

Forex Education - The Key Elements Of A Successful Forex Trading Strategy

An essential part of Forex education for a new trader is knowing the key elements that a successful Forex trading strategy must contain to succeed. Here we will look at all the salient points. Most traders lose, so make sure you have all these key elements in place before you start to trade. Let's take a look at the key points

1. Trade Valid Time Frames Not Market Noise Most Forex traders try scalping or day trading but this is doomed to failure; all short term volatility is random so you can't win. The majority of Forex robots also trade short term and I saw one that generates 20 trades a week! I know traders who make triple digit gains and trade less than that in a year. Trading frequency is not linked to profitability, so trade valid time frames and that means either long term trend following or swing trading. Leave day trading alone unless you want to lose quickly...
2. Simple Methodology and Not Curve fitted Ideally your system should be simple just a few rules and that's it. Complicated systems lose because they have too many elements to break and in Forex keeping it simple is the way to make profits so, forget about being clever. Also your system must not be a curve fitted system in hindsight. Curve fitting is where you keep bending the rules, until they make a profit on historical data but of course, the data never repeats exactly again and the system losses. If you want to see a good example of curve fitting, look at any Forex robot, great gains in hindsight and losses in real time trading.
3. Trade the Reality of Price Change Forget the people who tell you prices move to some higher theory and there is order in price movement there isn't. You are trading an odds based market and dealing in probabilities not certainties. When dealing with an odds based market you need to trade the reality of price change and not predict. Prediction is hoping or guessing and doomed to failure, so leave it to the far out investment crowd. Trade the reality of price change, not where you think prices may go and you will have the odds on your side and that's what Forex trading success is built on.
4. Money Management and Volatility Most traders think that money management takes care of itself but it doesn't and when working out stops, you need to take into account the standard deviation of price of the market you are trading- don't know what it is? Make it part of your essential Forex education! You need to place stops to protect yourself but make sure they are outside of random volatility. If you want to win at Forex, you need to learn how to do this; it's the very basis of Forex trading success.

Summing Up Your aim is to make money and that means working smart not hard. Forget about trading a lot, being clever or trying to predict. Keep your Forex trading strategy simple and robust and pay attention to the volatility of the market traded. If you follow the points in this article, understand them and build your strategy around them, they will lead you to currency trading success.

About the Author

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