

How can I trade in currencies?

New to currency trading? This 5-step procedure will help you get started.

Before you start trading in currencies, you need to first understand what it is and how the market works. Once your basic understanding is clear, you can try your hand at currency trading.

Elaborated below is a simple 5-step process that will help you get started.

Step1: Select a broker

In order to buy and sell various currencies, you will need to hire the services of a currency broker. There is a plethora of brokers to choose from today; make the right selection by reviewing and comparing the services and benefits offered by them.

Step 2: Open a demo account

After selecting the broker of your choice, ask for a demo account. Most brokers today offer this service, which allows you to use their trading platform for a few weeks (usually 30 days) to trade without any service cost. This demo account will help you understand how to use the platform without actually trading in real-time market.

Step 3: Understand about leveraging

Leverage is a kind of loan provided by the broker to the trader. So, if the trader offers a leverage of 200:1, you can use up to 200 times the money you are actually investing. Although this facility allows you to carry out huge transactions with little money and provides an opportunity to earn huge returns, it can be very risky if not used carefully. It is crucial to fully understand this concept before you start trading.

Step 4: Learn to read charts

Various types of currency charts with different time frames show past trends in the currency market. Most charting softwares display information in the form of bars, candlesticks and lines. Spend some time to understand the data these charts reveal, and select the software you are most comfortable with.

Step 5: Make your first trade

Making your first trade in a live market is very different from practicing it on your demo account. In this case, real money is involved, with a potential for real profit or loss. Invest your money only if you strongly believe in the news and facts that triggered your decision to trade.

Currency trading, or Forex trading as it is known, can be risky if you take hasty decisions. If you want to become a good trader, learn everything about this type of trading before getting started.