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Why Trade Forex: Advantages Of Forex Trading

There are many benefits and advantages of trading forex. Here are just a few reasons why so many people are choosing this market:

1. No commissions

No clearing fees, no exchange fees, no government fees, no brokerage fees. We are compensated for our services through something called the “spread”.

2. No fixed lot size

In forex, you can trade smaller lot sizes, or position size. This allows traders to open trades as small as 1,000 units.

3. Low transaction costs

The retail transaction cost (the bid/ask spread) is typically less than 0.1% under normal market conditions. For larger transactions, the spread could be as low as 0.07%. Of course, this depends on your leverage.

4. A 24-hour market

There is no waiting for the opening bell. From the Monday morning opening in Australia to the Friday afternoon close in New York, the forex market never sleeps. This is awesome for those who want to trade on a part-time basis because you can choose when you want to trade: morning, noon, night, during breakfast, or in your sleep.

5. No one can corner the market

The FX market is sufficiently liquid that significant manipulation by any single entity is all but impossible during active trading hours for the major currencies. The foreign exchange market is so huge and has so many participants that no single entity (not even a central bank) can control the market price for an *extended* period of time.

6. Leverage

In forex trading, a small deposit can control a much larger total contract value.

Leverage gives the trader the ability to make nice profits, and at the same time keep risk capital to a minimum. For example, a forex broker may offer 50-to-1 leverage, which means that a \$50 dollar margin deposit would enable a trader to buy or sell \$2,500 worth of currencies. Similarly, with \$500 dollars, one could trade with \$25,000 dollars and so on.

7. Deep Liquidity

Because the forex market is so enormous, it is also extremely liquid. This is an advantage because it means that under normal market conditions, with a click of a mouse, you can instantaneously buy and sell at will. You are never “stuck” in a trade. You can even set your online trading platform to automatically close your position once your desired profit level (a limit order) has been reached, and/or close a trade if a trade is going against you (a stop loss order).

8. Low Barriers to Entry

You would think that getting started as a currency trader would cost a ton of money. The fact is, when compared to trading stocks, options, or futures, it doesn't. Online forex brokers offer “mini” and “micro” trading accounts, some with a minimum account deposit of \$50. **We are NOT saying you should open an account with the bare minimum**, but it does make forex trading much more accessible to the average individual who doesn't have a lot of start-up trading capital.

9. Free Stuff Everywhere!

Most online forex brokers offer “demo” accounts to practice trading and build your skills, along with real-time forex news and charting services. And guess what?! They're all free! Demo accounts are very valuable resources for those who are “financially hampered” and would like to hone their trading skills with “play money” before opening a live trading account and risking real money.

Now that you know the advantages of the forex market, see how it compares with the stock market!

Why Trade Forex: Forex vs. Stocks

There are approximately 3,000+ stocks listed on the Indian Stock Exchanges. Which one will you trade? Got the time to stay on top of so many companies?

With forex, there are dozens of currencies traded, but the majority of market players trade the seven major pairs. Aren't seven major pairs much easier to keep an eye on than thousands of stocks?

That's just one of the many advantages of the forex market over the stock markets. Here are a few more:

1. 24-Hour Market

The stock market is limited to an exchange's opening hours. For example, in the U.S., most stock exchanges open at 9:30 am EST and close at 4:00 pm EST. The forex market is a seamless 24-hour market. Most brokers are open from Sunday at 5:00 pm EST until Friday at 5:00 pm EST, with customer service usually available 24/7.

With the ability to trade during the U.S., Asian, and European market hours, you can customize your own trading schedule.

2. Minimal or No Commissions

As a lot of online stock brokers now offer zero commissions, so this is now less of a factor. Most forex brokers charge no commission or additional transaction fees to trade currencies online or over the phone.

Combined with the tight, consistent, and fully transparent spread, forex trading costs are lower than those of any other market. Most brokers are compensated for their services through the bid/ask spread.

3. Higher Trading Volume and Liquidity

The forex market sees an average daily turnover of \$6.6 trillion.

The stock market sees a fraction of this.

4. Short-Selling without an Uptick

Unlike the equity market, there is no restriction on short selling in the currency market. Trading opportunities exist in the currency market regardless of whether a trader is long OR short, or whichever way the market is moving.

Since currency trading always involves buying one currency and selling another, there is no directional bias to the market. So you always have equal access to trade in a rising or falling market.

5. Minimal Market Manipulation

How many times have you heard that "Fund A" was selling "X" or buying "Z"? The stock market is very susceptible to large fund buying and selling. With currency trading, the massive size of the forex market makes the likelihood of anyone fund or bank controlling a particular currency very small.

The FX market is sufficiently liquid that significant manipulation by any single entity is all but impossible during active trading hours for the major currencies. Banks, hedge funds, governments, retail currency conversion houses, and large net worth individuals are just some of the participants in the spot currency markets where the liquidity is unprecedented. Analysts and brokerage firms are less likely to influence the market

Foreign exchange, as the prime market, generates billions in revenue for the world's banks and is a necessity of the global markets. Analysts in foreign exchange have very little effect on exchange rates; they just analyze the forex market.

ADVANTAGES	FOREX	STOCKS
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24-Hour Trading

YES

No

Minimal or no Commission

YES

Maybe

Liquidity

HUGE

Only

Short-Selling without an Uptick

YES

No

No Market Manipulation

Depends

No