

Copyright Notice

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Risk Warning and Disclaimer

Trading, as with any investment activity, carries a level of risk.

You can learn about trading by taking this course, and by using our trading simulator, without risking a penny of your own money.

However, before you open any kind of trading account for real money you must read, understand and agree to abide by the following warnings.

Risk Warnings

1. Trading carries a high risk to your capital.
2. Trading is not suitable for everyone. If you are in doubt you should seek professional advice from an Independent Financial Advisor or other appropriately qualified person.
3. You must consider carefully whether trading is right for your financial circumstances and for the amount of money that you can afford to lose.
4. You should not trade unless you fully understand the nature of your trades and what your potential losses are.
5. You must only trade with money that you can afford to lose without your financial situation being adversely affected.
6. Certain types of trading, such as CFDs and foreign exchange trading, may use margin and leverage. In these cases it is possible to lose substantially more than your original deposit and be liable for additional losses.
7. Foreign markets involve different risks to domestic markets, which includes foreign exchange risk.

Disclaimer

WHILST WE HAVE taken great care in preparing this course, we cannot be held liable for any errors or omissions which may affect your financial position.

Details of products, including guaranteed stop-losses, may change over time. You must check the details of any trading account you open.

Tradernomics Ltd. does not make a solicitation to buy, sell or otherwise trade any markets or securities.

You trade entirely at your own risk.

Summary

REMEMBER THAT IF you do not have money that you can afford to lose then you **must not** start trading for real money just yet. However, you can use this time to learn and perfect your techniques ready for when you have the money to begin trading for real. The Tradernomics courses and the trading simulator are a good environment for doing this.

If you cannot agree to the risk warnings and disclaimer you must return this course within the money-back guarantee period for a full refund.

Introduction

Welcome to the course

About The Author

STEPHAN BISSE IS the CEO of Tannhauser Gate GmbH as well as the Chairman of Tradernomics. Tannhauser Gate is a trading systems company whose systems currently manage in excess of USD 300 Million across futures, equity and FX.

He has appeared on CNBC and CNN television, been quoted in the Sunday Telegraph and on BBC News online, and has written trading articles for magazines including Technical Analysis of Stocks and Commodities, The Technical Analyst and Active Trader.

Stephan started his career in the markets in 1988 at a commodity futures brokerage in London called Bailey Shatkin. This being the days before PCs become ubiquitous he found himself drawing charts by hand of all the markets as part of his daily duties. Although it seemed laborious and tedious at the time, it gave him a solid grounding in technical analysis, which is the study of charts as a means of predicting the markets. Soon he was promoted into an analyst position and before long he was responsible for producing the daily technical analysis for the whole group.

After 18 months Stephan moved to Dresdner Bank to trade short-term interest rate futures. Although his background had been mainly in commodity futures, he realised that his knowledge of technical analysis was equally applicable to financial futures and that trading these new markets was the same as trading any other instrument.

Shortly before his move to Dresdner Bank, the LIFFE had introduced a futures contract based on the German Government Bonds. Suddenly, all the major investment banks were looking to hire traders and brokers familiar with these new instruments. Stephan was poached to join Goldman Sachs as a broker in their Financial Futures and Options team barely a year after joining Dresdner Bank. These were exciting times as the tumbling of the Berlin Wall and the Sterling Crisis of Black Wednesday reverberated around the financial markets, causing great volatility and creating great trading opportunities.

Stephan stayed at Goldman Sachs for the next 7 years, becoming an Executive Director and taking over responsibility for the technical analysis of the European fixed income futures. In the middle of 1997 he moved over to Deutsche Bank as a Director in the Listed Equity Derivatives group, advising large international Hedge Funds on their trading strategies. Towards the end of 2001 he did an MBA at the University of Oxford's Saïd Business School with a focus on finance, graduating with a distinction the following year. Stephan then became Head of Institutional Sales at Saxo Bank in Denmark, the leading player in electronic FX platforms for

retail traders. After his experience in commodities, fixed income futures and equity derivatives Stephan now had the opportunity to add FX to the list.

