Chapter 1: What the Stock Market is All About

In any business or moneymaking venture, preparation and foreknowledge are the keys to success. Without this sort of insight, the attempt to make a profitable financial decision can only end in disaster and failure, regardless of your level of motivation and determination or the amount of money you plan to invest.

In the stock market, this rule applies to the nth degree, as you are investing your own money in what could be considered a high risk wager, and you are playing with fire if you do not have at least a general background knowledge of how it functions. Since having a background in any area is helpful in guiding you down a path in that particular region, the more solid your basis of investment knowledge is, the more likely you are to profit from any attempt to trade on the open market.

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In many ways, trading on the stock market can be compared to driving – you do not have to be an expert to get behind the wheel of a car, though you are expected to have some previous knowledge about basic traffic laws, including moving violations, safety regulations, and other legal vehicular infractions, which are learned through either specific study and coursework or even through some form of 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.

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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.

Once you have become more comfortable functioning in the same world as the stockbrokers and day traders, and you feel confident (or at least less nervous or awkward) making such important financial decisions, you may decide to make your move toward the Foreign Exchange Market (more commonly known as Forex), and the goal of this book is to prepare you to operate within the boundaries of this more complex entity. Next, we will discuss some of the properties of Forex and how much more complex this stock market entity can be than a standard domestic market.

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The Foreign Exchange Market is incredibly volatile, and there are a lot more factors to consider when placing an order on this market than on a domestic market. The following chapter is an introduction to the exciting and somewhat scary world of the Foreign Exchange Market, or Forex.

Chapter 3: An Introduction to Forex

Forex is the nickname for the Foreign Exchange Market. In the United States, there are several branches of the stock market, each with their own name. For instance, some stocks trade on the Dow Jones, others on Nasdaq. Of course, all stock market transactions in the United States take place on the New York Stock Exchange (NYSE). In other countries the same is true. There may be one or more distinct markets.

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However, international trade takes place on the market termed the Foreign Exchange Market, or Forex. Several countries across the world in almost every time zone participate in trade on Forex, with multiple currencies being utilized and stocks and commodities from all participating countries being offered for trade. Because there are so many nations and time zones involved, Forex does not function as a “business day” entity like most domestic stock markets. It remains open for trade 24 hours a day, 5 days a week.

Of course, these additional hours increase the risk factor intensely for those of us who are human and obviously cannot monitor our investments 24 hours a day. This means that the value of your holdings could potentially plummet

After 1971, when the dollar was no longer convertible to gold and the domestic market was stronger, the Bretton Woods agreement was abandoned, and the currency conversion process became more variable. This allowed for a stronger backing in the foreign markets, and the United States and Europe began a strong trade relationship. In the 1980s, the market hours and usage was extended through the use of computers and technology to include the Asian time zones as well. At this time, foreign exchange equaled about $70 billion a day. Today, about twenty years later, the trade level has skyrocketed, with trade equaling close to $1.5 trillion daily.

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Originally, trading across international lines was more difficult, with several different currencies involved across Europe. Though the major players in the European market were deeply involved in and veterans of international trade by the time other markets joined in, there were more currencies to keep track of – the franc, the pound, the lira, and many more – than was reasonable. With the birth of the European Union in 1992, the wheels were set in motion to create a single currency that would be used across most of Europe, and the Euro was finally established and put into circulation in 1999.

Forex Today

Chapter 4: Understanding Currency Conversion

When you begin trading on Forex, you have to learn how to convert currencies and note the difference in values, as well as how currencies are exchanged between international lines. This means studying not only domestic market trends and currency values, but also those of foreign markets.

Working With Multiple Currencies

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Since Forex is the Foreign Exchange Market, you obviously cannot expect everyone within the market to trade in U.S. dollars (and why not, you might ask? – but remember that not everyone covets the U.S. dollar). With so many variables and volatile currencies being exchanged, how can you know a good buy or sell when you see one without complete awareness of the value of foreign currency?

The first step is to find a source that will give you a basic idea of the current exchange rate between your domestic currency and the foreign currency in question. You should do this as a base listing for any currency that with which you might become involved. Of course, this will not be consistent down to the cent or fraction of a particular currency throughout an entire business day, but at least you if you find that you are involved in several of these instances, you should seriously reconsider your investment options. You may be reading the signs incorrectly, or you could be picking bad stocks. You should seek advice for any future investments you expect to make prior to purchasing any further stocks or securities.

Another way to overturn a bad investment like this is to proceed with an offset transaction – a purchase or sell that offsets the loss of a previous transaction. You could either purchase additional stock in the same company at the lower price if you expect it to recover, or you can opt for another hot commodity that is about to explode in price, either of which will help you offset your loss. You could also sell shares of a security in which you have a large amount of unrealized gain – gain that cannot be measured in liquid assets or cash due to increase in value of stock and security holdings – in order to replace the lost cash value.

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All of these are viable options to recover a loss, but waiting for the share value to rebound is always the first choice. It avoids the loss of funds already invested, retains the option to pursue profit, and reduces the risk of further investment into the market.

As you grow and learn about these various options, you will need to feel more comfortable when surrounded by financial gurus and geeks who speak what sounds like gibberish,

Chapter 9: Buzz Words

Now that you know a little more about the stock market, and you have decided to try your hand at investment, you should be more concerned with understanding the jargon you will hear on the trading room floor. Although you probably will not find yourself amid a group of screaming stockbrokers on Wall Street (and these days, most of the trading is done by computer anyway), knowing that learning to talk the talk is part of walking the walk.

Margins, Spreads, And Other Condiments

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Okay, so it is margins, not margarines, but it sounds very similar. In order to understand the stock market, especially on Forex, you need to speak not a language meant for common communication, but the language of trade. For instance, when you think of a margin, for many this means a variable – like the "margin of error" in a statistic.

However, in trade, it refers to the sum of money borrowed from a broker in order to purchase stocks when the market is on a downtrend. Then, when the value begins its next upswing, you sell the stock at the higher price, pay back the margin (along with the premium accrued), and retain the profit.

Chapter 13: One Final Option

While "Chapter 13" is not an appropriate way to end a financial endeavor, it is, in this case, one of the most important conclusions to an incredibly helpful tool full of investment advice, especially when it is placed at the end of a book to offer assistance to those threatened with bankruptcy due to bad investment decisions. There are always ways to turn around when you have begun to walk down the wrong path. Much like moving on to a new car after purchasing a lemon that has been nothing but a nightmare, you can reverse your direction.

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Some people can spend days, months, and even years trying to conquer the stock market and still fail. In some cases, it is virtually impossible for an individual to ever get the hang of the functionality of the market. If you cannot follow market trends, then it is best that you do not make any investment decisions.

It is okay not to fit into the market. At the same time, you can still make money with investments. One final option you have is to create a discretionary account. This means that you sign a contract with your stockbroker and turn over a sum of money to the agent for investment, leaving the determination of placement of that investment in the hands of your agent. You never again have to worry that you have made a bad investment. In fact, in this scenario, you do not even have to follow any market trends or other information that has anything to do with financial investment. Your broker will simply let you know when you have increased your net worth or if your assets have taken a dive.

Whatever choices you make in regards to moving in on the stock market, you need not worry about not having the essential information to help you get through your first few trading experiences. Now, you have the basic knowledge and the essential reference guide to get you started on the path to success and wealth that you can access at any given time.

Warmest regards,

JayKay Bak
The Unselfish Marketer

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