



Spot Forex Trading Guide



How to Trade Spot Forex

This guide explains the basics of how to trade spot forex, protect your profits and limit your losses in straightforward, everyday language.

Here's what you'll learn:

1. An Introduction to the Spot Forex Market
 - i. *Spot forex prices*
 - ii. *The advantages of the spot forex market*
2. How to Buy and Sell Spot Forex Pairs
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An Introduction to the Spot Forex Market

The spot forex market is where foreign currencies, such as the Euro and the US Dollar, are bought and sold by individuals, companies, financial institutions and international banks - everyone in fact, who is looking to benefit from the huge potential for profit to be gained from speculation – the act of seeking profit from the movement up and down of the prices of the two spot forex pairs involved by buying low and selling high, or the opposite.

Spot Forex Prices

Trading spot forex is all about buying low and selling high, or selling high and buying low. When you trade spot forex pairs, say EUR and USD, you are either buying euros with dollars (and then selling euros with dollars) or the other way round. If you buy euros with dollars at a price of 1.13530, and the price then goes up to 1.13535, you can then sell and make a profit of 5 (we'll explain later what the 5 is).

But what makes spot forex prices move up and down?

There are lots of forces at work driving prices up and down all day long, across the world. Some of these are political (such as one country declaring war on another), some are economic (when the European Central bank raises interest rates), some price changes come from the relative strength that people perceive a currency to have relative to its partner in the pair (such as the dollar in EUR/USD).

In brief, this means that spot forex prices move all the time, sometimes a lot and sometimes a little. But every move represents an opportunity for spot forex traders to buy low and sell high, or the opposite. Now let's look at some of the main reasons why literally millions of people all over the world choose to trade spot forex.

The Advantages of the Spot Forex Market

When you buy and sell spot forex pairs, you are buying one currency against another. This means that when you see EUR/USD on a trading platform, you can either buy or sell this pair.

Size Is Everything

Approximately EUR 3 trillion is traded every day, making the spot forex market the biggest market in the world, by far.

Open All Hours

You can trade spot forex 24 hours a day, five days a week from 23:00 CET on Sundays to 23:00 CET on Fridays.

Volatility Rules

The high volatility of the spot forex market (the speed and frequency of the prices moving up and down) offers traders the potential to earn 5 times more trading spot forex than shares.



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Up or Down

Unlike traditional markets, when you trade spot forex, you can make money by buying when the price is going up, AND by selling when the price is going down – there's always an opportunity for gain.

The Spot Forex Pairs

EUR = Euro

USD = United States Dollar

GBP = British Pound

JPY = Japanese Yen

How to Buy and Sell Spot Forex Pairs

You can learn how to buy and sell spot forex pairs in 8 minutes with the MPT Max trading platform. That's because unlike traditional platforms, our trading system has been designed with you in mind, and we believe it's the simplest platform in the world!

So, let's look at how it works and how you buy and sell spot forex pairs.

What is a 'Pip'?

A Pip is the last digit in the price you see on the trading platform:

If the EUR/USD sell price is currently 1.3530 (meaning the buy price is 1.3535), then the 5 represents the smallest pip number.

When we say EUR/USD increased by 100 pips, in this example, the sell price would go from 1.3530 to 1.3630!

When you set the Pip Value for a trade, you are selecting the number of euros you are speculating with for each pip movement.

For example, if you select a Pip Value of €10 and you buy EUR/USD at 1.3535 and the sell price later jumps to 1.3550, this is a gain of 20 pips. As you paid €10 for each pip movement, this trade would have made you €200 profit!

What Does it Cost to Trade Spot Forex?

On the MPT Max trading platform, the only costs involved in trading spot forex (aside from how much you want to speculate with for each pip movement) is an overnight fee.

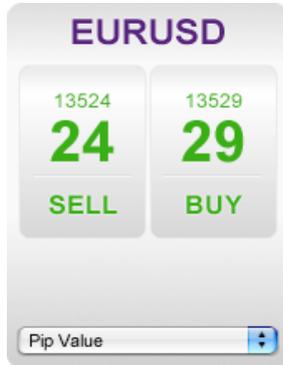
Overnight fees are the fees you pay when you choose to keep a trade open overnight. If you buy EUR/USD today at a Pip Value of €10, and you don't sell it until tomorrow, you will be charged a small fee to keep the trade open overnight. That fee is the same as the value you choose to speculate with for each pip movement, which in this example is €10.