In 2003 he returned to the UK to set up Key Reversal Ltd, a company that built automated trading systems for hedge funds. He also became a visiting lecturer at the Said Business School, University of Oxford, where he taught an elective course called "Introduction to Hedge Funds". As part of the course he divided the students up into groups and let them trade a demo account. During the 8 weeks of the course the teams competed against each other to see who could produce the best risk-adjusted returns. At the beginning of the competition he would give the students a condensed version of this course, and although most of them had no background in finance or trading, by the end of the 8 week course most of them were trading profitably.

About this Course

THIS COURSE IS aimed at readers with a serious and committed interest in learning to trade, be they total beginners or those who have already looked at trading in some depth. We have assumed no prior knowledge, and everything will be explained as we go along.

Most people believe that the markets are a supermarket for stocks, CFDs, futures or FX and that at any point in time you can buy or sell any of these instruments and pretty much have a 50/50 chance of making money. This is a serious misconception! The markets are a zero sum game. This means that every penny you make, someone else loses. It is fair to assume that other market participants know what they are doing, that they have done their homework and that they know why they are buying or selling to you. In order for you to make money off them you have to have an edge over them, know more than they do, be better prepared.

In many respects trading is like playing poker for a living. However, in poker there are players of all abilities and you can always find a game where the other players have roughly the same level of skill as you do. The markets on the other hand are made up of only the best players! There are no intermediate markets where beginners or intermediate traders can trade amongst themselves and make easier money. This means that before entering this arena you have to be well prepared. You need to understand your market, you need to understand yourself, you need to understand how to manage your risk and you need to have a plan for when things don't work out the way you expected.

There are many courses on offer that claim to teach you how to make large amounts of money in a very short amount of time. They claim that they will show you the one chart pattern or setup that always makes money. If only it were that easy! These claims amount to the same as teaching someone to play poker by telling them to always raise on a strong hand and fold on a weak one, regardless of what the other players are doing, what cards you have, your capital and your personality.

The only reason you should be in a trade is because you have done the analysis, either technical or fundamental, preferably both, and you think that the market will move in a certain direction. You know at what level to stop yourself out, what reasons would make you exit the trade, and at what level or for what reason to take your profits. These levels will all be determined before you enter the trade based on sound principles, proven analysis and your desired risk profile. Nothing should be left to chance.

If you get into a trade because of a tip or a rumour you will not know at what level to get out, when to take profits or cut your losses, and what is worse, you will learn nothing that will improve your trading if the trade goes for or against you. There is a great anecdote about trading on tips in the book "Reminiscences of a Stock Operator" by Edwin LeFevre, a fictionalised biography of Jesse Livermore, one of the greatest stock traders of all time. Two speculators get a tip from the brother-in-law of one of them to buy a certain stock. The stock plummets and both lose money. The brother-in-law gives them another tip and the same thing happens. One of the speculators has had enough and suggests that they give the brother-in-law a good telling off. The other one replies "We can't do that; if we p** him off he won't give us any more tips!"

Therefore, every Tradernomics course is structured to teach you all the skills needed to develop your own approach to trading successfully. You will learn everything you need to know about the instrument you want to trade: how it is priced, commissions, the regulatory environment as well as where and how it is traded. We cover the order types and the terminology used in that market. You will learn the mathematical definition of an "edge" in trading and how to size your positions to minimize your risk and maximize your chances of success. We teach you the fundamental factors driving each market and then our proven approach to technical analysis. Finally you get to put all of this into practice on our patent pending Trading Simulator until you know you can make money before risking a penny. Finally, we cover the latest findings from the field of behavioural finance on the psychological underpinnings of successful trading.

Trading is one of the most challenging activities you can embark on. If done successfully, it is also one of the most rewarding – financially, psychologically and emotionally. We believe that there is no better way to prepare for the challenges of trading than a Tradernomics course!

