



F.A.Q's

Frequently Asked Questions
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What does the term "Forex" or "FX" stand for?

Forex or FX, are common abbreviations for the term "Foreign Exchange".

What is foreign exchange and how is it traded?

The Foreign Exchange market, also referred to as the "Forex" or "FX" market, is the largest financial market in the world, with a daily average turnover of approximately US\$1.5 trillion – 3.5 trillion. Foreign Exchange is the simultaneous buying of one currency and selling of another. The world's currencies are on a floating exchange rate and are always traded in pairs, for example Euro/Dollar or Dollar/Yen.

Who looks over or regulates the actions of the foreign exchange markets?

The "Commodity Futures Trading Commission" (CFTC) regulates the foreign exchange markets. They protect investors much in the same way the SEC (Securities Exchange Commission) protects investors of stocks and bonds. This federal regulatory agency was established in 1974 and administers the Commodity Exchange Act (The federal act that provides for federal regulation of futures trading.) The CFTC monitors the futures and options on futures markets in the United States.

Why do people trade foreign currencies?

There are two reasons to buy and sell currencies. About 5% of daily volume is from companies and governments that buy or sell products and services in a foreign country and/or must convert profits made in foreign currencies into their own domestic currency. The other 95% consist of investors trading for profit, or speculation.

Which foreign currencies area traded the most?

The most commonly traded (and therefore most liquid) currencies, are often referred to as the "the Majors." More than 85% of all daily transactions involve trading of the Majors, which include the:

- US Dollar
- Japanese Yen
- Euro



- British Pound (Sterling)
- Swiss Franc
- Canadian Dollar
- Australian Dollar

What is a "pip"?

A. The smallest increment that a particular currency pair can move. The EUROUSD currency cross has a PIP value of \$10. A move of 10 PIPS = \$100

Where is the central location of the Forex Market?

Forex Trading is not centralized on an exchange, as with the stock and futures markets. The Forex market is considered an Over the Counter (OTC) or 'Interbank' market, due to the fact that transactions are conducted between two counterparts over the telephone or via an electronic network.

Who are the participants in the Forex Market?

The Forex market is called an 'Interbank' market due to the fact that historically it has been dominated by banks, including central banks, commercial banks, and investment banks. However, the percentage of other market participants is rapidly growing, and now includes large multinational corporations, global money managers, registered dealers, international money brokers, futures and options traders, and private speculators.

When is the Forex market open for trading?

A true 24-hour market, Forex trading begins each day in Sydney, and moves around the globe as the business day begins in each financial center, first to Tokyo, then London, and New York. Unlike any other financial market, investors can respond to currency fluctuations caused by economic, social and political events at the time they occur - day or night.

Do you need a lot of money to trade currencies?

No. The minimum deposit required is \$300 on a mini account. A standard account can be opened for \$2500.00. Customers are allowed to execute margin trades at 10:1 leverage on a mini and 100:1 on a standard account. This means that investors can execute trades up to \$100,000 with an initial margin requirement of \$1000 (\$10,000 for \$100 on a mini). However, it is important to remember that while this type of leverage allows investors to maximize their profit potential, the potential for loss is equally great.

What is Margin?

Margin is essentially collateral for a position. If the market moves against a customer's position, additional funds will be requested through a "margin call." If there are insufficient available funds, immediately the customer's open positions will be closed out. It is important to note that when a trader makes a trade the Market Maker (broker) segregates \$1000 of margin for each lot traded



(\$100 on a mini account). This is NOT your risk. Your actual risk on the trade is the amount the Broker charges to enter the trade (typically 5-10 pips depending on currency cross) and the amount of your stop loss.

What does it mean have a 'long' or 'short' position?

A long position is one in which a trader buys a currency at one price and aims to sell it later at a higher price. In this scenario, the investor benefits from a rising market. A short position is one in which the trader sells a currency in anticipation that it will depreciate. In this scenario, the investor benefits from a declining market. However, it is important to remember that every Forex position requires an investor to go long in one currency and short the other.

What is the difference between an "intraday" and "overnight" position?

Intraday positions are all positions opened anytime during the 24 hour period AFTER the close of normal trading hours at 4:30pm EST. Overnight positions are positions that are still on at the end of normal trading hours (4:30pm EST), which are automatically rolled at competitive rates (based on the currencies interest rate differentials) to the next day's price.

How much does the currency market move?

A typical day is 60-90 PIPS movement per currency. A trading day will produce a 120-300 PIP movement. A small traders goal is to find an entry point that will produce a profit that will pay the Broker his spread and make at least the same amount for yourself. If your goals was to make \$100 a day for the rest of your life, you need only 10 PIPS of the above total to accomplish that goal.

What affects the prices of currencies?

Currency prices (exchange rates) are affected by a variety of economic and political conditions, most importantly interest rates, inflation and political stability. Moreover, governments sometimes participate in the Forex market to influence the value of their currencies, either by flooding the market with their domestic currency in an attempt to lower the price, or conversely buying in order to raise the price. This is known as Central Bank intervention. Any of these factors, as well as large market orders, can cause high volatility in currency prices. However, the size and volume of the Forex market makes it impossible for any one entity to "drive" the market for any length of time.

How do I manage risk when I trade currencies?

The most common risk management tools in Forex trading are the limit order and the stop loss order. A limit order places restriction on the maximum price to be paid or the minimum price to be received. A stop loss order ensures a particular position is automatically liquidated at a predetermined price in order to limit potential losses should the market move against an investor's position. The liquidity of the Forex market ensures that limit order and stop loss orders can be easily executed.



What kind of trading strategy should I use?

The one that works and has a track record of high success. Currency traders make decisions using both technical factors and economic fundamentals. Technical traders use charts, trend lines, support and resistance levels, and numerous patterns and mathematical analyses to identify trading opportunities, whereas fundamentalists predict price movements by interpreting a wide variety of economic information, including news, government-issued indicators and reports, and even rumor. The most dramatic price movements however, occur when unexpected events happen. The event can range from a Central Bank raising domestic interest rates to the outcome of a political election or even an act of war. Nonetheless, more often it is the expectation of an event that drives the market rather than the event itself. Rio Financial only teaches TECHNICAL TRADING. Our proprietary trades have a very high % probability of success when executed properly.

How frequent do people trade currencies?

Market conditions dictate trading activity on any given day. As a reference, the average small to medium trader might trade as often as 10 times a day.

How long are positions maintained?

As a general rule, a position is kept open until one of the following occurs: 1) realization of sufficient profits from a position; 2) the specified stop-loss is triggered; 3) another position that has a better potential appears and you need these funds.

Why should I learn to trade from RIO FINANCIAL?

Rio Financial Groups unique program gives you the edge when trading this market ...and you need an edge. First, our proprietary system of trading is based on technical analysis, proprietary charting software with fantastic entry and exit signals and a support system to get new traders up and running fast.

You will learn from the workshop - Where to get in and Where to get out....in fact we teach you to not enter a trade unless you know the exit already. All training is done by rote ...you will be taught TO TRADE, not about TRADING!

Finally, our workshops and mentoring system is the best in the industry ... Why? First our Mentors are actual live traders who have demonstrated their ability to be successful. Each of us must go through 500 hours of classroom training and we must trade live every month! Your workshop is by rote...meaning we never touch your computer...you will learn by doing. In the workshop, the new trader will learn only our trades that have been shown to consistently be successful and can be visually spotted and confirmed. Once you have attended a workshop, your mentor is available to you for continuing education and you can repeat the workshop as often as you want FOR FREE!

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