
Contents

Acknowledgments xix

Introduction

About This Book xxi

PART 1

THE FOREIGN EXCHANGE MARKETS

Chapter 1

The World of FOREX	3
Introduction—What Is FOREX?	3
What Is a Spot Market?	4
Which Currencies Are Traded?	4
Who Trades on the Foreign Exchange?	5
How Are Currency Prices Determined?	6
When Do Currencies Trade?	8
How Is Money Made in FOREX?	8
Why Trade Foreign Currencies?	9
What Tools Do I Need to Trade Currencies?	13
What Does It Cost to Trade Currencies?	13
FOREX versus Equities	14
FOREX versus Futures	14
Summary	15

Chapter 2

A Brief History of Currency Trading	17
Introduction	17
Ancient Times	17

The Gold Standard, 1816 to 1933	18
The Federal Reserve	18
Securities and Exchange Commission, 1933 to 1934	20
The Bretton Woods System, 1944 to 1973	21
The End of Bretton Woods and the Advent of Floating Exchange Rates	21
International Monetary Market	22
Into the Millennium	22
Arrival of the Euro	23
The CFTC and the NFA	25
Summary	25

Chapter 3

Five FOREX Markets	27
Introduction—Spot, Futures, Forwards, Options, Spread Betting	27
Currency Futures	29
Contract Specifications	29
Currencies Trading Volume	30
U.S. Dollar Index	30
Volume and Open Interest	31
Where to Trade Currency Futures	33
FOREX Futures	33
Summary	33

Chapter 4

Regulation: Past, Present, and Future	35
Introduction	35
Regulation in the FOREX Market	35
Regulation Past	36
Regulation Present	39
Regulation Future	43
Summary	44

PART 2**GETTING STARTED****Chapter 5**

The Language of FOREX	47
Introduction	47
Currency Pairs	47
Major and Minor Currencies	48
Cross Currency	48
Exotic Currency	48
Base Currency	48
Quote Currency	49
Pips	49
Ticks	49
Margin	50
Leverage	51
Bid Price	52
Ask Price	52
Bid-Ask Spread	52
Quote Convention	52
Market Maker and ECN	53
Transaction Cost	53
Rollovers	54
Correlation	54
Summary	55

Chapter 6

FOREX by the Numbers	57
Introduction	57
Pips	58
Profit and Loss	59
Margin	60
Leverage	62
The Bid-Ask Spread	62

Profit Threshold	63
For Futures Traders	66
Summary	66

Chapter 7

A Guide to FOREX Trading Platforms	69
Introduction	69
Trading Platform Features	71
More Trading Platforms	79
Professional FX Platforms	80
Trading Platform Checklist	81
A Kid in the Candy Store	82
Summary	82

Chapter 8

Selecting a FOREX Broker	83
Introduction	83
Broker-Dealer Due Diligence	84
Demo Accounts	85
Market Maker or ECN?	86
Costs	87
Liquidity Providers	89
Customer Service	90
Trading Fair Palette	91
Financial Stability	91
Complaint and Error Resolution	92
Account Options	92
Games Brokers Play	93
Top Broker-Dealers	93
Popular Broker-Dealers	99
The Big Four Broker-Dealers	100
For the Professional and Non-U.S. Trader	101
Spread Betting	102
Fraud, Scams, and Off-Exchange	103

Broker-Dealer Checklist	103
Summary	103

Chapter 9

How to Open a FOREX Account	105
Introduction	105
The Demo Account	106
The Live Account	107
Redundancy	111
Summary	113

Chapter 10

Making the Trade	115
Introduction	115
Orders	115
Market Orders	117
Limit Orders	118
Stop Orders	118
Combination Orders	121
Specialty Orders	121
Order Placement	121
Order Execution	122
Order Confirmation	123
Open Orders	123
Open a Demo Account	124
Summary	125

PART 3

THE TRADER'S ARSENAL

Chapter 11

The FOREX Marketplace	129
Introduction	129
Portals and Forums	130

Broker-Dealer Reviews	133
Educational Resources	133
News and Calendars	135
Management Tools	136
System Development Tools	137
Data Services	140
Programming Services	142
Advisory Services	142
References, Periodicals, and Books	143
Fun Stuff	145
Summary	146