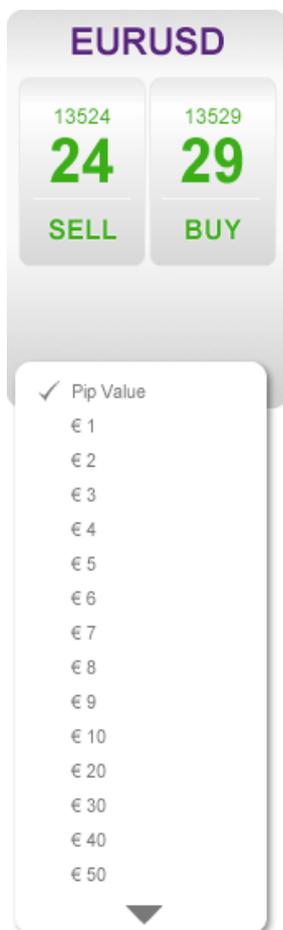
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Buying One Currency with Another

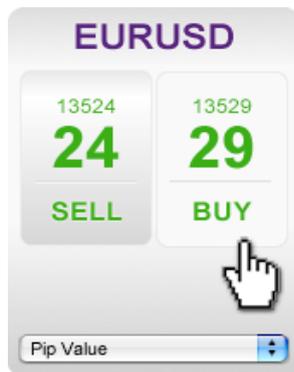
When you buy one currency (euros) with another (dollars), you do so because you believe that the the amount of dollars needed to buy euros will increase:



Depending on how confident you are that the price will go up, you will first select the Pip Value (remember that's the amount of euros you will speculate with for each pip movement):



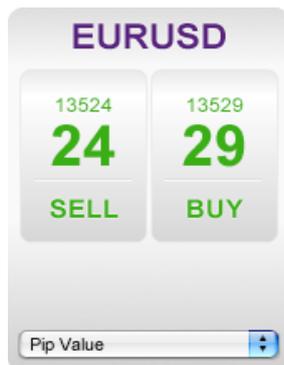
Now you've done that, you just have to click on 'BUY' and you will then buy euros with dollars.



Congratulations, that was your first buy. Now let's look at how you sell one currency with another to close the trade, and hopefully realise some profit!

Selling One Currency with Another

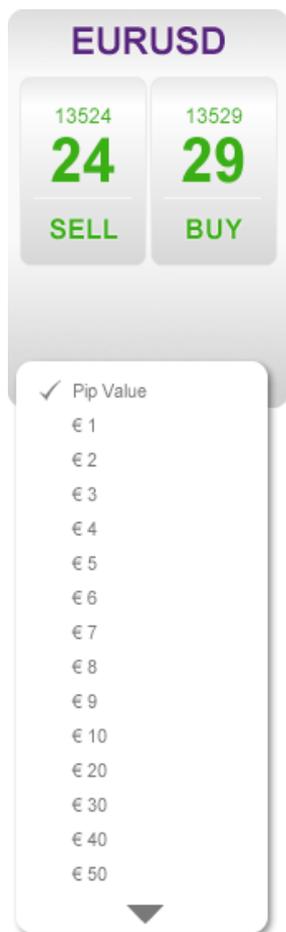
Selling currencies is just as simple as buying them. When you sell one currency (euros) with another (dollars), you do so because you believe that the the amount of dollars needed to buy euros will decrease:



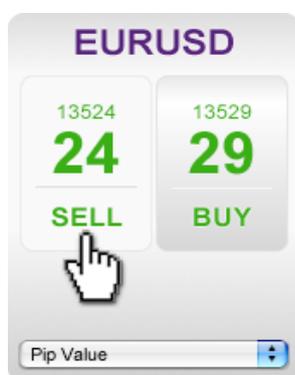
Depending on how confident you are that the price will go down, you will first select the Pip Value (remember that's the amount of euros you will speculate with for each pip movement):



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Now you've done that, you just have to click on 'SELL' and you will then sell euros with dollars.



Congratulations, that was your first sell.

Now let's look at how you can protect your trades when you have opened them (i.e. you have bought but not yet sold, or the opposite), so that you maximise your profit potential!



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How to Protect your Profits

Part of your success as a spot forex trader is buying when prices are moving up, and selling when they are moving down. However, that is only part of the story.

