

What to Trade



Forex

Forex stands for Foreign Exchange. And what it's known for and its asset class - Currencies.

This is one of the only markets that can be traded 24 hours a day.

The most basic way to explain this: The act of changing one country's currency into another country's currency.

Since business has gone global, the need to place one currency's value against another has become a whole service of its own.

So when you trade Forex, you are literally taking one currency, let's say the US dollar and placing it against, let's say the Euro, you are focusing (with all the global news) that it will either gain strength or lose strength.

Futures Market

This is also known as the Futures exchange.

It's really simple. Futures market has always been associated with the commodities markets which are physical goods. You buy, for example, a barrel of crude oil at a certain price and you sell it (hopefully for more) in the future when the contract expires.

As the commodity markets grew, the futures markets, so did the different instruments to trade grew.

Nowadays you can trade many other things than just perishables. Indexes are some of the most popular, especially the ES mini which is the index of the S&P 500.

Even though Futures is still all contracts, it's almost 90% intraday trading so chances of a contract expiring and you receiving the goods are things of the past.

As a matter of fact the ES mini is the most traded instrument today.

Stocks

Also known as equities, shares, positions.

Stocks are shares of companies that are traded publicly on different exchanges. Some of the more popular exchanges you know: New York Stock Exchange (NYSE), National Association of Securities Dealers Automated Quotations (NASDAQ), and American Stock Exchange (AMEX).

Stock trading requires a lot of research for each company you are interested in trading to find out which one will be a mover either up or down.

Your goal is to enter at a low price and exit high, if you are buying. If you are shorting your goal is to enter at a high price and exit at a lower price.

In intraday stock trading you don't need a huge movement, sometimes several cents if you have a large enough position, i.e. many shares for the company, can make decent profits.

Options

Options are a great way to trade, they do require a lot of research as you would with stocks (equities).

An option represents a contract sold by one party (the option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (called a call) or sell (called a put) a financial asset (whatever you choose) at an agreed-upon price (called the strike price) during a certain period of time or on a specific date (called the exercise date).

To sum it up:

Call options give you the option to buy at certain price, so the buyer would want the stock to go up.

Put options give the option to sell at a certain price, so the buyer would want the stock to go down.



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