



ABE COFNAS

Planet Forex

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Currency Trading in the Digital Age

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Preface

This book is about the intersection of fundamentals, sentiment, and technical analysis in the currency markets. It is written for people who are interested in gaining an edge in forex trading. In particular, for traders who are beginning to test the waters in currency trading, it provides guidance on how to integrate fundamental knowledge to better assess price action. For the more experienced trader who has focused mainly on technical analysis, our objective is to supplement technical analysis trading with insights into which fundamental forces are impacting price movements. This book aims to assist traders to develop and apply a fundamental and sentiment mind-set to trading currency markets.

Let us think back to just before the year 2000. That was the era of dedicated phone lines and green screen monitors at brokerage firms. Markets were slow. As a result, the prevailing strategy was “buy and hold.” In this era, traders were at the mercy of their brokers. Information was in asymmetrical pockets of knowledge. Then the rise of computers and the internet destroyed the old order and changed the world of trading. Today, information is now everywhere and mostly free. But the data flow is often unreliable and mixed with rumors and hyperbole. Yet trading execution is lightning fast and as a result markets move equally fast in reaction.

In today's fast-paced globalized world of information, integrating fundamental analysis with technical analysis is more important than ever before. The digital era has made trading at the same time easier, as data

acquisition and trading can be done anywhere, from the beaches of Miami, to the streets of Mumbai. Smart devices enable instant trading. Yet, trading is also more complicated because markets are more complex than ever before, and more volatile as news acts as information shocks and cascades quickly through cross market asset classes. John Netto, a leading trader states:

Globalization has created a swath of financial news sources, social media outlets, and inexpensive research available on the internet. This information has created a new balance, changing global macro investing from a long-term strategy focused on large thematic bets to being woven in the day-to-day price action of every asset class at every price level. The markets eat, breathe, and run on global macro themes ... The interconnectivity of the world has melded global macro investing philosophies into all other investment philosophies to the point they are inseparable.¹

In the age of the internet, trading experience presents many challenges to traders and one is reminded of the ancient saying in the Book of Ecclesiastes that “there is no wisdom without pain.”

Currency traders experience several pain points in their journey into trading. The first is selecting the wrong pair to trade. A second pain point is putting on a trade in the wrong direction. Having targets that are based on belief rather than on evidence is a very important third pain point. Finally, after achieving a profitable trade, many traders get out too early. These pain points are very much the result of a false dichotomy that postulates there is a difference between fundamental and technical analysis, or that all one needs is technical analysis to trade currency markets.

A goal of this book is also to provide forex traders with what they need to know to reduce the time it takes to become good enough at forex training to treat it as a profession. Malcom Gladwell famously referred to 10,000 hours as the amount of time necessary to become an expert. In chess, Garry Kasparov has referenced 10,000 patterns or 50,000 positions. For forex traders, this book on trading fundamentals and sentiment patterns will hopefully build the skills for successful trading in far less time.

¹ The Global Macro Edge, The Pelican Trader, 2016 John Netto, Page 13.

Ultimately, a successful trader is one who is not only profitable, but is able to adapt to a changing global landscape. In today's digital trading environment, the attributes of trader fitness must include an understanding of fundamental forces, sentiment patterns, and technical analysis.

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