the news for economic announcements, consult indicators and perform other analysis activities. We'll talk more about specific types of research later on.

3 READ ITS QUOTE

You'll notice two prices are shown for all currency pairs. For example, a quote for EUR/USD may look like this:



The first rate (1.07173) is the price at which you can sell the currency pair. The second rate (1.07191) is the price at which you can buy the currency pair. The difference between the first and second rate is called the spread. This is the amount that a dealer charges for making the trade.

Spreads will vary among dealers. **FOREX.com** offers competitive spreads on the wide range of currency pairs offered. **View our live spreads**

4 PICK YOUR POSITION

If you've traded stocks, bonds or other financial products, you know that you can usually only speculate on one direction of the market: up.

Forex trading is a little different. Because you are buying one currency while selling another at the same time, you can speculate on up AND down movement in the market.

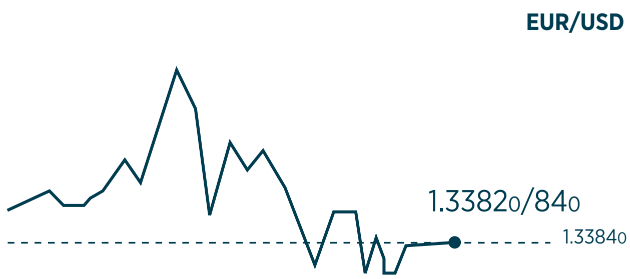
WITH A BUY POSITION, you believe that the value of the base currency will rise compared to the quote currency. If you're buying the EUR/USD, you believe the price of the euro will strengthen against the dollar. In other words, you believe the euro is bullish (and that the US dollar is bearish).

WITH A SELL POSITION, you believe that the value of the base currency will fall compared to the quote currency. If you're selling the EUR/USD, you believe the price of the euro will weaken against the dollar. In other words, you believe the euro is bearish (and that the US dollar is bullish).

Let's see how these would work. Imagine that you did some research and decided to enter a trade.

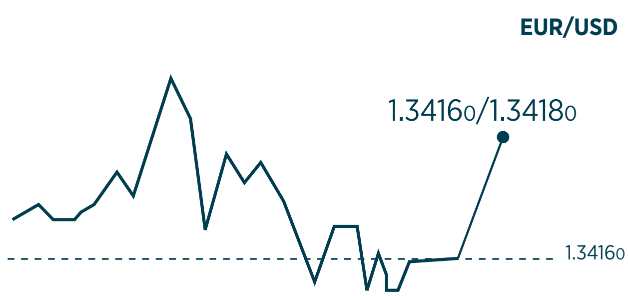
ENTERING A BUY POSITION

The current price for the EUR/USD is 1.33820/840. You believe that the euro is bullish, so you decide to enter a buy position for one lot of the EUR/USD. Because you are buying, your trade is entered at the price of 1.33840.



Now, let's say that later in the day, you look at your position. The EUR/USD is now at 1.34160/180. Your trade has gained 32 pips. You decide to close your position at the current sell price of 1.34160 and take a profit.

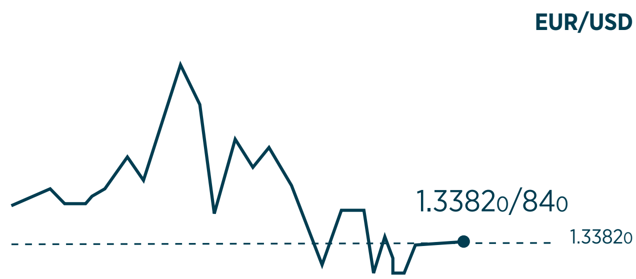
+32 PIPS



0.0032 X 100,000 = Your profit is US$320

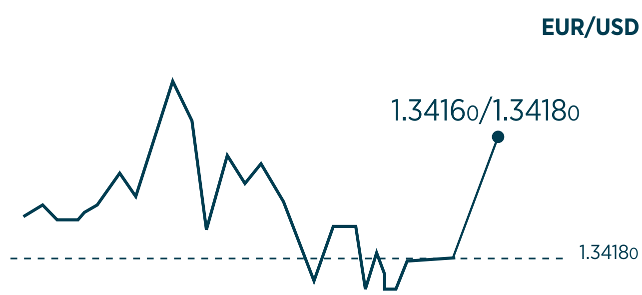
ENTERING A SELL POSITION

Let's imagine that you believe the euro is bearish. You decide to enter a sell position for one lot of EUR/USD. Because you are selling, your trade is entered at the price of 1.33820.



You look at your position later in the day and discover that the EUR/USD is now at 1.34160/180. Your trade has lost 36 pips. You decide to close your position at the current buy price of 1.34180 and accept your losses.

-36 PIPS



0.0036 X 100,000 = Your loss is US$360

* The examples shown here are for educational purpose only.

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