Tips for Forex Trading Beginners

Before you start something new, begin with the fundamentals. Let's look at trading tips every trader should consider before trading currency pairs.

1. Know the Markets

We cannot overstate the importance of educating yourself on the forex market. Take the time to study currency pairs and what affects them before risking your own capital; it's an investment in time that could save you a good amount of money.

2. Make a Plan and Stick to It

Creating a trading plan is a critical component of successful trading. It should include your profit goals, risk tolerance level, methodology and evaluation criteria. Once you have a plan in place, make sure each trade you consider falls within your plan's parameters. Remember: you're likely most rational before you place a trade and most irrational after your trade is placed.

3. Practice

Put your trading plan to the test in real market conditions with a risk-free FOREX.com practice account. You'll get a chance to see what it's like to trade currency pairs while taking your trading plan for a test drive without risking any of your own capital.

4. Forecast the "Weather Conditions" of the Market

Fundamental traders prefer to trade based on news and other financial and political data; technical traders prefer technical analysis tools such as Fibonacci retracements and other indictors to forecast market movements. Most traders use a combination of the two. No matter what your style, it is important you use the tools at your disposal to find potential trading opportunities in moving markets.

5. Know Your Limits

This is simple yet critical to your future success: know your limits. This includes knowing how much you're willing to risk on each trade, setting your leverage ratio in accordance with your needs, and never risking more than you can afford to lose.

6. Know Where to Stop Along the Way

You don't have time to sit and watch the markets every minute of every day. You can better manage your risk and protect potential profits through stop and limit orders, getting you out of the market at the price you set. Trailing stops are especially helpful; they trail your position at a specific distance as the market moves, helping to protect profits should the market reverse. Placing contingent orders may not necessarily limit your risk for losses.

7. Check Your Emotions at the Door

You have an open position and the market's not going your way. Maybe you could make it up with a trade or two that don't fit with your trading plan...just a couple couldn't hurt, right?

"Revenge trading" rarely ends well. Don't let emotion get in the way of your plan for successful trading. When you have a losing trade, don't go all-in to try to make it back in one shot; it's smarter to stick with your plan and make the lost back a little at a time than to suddenly find yourself with two crippling losses.

8. Keep It Slow and Steady

One key to trading is consistency. All traders have lost money, but if you maintain a positive edge, you have a better chance of coming out on top. Educating yourself and creating a trading plan is good, but the real test is sticking to that plan through patience and discipline.

9. Don’t Be Afraid to Explore

While consistency is important, don’t be afraid to re-evaluate your trading plan if things aren’t working like you thought. As your experience grows, your needs may change; your plan should always reflect your goals. If your goals or financial situation changes, so should your plan.

10. Choose the Right Trading Partner for You

It’s critical to choose the right trading partner as you engage the forex market. Pricing, execution, and the quality of customer service can all make a difference in your trading experience.