

SPOT FX Trading Strategies

Currency Codes

- USD = US Dollar
- EUR = Euro
- JPY = Japanese Yen
- GBP = Great Britian Pound
- CHF = Swiss Franc
- CAD = Canadian Dollar
- AUD = Australian Dollar
- NZD = New Zealand Dollar

Currency Pairs

- Majors:
 - EUR/USD, USD/JPY, GBP/USD, USD/CHF
- Commodity Currency:
 - USD/CAD, AUD/USD, NZD/USD
- Major crosses:
 - EUR/JPY, EUR/GBP, EUR/CHF

Currencies are traded against one another

What is a Base Currency?

- Base Currency is the **first currency quoted** in a currency pair on foreign exchange.
E.g. **EUR**/USD as 1EUR:USD = 1.4200/03
- **EUR is the base currency.**
- The base currency is always quoted as 1 against the quoted /reference currency.
- The above quote means for every 1 Euro you sell you will receive 1.4200 USD(Bid) and you pay 1.4203 usd(ASK) to receive 1 Euro

What is a Reference/Quote Currency?

- Quote Currency is the second currency quoted in a currency pair on the foreign exchange. eg. **USD/JPY**
- **JPY** is the quote currency.
- The quoted currency always has 2 prices for reference ie. The Bid and Ask price fluctuating at the current rate.
- Eg 1USD/JPY 122.30 / 122.33

Pips : Percentage in Point

- All prices in the Forex market are quoted with 4 decimal point in a quote. Eg.GBP/USD 1.9455
- Only the USD/JPY currency is quoted with a 2 decimal point. Eg USD/JPY 122.33
- Note: When a base currency is stronger, it increases the value of the quoted currency.
- If the quoted currency is lower, it simply means to say that the base currency is weakening.
- For eg If GBP/USD increases from 1.9455 TO 1.9555 that means GBP has gone up by 100 pips AND if it decreases to 1.9355 it means GBP has gone down by 100 pips (Note:- You Ignore the Decimal Points)

Profit Calculation

- To illustrate a typical FX trade, consider the following example.
- The current bid/ask price for EUR/USD is 1.2320/23, meaning you can buy 1 euro with 1.2323 US dollars or sell 1 euro for 1.2320 US dollars.
- Suppose you decide that the Euro is undervalued against the US dollar and you think Euro will go up. To execute this strategy, you would buy Euros (simultaneously selling dollars), and then wait for the exchange rate to rise.
- So you make the trade: to buy 100,000 euros you pay 123,230 dollars (100,000 x 1.2323). Remember, at 1% margin, your initial margin deposit would be \$1,232 for this trade.
- As you expected, Euro strengthens to 1.2395/98. Now, to realize your profits, you sell 100,000 euros at the current rate of 1.2395, and receive \$123,950.
- You bought 100k Euros at 1.2323, paying \$123,230. You sold 100k Euros at 1.2395, receiving \$123,950. That's a difference of 72 pips (1.2395-1.2323), or in dollar terms (\$123,950 - \$123,230 = \$720).
- Total profit = US \$720
- Initial Investment: \$1232 , Profit:\$720, ROI: 58%
- *(TIP: When trading any USD as second currency in a pair, each pip is worth \$10, per 100,000 trades).*

Margin Trading

- Forex market has the lowest margin requirement among all other underlying financial instruments in the world.
- Usually only 1% is needed for Minimum Margin Requirement i.e \$ 1000 for standard account and \$100 for mini account.
- There are 2 types of accounts a novice trader may choose from: Standard account or Mini account
- In a Standard account, 1pip value is 10usd and lot size is 100,000USD
- In a Mini account, 1 pip value is 1usd and lot size is 10,000USD

SPOT Foreign Exchange

Market	Standard contracts		Mini contracts	
	One contract means	Value of one pip	One contract means (3)	Value of one pip
GBP/USD	GBP100,000	USD10	GBP10,000	USD1
EUR/USD	EUR100,000	USD10	E10,000	USD1
USD/CHF	USD100,000	CHF10	USD10,000	CHF1
USD/JPY	USD100,000	JPY1000	USD10,000	JPY100
USD/CAD	USD100,000	CAD10	USD10,000	CAD1
AUD/USD	AUD100,000	USD10	AUD10,000	USD1