Chapter 12

Technical Analysis	147
Introduction	147
Bar Charts	148
Trendlines	151
Support and Resistance	151
Recognizing Chart Patterns	152
Reversal Patterns	152
Continuation Patterns	153
Candlestick Charts	155
Point and Figure Charts	157
Charting Caveat—Prediction versus Description	160
Indicators and Oscillators	161
Relative Strength Indicator	161
Momentum Analysis	163
Moving Averages	164
Bollinger Bands	165
Indicator Caveat—Curve-Fit Data	167
Wave and Swing Analysis	169
Cycle Analysis	170
Trading Systems	171
The Technician's Creed	171

The Technician's Caveat	171
Summary	172

Chapter 13

News Trading	173
Introduction	173
Fundamental Analysis	174
Fundamental Problems	174
Fundamental Factors	175
A Fundamental Discussion	181
FOREX News	186
Key News Releases	186
Reality versus Expectation	187
News Trading	187
Shockwave Analysis	189
Strategy and Tactics of News Trading	189
Summary	191

PART 4

WINNING IS THE NAME OF THE GAME

Chapter 14

Trading Spaces	195
Introduction	195
Charts, Bars, and Trading Spaces	196
Trading Profiles	199
Selecting a Trading Profile	201
The Market as a Process	202
Summary	203

Chapter 15

Setting Up Shop	205
Introduction	205
The Plan Components	206

The Trading Platform Plan	207
Pre-Trade Plan	209
Trading Session Plan	212
Pulling the Trigger	213
Post-Trade Plan	214
Summary	216

Chapter 16

A Simple System	217
Introduction	217
General Principles	218
A KIS Toolbox	219
A Simple System	220
Not So Simple	227
Pairs to Trade	228
Summary	228

PART 5

THE GOODMAN METHOD OF TRADING

Chapter 17

Goodman Wave Theory	231
Introduction	231
The Basic Market Paradigm	232
Goodman Wave Theory	234
The Basic Goodman Setup	243
Summary	244

Chapter 18

The Propagation Trade Setup	245
Introduction	245
The PTS	245
Summary	251

Chapter 19

The Dagger, the Waltz, and the Line	253
Introduction	253
The Belgian Dentist	254
Enter the Dagger	254
Waltzing the Trade	257
The Line! The Line!	264
Summary	267

Chapter 20

The Proactive Trader	269
Introduction	269
Laydowns	270
Bathtub Analysis	271
The Propagation Lens	272
Looking Inward and Outward	273
Multiple 3-C Counts	276
Stations	276
Ghost Trading	277
Sitting On Your Hands	278
Summary	279

Chapter 21

The 30-Trade Campaign Program	281
Introduction	281
Capital Allocation	282
The Tracks of Your Trades	286
Pre-Trade Checklist	286
Diagnostics	288
Characteristics of Successful Traders	291
Summary	293

Chapter 22

Goodmanisms	295
Goodmanisms	295
Summary	298

PART 6**OVER THE FOREX RAINBOW****Chapter 23**

Tools for Traders	301
Introduction	301
Techniques	302
Time Studies	315
Fear and Greed, Greed and Fear	317
Summary	318

Chapter 24

Options and Exotics	321
Introduction	321
Options	322
A Primer on Options	322
Basic Options Terms	323
Options: Pros and Cons	324
The Four Basic Options Strategies	325
Purchase or Write Options?	325
Advanced Options Strategies	326
The Greeks	326
The Retail FOREX Options Landscape	327
Options or Spot FOREX?	328
Risk Management with Options	328
Exotics	330
Trading Exotics	332
Summary	332

Chapter 25

Managed FOREX	335
Introduction	335
Why Managed FOREX?	336
Pros and Cons	336
Types of Managers	337
Types of Managed Accounts	338
Trading Methods	340
Performance Analysis	342
Two Methods of Performance Analysis	345
The Due Diligence Process	346
Costs and Fees	350
Spotlight on Managers	352
Research and Resources	354
Summary	355

Chapter 26

Computer Trading	357
Introduction	357
Technical Analysis	357
Expert Advisors	358
Automated Trading, Agents, and BOTS	359
Get on My Cloud	359
High-Frequency and Ultra-High-Frequency Trading	360
Into the Future of FOREX	362
The Trend Machine	363
Grid and Pac Man Programs	364
Arbitrage	365
Pros and Cons of Arbitrage	370
Summary	371

Appendix A: List of World Currencies and Symbols	373
Appendix B: Time Zones and Global FX Trading Hours	379
Appendix C: Central Banks and Regulatory Agencies	381
Appendix D: Resources	385
Glossary	389
About the Author	403
Index	405

<http://www.pbookshop.com>