The best traders also make sure that they protect their open trades (where you've bought but not yet sold, or the opposite) by placing a market order to close the trade at a specified price (i.e. to sell if you have bought, or to buy if you have sold). Let's take a look at these market orders in more detail.

Taking Profits with Market Orders

There are two types of order you can use to buy or sell at the right price to gain maximum profit, and these are the Min Exit and the Max Exit.

Take Profits – Max Exit

Let's take a simple example. You have just bought EUR/USD at 1.3529 for a Pip Value of €1, and you want to place an order to close this trade (by selling EUR/USD) if the sell price goes up to 1.3559.

All you need to do is enter an amount above the open price (the price you paid) in the **Max Exit** order field here:

Open Trades			Closed Trades				Email					
Close	CCY	BS	Open	Current	Min Exit	Max Exit	PL pips	Size	Profit €	Prm	Net €	ID
⊖	EURUSD	B	13529	13539	<input type="text"/>	13559	10	1	10	5	10	1234567
⊖	EURUSD	S	13511	13496	<input type="text"/>	<input type="text"/>	15	1	15	5	10	1234564
⊖	GBPUSD	B	16822	16801	<input type="text"/>	<input type="text"/>	-21	1	-23	5	-10	1234554
⊖	EURUSD	S	13519	13540	<input type="text"/>	<input type="text"/>	-21	1	-23	5	-10	1234543
⊖	EURJPY	B	13800	13819	<input type="text"/>	<input type="text"/>	19	1	19	5	14	1234532

Now you have made sure that if EUR/USD goes up to 1.3559, the trading system will automatically sell at that price, and you will make a profit of €30 (30 pips difference between 1.3529 and 1.3559, multiplied by the Pip Value for this trade - €1 – gives you €30).

Take Profits – Min Exit

Let's take another example, but this time you have sold EUR/USD at 1.3511 for a Pip Value of €1, and you want to place an order to close this trade (by buying EUR/USD) if the buy price goes down to 1.3496.

All you need to do is enter an amount above the open price (the price you paid) in the **Max Exit** order field here:



Spot Forex Trading Guide

Open Trades			Closed Trades				Email					
Close	CCY	BS	Open	Current	Min Exit	Max Exit	PL pips	Size	Profit €	Prm	Net €	ID
⊖	EURUSD	B	13529	13539	<input type="text"/>	<input type="text"/>	10	1	10	5	10	1234567
⊖	EURUSD	S	13511	13496	13491	<input type="text"/>	15	1	15	5	10	1234564
⊖	GBPUSD	B	16822	16801	<input type="text"/>	<input type="text"/>	-21	1	-23	5	-10	1234554
⊖	EURUSD	S	13519	13540	<input type="text"/>	<input type="text"/>	-21	1	-23	5	-10	1234543
⊖	EURJPY	B	13800	13819	<input type="text"/>	<input type="text"/>	19	1	19	5	14	1234532

Now you have made sure that if EUR/USD goes down to 1.3496, the trading system will automatically buy at that price, and you will make a profit of €20 (20 pips difference between 1.3511 and 1.3491, multiplied by the Pip Value for this trade - €1 – gives you €20).

Trader Tips:

When you have bought, place a Max Exit **above** the open price to take any profits.

When you have sold, place a Min Exit **above** the open price to take any profits.



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How to Limit your Losses

Now that we have looked at how you can place market orders to take your profits if the market moves in your favour, let's see how you can also use Max and Min Exit orders to limit your losses if the market moves against you.

Limiting loss with market orders

There are two types of order you can use to buy or sell at the right price to minimise any potential losses, and these are the same Min Exit and Max Exit orders we explored above.

Limit Loss – Min Exit

In this example, you have just bought EUR/USD at 1.3529 for a Pip Value of €1, and you want to place an order to close this trade and limit your losses (by selling EUR/USD) if the sell price goes down to 1.3509.

All you need to do is enter an amount below the open price (the price you paid) in the **Min Exit** order field here:

Open Trades			Closed Trades				Email					
Close	CCY	BS	Open	Current	Min Exit	Max Exit	PL pips	Size	Profit €	Prm	Net €	ID
⊖	EURUSD	B	13529	13539	13509		10	1	10	5	10	1234567
⊖	EURUSD	S	13511	13496			15	1	15	5	10	1234564
⊖	GBPUSD	B	16822	16801			-21	1	-23	5	-10	1234554
⊖	EURUSD	S	13519	13540			-21	1	-23	5	-10	1234543
⊖	EURJPY	B	13800	13819			19	1	19	5	14	1234532

Now you have made sure that if EUR/USD goes down to 1.3509, the trading system will automatically sell at that price, and you will limit your losses to €20 (20 pips difference between 1.3529 and 1.3509, multiplied by the Pip Value for this trade of €1).

