



TRADING FOR A LIVING WITH FOREX TRADING

Getting Your First Pot Of Gold From
Forex Trading Is Easier Than You ever Imagine

So you want to trade for a living? You are motivated by the exploits of legendary traders when you read the book 'Market Wizards' written by Jack Schwager. The idea of achieving financial independence and having your desired lifestyle are too attractive to give up. Wealthy beyond what a 9 to 5 job can give you excites you and makes you recall the feeling you had when you were young and dared to dream.

Now if you dare to think big and act on it, I hope that this article can assist you on your quest.

Which Market Should I Trade?

Most people I have encountered tell me that the stock market is more accessible and easier for them. Indeed the stock market is entrenched in the minds of many Singaporeans. After all, many of us are familiar with how it works and even if we don't there are many people around us we can turn to for knowledge. In this article, I would like to ask those of you who want to trade for a living to consider trading the foreign currencies (Forex) market. We will

go through several aspects of forex trading which I feel makes it more suitable than the stock market for the full-time trader.

These aspects are:

- Direction of the market
- Funding requirement
- Suitability for different lifestyles
- Scale-ability
- Trading expenses

At the end of the article, you can take your first step towards trading for a living with some actions I recommend.

Trading In Any Direction Of The Market

As a full-time trader, the profits from trading form your income. You sit in front of your workstation and carry out your analysis. You have fired your boss and your destiny as a wealthy and famous trader awaits you. Your family is waiting for your income to feed and clothe them. Rain or shine wouldn't stop you. We want a market that lets us make money in any kind of situation. Hey but wait! As a stock trader, the stock market and the exchange might not be as helpful as you wish.

The stock market goes through a cycle. It spends time moving upwards, sideways and downwards in a repetitive manner. Look at the weekly chart of the Straits Times Index and

you will know what I mean. The market moved sideways from the year 2001 to 2004. It rallied and doubled between mid-2004 and mid-2007. It then fell more than half by March 2009.

The traditional approach to the stock market is to buy. There are also restrictions placed on short selling by the exchange. It is clear that a stock trader would be highly challenged to bring income home during bad years.

The forex market doesn't pose such a problem. There are no restrictions placed on short selling. This is because in the currency exchange mechanism, selling a currency pair such as the EURUSD means that there is a concurrent action of selling the Euro and buying the Dollar. The forex market

also goes through its own cycle but the trader can 'buy' or 'sell' accordingly without handicap.

The key idea of Forex Trading is that you can long or short at will!

Small Initial Funding

In Singapore, forex brokers offer a leverage of 50 times as compared to the 2 times leverage offered in a margin trading account for stock trading. Let's look at this from another angle, to control one hundred thousand dollars (\$100,000) worth of stocks, you need to place a margin deposit of fifty thousand dollars (\$50,000). But to control one hundred thousand dollars of currencies, you need only margin deposit of two thousand dollars (\$2,000). You can really make your money go the extra mile because of the leverage, keep the risk capital (your margin deposit) to a minimum and keep cash in other parts of your investment portfolio like funds of fixed deposits.

Great news – you can start forex trading with as little as \$300.

Suitability For Different Lifestyles

The forex market is a true 24-hour market. It starts with Sydney on Monday morning and ends with the US market on Saturday morning (US Friday evening). In between, the market does not rest. In addition, there are three segments during the day where volatility spikes and

**The forex market
also goes through
its own cycle but
the trader can 'buy'
or 'sell' accordingly
without handicap.**

day-traders find very exciting and profitable. These are the three segments: in the morning when Australia and Japan opens for trading, the afternoon when the European markets especially London opens for trading and in the evening starting from 7pm when US-related news pore into the market all the way till the open of its trading session.

The position of this trading segments as well as overall accessibility means anyone can find a segment suitable for himself regardless of lifestyle. We have a group of students who are house makers. They are able to juggle driving husband and children to work, visiting the gym, trading and still be in time for making dinner.

Who is suitable for Forex Trading? Anyone!

Highly Scaleable

The forex market is uniquely positioned to be the platform for individuals who want to trade for a living. Most beginners start with the demo account trading virtual money. Once they master the trading platform and form there strategy, they move on to mini-accounts. Using a mini-contract, trad-

ers can trade small positions where each point of gain (called pips) is one dollar. A major currency pair like the EURUSD moves in a range of around 200 pips in 24 hours. A day trader stands to collect as much as 150 pips. A full-time trader with experience and mature techniques can easily scale up his positions. A standard contract is available that allows traders to trade \$10 per pip. 150 pips in one day for a standard contract is worth \$1500 of profit or income. The margin required to trade a standard contract is a relative small amount of \$2000.

With scalability, Forex Trading meets requirement of traders who want to trade smaller size or bigger size.

Small Trading Expenses

The retail cost of trading is based on Bid/Ask spreads. For the major currency pairs, the spread ranges from 1 – 5 pips per contract. There are usually no commissions and no clearing fee and tax involved. Although there is a tiny financing charge involved for the leverage given, this can in fact work in the favor of the trader but

it is another story for another day. Essential tools like charting software and news are in fact provided free-of-charge by many brokers. The very important message here is this: when you trade full-time, you have to start minding the expenses of your 'enterprise'.

In short, the rule is 'the lower the better'!

Get Started

The biggest attraction of forex trading is the ability to perform no matter the direction of the market. Money can be most easily made only when you can go with the direction of the market. This I cannot emphasize enough. In addition, I found the forex market the most attractive compared to stocks, futures and options. Now here are some steps I recommend so that you can give it a try:

- Visit www.BabyPips.com to pick up some essentials of forex trading (I am not related to this website)
- Pick up some technical analysis; it's a must because 70% of forex trading is speculative and everybody uses technical analysis
- Sign up for a demo account and starting serious learning and simulating
- If you want to fast track your full-time trading career, check out my FX Tflow® course (www.TerraSeeds.com) or attend a free educational seminar cum preview 

Soh Tiong Hum is the founder of TerraSeeds Market Technician Pte Ltd, an education provider in strategies for Stocks, Forex, Futures, Commodities and Options Trading. He is also a professional trader, creator of FX Tflow® System and also works with trainers to develop learning programs for technical analysis. His articles on stock and forex trading can be found in many financial magazines. Contact him at forex@terraseeds.com