Instant Pip Profit

Instant Pip Profit

- Prices at the upper [Bollinger band](#) are considered high and prices at the lower Bollinger band are considered low. However, just because prices have hit the upper Bollinger does not necessarily mean that it is a good time to sell. Therefore, just buying at the lower band and selling at the upper band is out of the question. By definition, price makes new highs in an uptrend and new lows in a downtrend, which means that they will naturally be hitting the bands. With this information in mind, our filter will require that buy signals occur only if the [candle](#) following the one that hits the Lower Bollinger band does not make a new low (white candle) and sell signals occur only if the candle following the one that hits the Higher Bollinger band does not make a new high (black candle). This type of candle is commonly known as an inside day. The best time frames to look for the inside days are daily charts, but this strategy can also be used on hourly, weekly and monthly charts. Combining inside days with Bollinger bands increases the likelihood that we are only picking a top or bottom after prices have hit extreme levels. As a rule of thumb, the longer the time frame, the rarer the trade will be, but the signal will also be more significant

Instant Pip Profit

- For Buy
 1. Look for the currency pair to hit or come very close to hitting the lower Bollinger.
 2. Wait for next candle and make sure that the next candle's low is greater than or equal to the previous candle's low and that the high is also less than or equal to the previous period's high. Basically it should be within the previous candle high and low. Also make sure the candle is white candle. If so, go long at the open of the third candle.
 3. The initial stop is placed a few pips below the previous candle's low.
 4. Trail stop on a closing basis with the 20-period SMA.

Instant Pip Profit

- For Sell
 1. Look for the currency pair to hit or come very close to hitting the upper Bollinger.
 2. Wait for next candle and make sure that the next candle's high is less than or equal to the previous candle's high and that the low is also greater than or equal to the previous period's low. Basically it should be within the previous candle high and low. Also make sure the candle is white candle . If so, go short at the open of the third candle.
 3. The initial stop is placed a few pips above the previous candle's high.
 4. Trail stop on a closing basis with the 20-period SMA.