Limit Loss – Max Exit

Let's take another example, but this time you have sold EUR/USD at 1.3511 for a Pip Value of €1, and you want to place an order to close this trade and limit your losses (by buying EUR/USD) if the buy price goes up to 1.3531.

All you need to do is enter an amount above the open price (the price you paid) in the **Max Exit** order field here:



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Open Trades			Closed Trades				Email					
Close	CCY	BS	Open	Current	Min Exit	Max Exit	PL pips	Size	Profit €	Prm	Net €	ID
⊖	EURUSD	B	13529	13539	<input type="text"/>	<input type="text"/>	10	1	10	5	10	1234567
⊖	EURUSD	S	13511	13496	<input type="text"/>	13531	15	1	15	5	10	1234564
⊖	GBPUSD	B	16822	16801	<input type="text"/>	<input type="text"/>	-21	1	-23	5	-10	1234554
⊖	EURUSD	S	13519	13540	<input type="text"/>	<input type="text"/>	-21	1	-23	5	-10	1234543
⊖	EURJPY	B	13800	13819	<input type="text"/>	<input type="text"/>	19	1	19	5	14	1234532

Now you have made sure that if EUR/USD goes up to 1.3531, the trading system will automatically buy at that price, and you will limit your losses to €20 (20 pips difference between 1.3511 and 1.3531, multiplied by the Pip Value for this trade of €1).

Trader Tips:

When you have bought, place a Min Exit **below** the open price to limit any losses.

When you have sold, place a Max Exit **below** the open price to limit any losses.



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An Introduction to Trading Strategies

There are two major methods of analysing the spot forex market in order to decide when to trade (buy and sell) and what to trade (the currency pair): and these are Fundamental Analysis and Technical Analysis.

Fundamental Analysis

Fundamental analysis in spot forex trading is based on studying global and national economic conditions for indications that political, economic and social events will affect the prices of the currencies involved.

Statements from banks and political figures regarding such developments can drive prices up and down, and these price movements generate hundreds of opportunities for profit (and loss) every day in the global currency market.

The Economic Calendar

On every trading day throughout the year, announcements are made and events take place that can send currency prices up and down. Many of these key developments are quoted in economic calendars produced by many firms to help you keep track of what's happening and what the likely effect will be on a given currency.

For example, an economic calendar states that an announcement will be made by OPEC indicating that oil prices are set to rise. If prices do then rise, this could well result in a weakening of the currencies in those countries which are dependent on oil imports, e.g. UK (GBP), Germany (EUR) and Japan (JPY).

Price Movers

Interest Rates, Unemployment Updates, Balance of Trade, National Budgets, Gross Domestic Product (GDP), Retail Sales and Durable Goods Orders.

Technical Analysis

Technical analysis aims to predict price movements and market trends by studying historical market action, i.e. what has actually happened in the market. Using technical analysis, traders consider the prices of the instruments being traded – the currencies - and trading volume – the amount of trading done - and then they analyse charts using this data to predict future price movements.

Technical analysis is based on three assumptions:

1. All the data you need in order to make a trading decision is generated by previous market actions;
2. History repeats itself, which is why the markets move in fairly predictable, or at least quantifiable, patterns, called signals. What technical analysis tries to do is to identify new signals by examining the characteristics of past market signals; and



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3. Prices move in trends. Traders who use technical analysis do not usually believe that price movements are arbitrary and unpredictable. Prices can only move up, down or sideways. Once a trend in any of these directions is recognised, it usually will continue for a period.

The basics of technical analysis

Technical analysis includes using price charts, volume charts, and other representations of market patterns and behaviour. However, rather than simply relying on price charts to forecast future market values, technicians also use a range of other tools before they enter a trade.

Major technical analysis tools include:

- *Trends*
- *Support and Resistance*
- *Moving Averages*
- *Exponential Moving Averages*

Apply for your MPT Max Account

Now that you have read this introduction to spot forex trading, we hope you can see the potential for profit and are ready to get started.

If you are ready to start trading for real, [click here to apply for an MPT Max account now.](#)