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perhaps forty dollars, in essence doubling your money. Of course, this is just an example, and not all stocks will ever double in value, but the illustration is meaningful.

There are other, more complex ways to invest in the stock market. However, much like learning to ride a bicycle, you do not want to make your first attempt without training wheels.

Making Decisions In The Beginning

Let us return to driving as a reference. When you first start driving, you will not enter the highway and take the car at speeds of sixty and seventy miles per hour. Instead, you will stay in residential areas or at least on the access road, where there is less pressure to maintain such a high speed. In the stock market, you will also want to stay away from any expensive stocks or extremely volatile investments until you have become extremely comfortable with the process of trading.

There are small investment opportunities referred to as “penny stocks”, which will help you try out your sea legs and get a feel for how the stock market works prior to investing large sums of money and risking a big financial loss. These particular stocks cost literally pennies or small dollar amounts and typically only fluctuate fractions of a cent on any given day, making them extremely safe for those just starting out.

Once you get the hang of it and can better judge the market trends, you can comfortably move on to more complicated and adventurous areas of the market. It is like removing the training wheels from your bicycle or entering the freeway the first time at an hour of the day when there is no traffic to contend with.

Be aware that, just like you may fall off your bike once or twice and end up with some scrapes and bruises, you may lose money in an investment here and there. This is very typical, and investing in the stock market is a lot like gambling. In poker, you cannot expect to win every hand, and the same is true in the world of investments. Learning to watch the market trends, though, is similar to watching other cars as you join traffic and determining the correct speed and proximity to other cars for optimal safety. Such diligent study can help you improve your statistics drastically in a short time.

Chapter 2: Stock Market Trends

Understanding stock market trends can make your job of earning money in the market much simpler. In contrast, if you know little or nothing about these trends can cause serious loss.

Bulls And Bears

As you dig deeper into the market and learn more about the way it functions, you will begin to hear certain terms about marketing trends that seem to be repeated over and over again. Market trends are variable and volatile, both on a daily basis and over extended periods of time. In the past, for example, the United States has had devastating stock market crashes, but due to the freedom of a capitalist society, the American economy has always eventually rebound.

What does it mean for the market or a particular stock to rebound? Assuming that the value of a company or its stock has plummeted to a level that seem unrecoverable, leaving it practically worthless, it may feel as though that company is in danger of bankruptcy and falling off the scope of the free trade markets altogether. All of a sudden, however, the founder of that company may introduce a new product over which consumers go wild. Everyone wants one, and this product may be in short supply upon its introduction, causing a race to the department store shelves.

When such a move occurs, the law of supply and demand will take over, making the company valuable once again. The stock price for that company's shares will recover, and the resulting gain in value would be considered a rebound – a return to the original status (or better) prior to the devastating loss.

The market trends either up or down, and there are specific references to strong changes in the market values that you may frequently hear. If several different areas of the market are in a steep downward slide, with values dropping rapidly (perhaps even ten or twenty percent in a few days), it is referred to as a bear market. You can remember this reference as though you are in the extremely dangerous position of being chased by a bear – if you are in possession of several stocks or other commodities worth a goodly sum, you have a serious chance of losing a great deal of value that could translate to a loss of net worth should you choose to sell, and it can be a similar, very dangerous situation.

Your best bet in these cases is to either sell before prices drop below your original purchase price or to hold onto the shares until the market rebounds. However, when the bear market reaches a low point, it can be an ideal time to get into the game, as it is rare for prices to drop below this point. Then, if you patiently await the recovery or rebound of the market, you can make a great deal of money from a bear market. These options will be discussed in more depth in later chapters.

At the same time, a bull market is a strong general upward trend for many stocks. You might compare this to the running of the bulls in Pamplona, Spain, every year. You are safer if you are indoors when the running occurs, and by the same token, if you own stock during a bull market, you are in a prime position to increase your net worth and sell your shares, making a great deal of money. This is another idea will be further explored in greater detail further on in this ebook.

The Market Outlook

By taking note of various changes in the status of different available stock options, you will learn how to spot early market trends, giving you a clue to the future of a particular commodity, and this can only add to your chances for profitability. Prediction is a big part of the game when working in the stock market, since you can never be completely certain in what direction the market will swing at any given time.

However, you can make an educated guess, much the same way a meteorologist forecasts the weather. While he or she is not right 100% of the time, the forecast is usually quite close to the actual outcome of the weather because the meteorologist is a scientist who has studied weather trends and can pick out details that assist in making that educated guess. With a little time and seasoning, you can attain the same level of experience and intuition within the stock market.

After shoveling through piles of information and taking in so much knowledge, you probably feel like you are swimming in terminology and cannot remember just where to begin. The best way to retain knowledge is through repetition, and having a quick reference guide is never a bad idea, either. The following pages are a brief overview of the in depth discussions in this book, allowing you to quickly reference a topic in a bind.

The Basic Trade

A share is a holding of a company that varies in value based on the desire or need for that particular company's goods or services. As a shareholder, your net worth increases and decreases based on taking a short position (selling) when values are high and a long position (buying) when prices are low. As long as the stock or security is in your possession, the change in value is considered unrealized gain or loss because you cannot measure it in liquid assets (cash).

When most commodities traded on the market are on a strong upward trend for a period of time, this is referred to as a bull market. Should value take a sharp downward swing and continue on that path, it is called a bear market. If no such trend is recognized, and the value of stocks and securities is fairly even, this is referred to as flat.

The Foreign Exchange Market

The Foreign Exchange Market is the stock exchange on which several different countries across several different time zones trade their domestic and international commodities in various currencies. Currency is the denomination or monetary division used in a particular land (such as the U.S. dollar or the Euro). When multiple currencies are in use, they are typically expressed as a ratio called a cross-rate that shows the amount of a second currency that is equivalent to the first listed. Determining what the equivalent is would be referred to as currency conversion.

Several countries in Europe, which have now consolidated their currencies to agree on the Euro (since 1999) trade on Forex, as it is called for short. Britain, which to this point has opted to continue using the pound sterling, also takes part in international trade, as well as the United States, Japan, and Australia. Each of these countries utilizes its own currency for standard trading purposes, with options for investment in foreign currencies. Determining whether or not this is worthwhile depends on the currency conversion rate.
The value of a nation's currency is determined by its government and federal bank (the Federal Reserve, better known as the FED, is the federal bank of the United States). Purposeful change in the rate of conversion by a government is referred to as valuation – devaluation is taking value and strength from the currency, and revaluation adds strength and purchase power to the currency. If the same change to the rate of conversion occurs naturally through events and the volatility of the market, it is then called appreciation and depreciation.

Careers In The Market

Without the assistance of professionals, it is nearly impossible to trade on the open market. Market analysts track trends in the stock market that affect the value of share holdings. They use such information and basic history to help predict the outcome of different aspects of the market in the future.