Instant Pip Profit



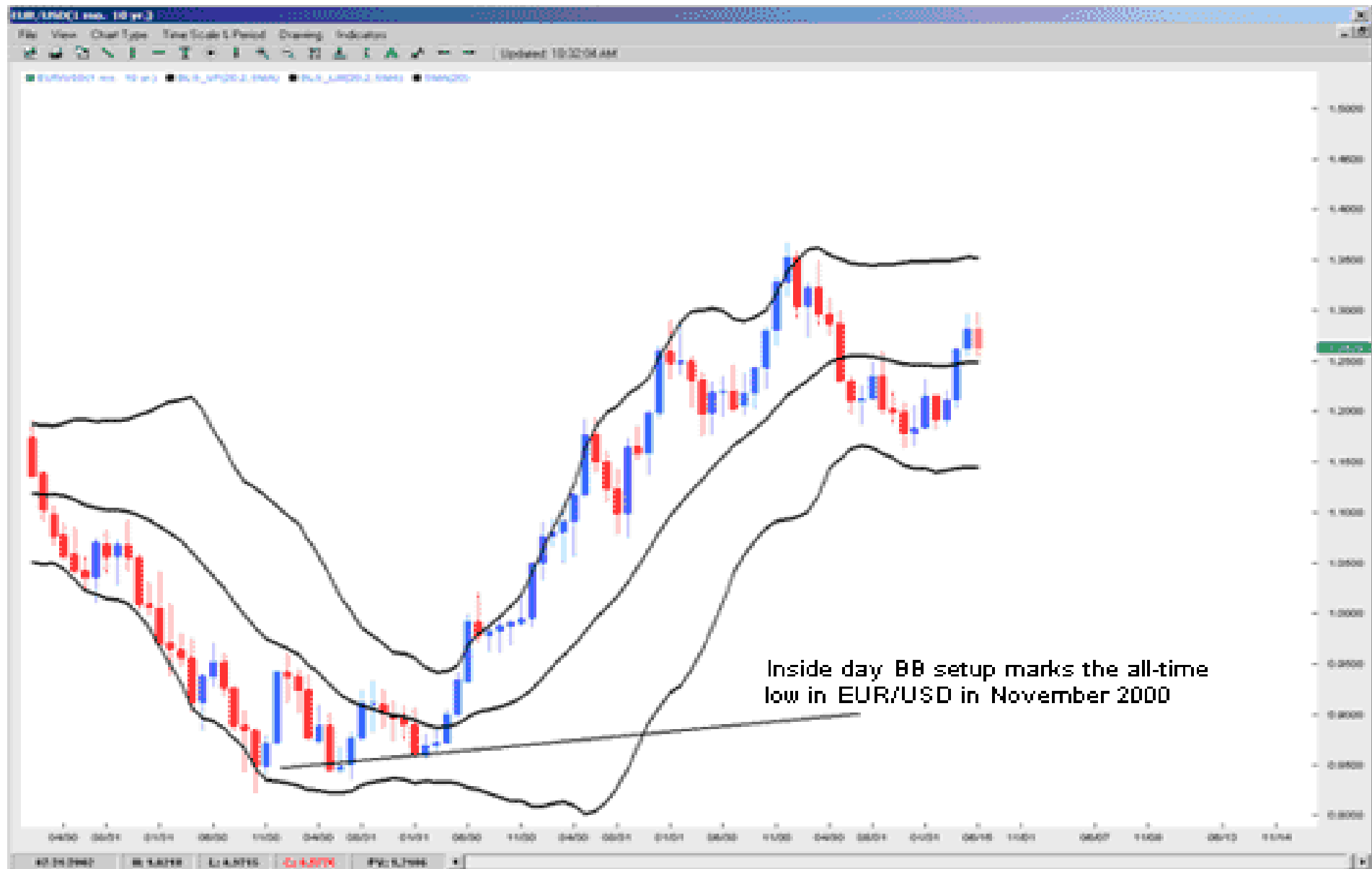
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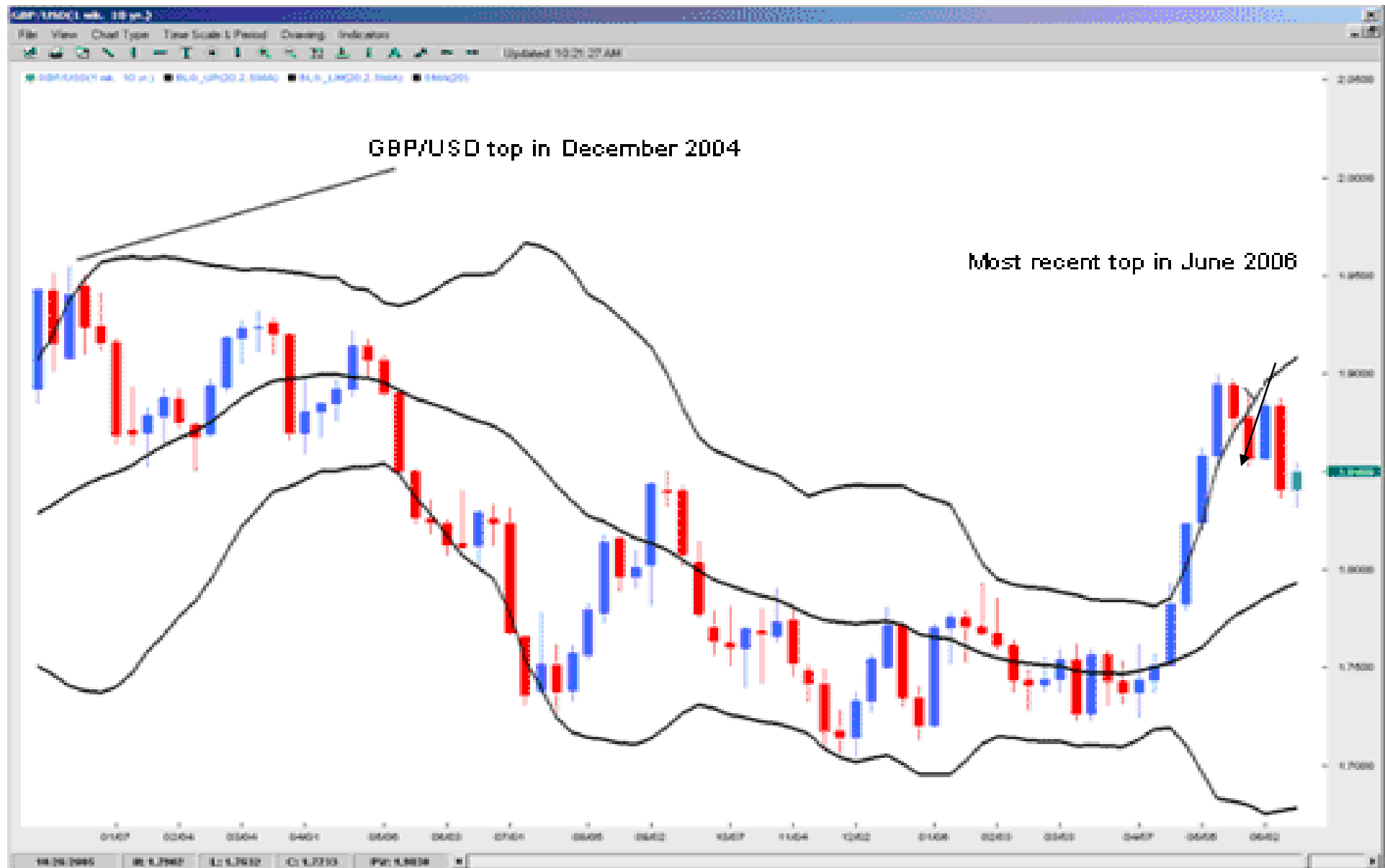
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