Course structure

THE TEACHING MATERIAL consists of workbooks containing 8 modules, a trading simulator that you can access via your web browser, and various online extras such as quizzes to check your understanding. Each module begins with a summary of the topics we will be covering and the skills that you will have developed by the end of the module.

Our trading simulator is updated with the relevant historical market data and allows you to apply and practice all the concepts from the course without risking a penny. The simulator also allows you to practice very quickly, advancing a day's data at a time, without having to wait in real time for the markets to move.

We will now briefly look at the material we will be covering in each module. Don't worry if you haven't yet come across some of the terms we mention here: everything will be introduced one step at a time during the course.

Workbook 1

Module 1: An Introduction to Global Markets

This module is a primer on the markets. Here you will learn the basics about how the global financial markets operate and how the different instruments such as bonds, stocks, commodities, CFDs, futures and foreign exchange are traded and what purpose they fulfil. You will learn the difference between exchange-traded markets and over-the-counter (OTC) markets, agency markets and principal markets, as well as spot markets and derivatives markets such as forward, futures and options markets.

Module 2: Mastering Contracts For Difference (CFDs)

The second module focuses specifically on the instrument at hand, in this case Contracts-For-Difference, or CFDs. You will learn how CFDs are priced. We explain the difference between traditional CFDs, exchange traded CFDs and Direct Market Access CFDs. The course covers the regulatory environment, commissions and margin. Some sample trades are also given. In short, you will gain all the knowledge and terminology you need to feel comfortable with this instrument.

Module 3: Risk Management

In this module we explain the difference between investment and trading, and introduce the vital concept of Probability of Ruin, the mathematical underpinning of all trading activity. This leads directly into risk management and the use of leverage and position sizing: crucial disciplines for trading any market or instrument. At the end of this module you will understand how you should trade in principle and why deviating from these principles is the reason that the majority of market participants end up losing money.

Workbook 2

Module 4: Fundamental Analysis

Fundamental analysis tries to predict where markets are going based on the underlying economic factors underpinning a market, whether this is supply and demand for a given commodity, the macroeconomic outlook for a currency or the price to earnings (PE) ratio of a stock. Even technical analysis strategies are informed by fundamental analysis.

Module 5: Technical Analysis and Trading Strategies

Technical analysis looks at historical price and volume charts to determine where prices are heading. The key skills in technical analysis are finding good risk/reward opportunities by determining the trend direction,

support and resistance points and spotting overbought/oversold situations which might portend a reversal. This module contains two highly-detailed step-by-step trading strategies.

Module 6: The Psychology of Successful Trading

Here we explain the latest findings from behavioural finance and how they can make you a more successful trader. Learn to keep your trading on course by avoiding the most common mistakes made by losing traders due to psychological biases within all of us. Understand the concept of emotional capital and how it is as important as monetary capital in successful trading.

Module 7: Developing a Trading Plan

In this part of the course we teach you how to plan your trades and, more importantly, to trade your plans. We look at the key features needed in a trading account, and the questions that any trading plan should answer.

Module 8: Guide to the Trading Simulator

The Tradernomics simulator gives you a quick way to check your understanding of the course material. It allows you to practice the trading strategies mentioned in this course by using charts of real historical market data and allowing you to place simulated trades. A full profit and loss account is kept, so you can assess your performance before you risk trading for real money. This module gives you instructions on how to use the simulator, and suggests exercises to help you get ready for real trading.

The Diploma

At the end of the course you can take our online test to receive your diploma to say that you have completed this course. We created the diploma to keep you motivated, and to give you an idea of when you should consider trading for real money. This assumes that you understand the course material and have successfully and profitably applied it in our simulator first.

Final thoughts

ALTHOUGH THIS COURSE is aimed at newcomers to trading, we have not steered clear of the ideas that professional traders use, especially when it comes to risk management and preserving the money in your trading account. To take the easy way out would be to do a great disservice to our readers. Although the calculations that you will make in this course are no more complex than straightforward addition, subtraction, multiplication and division, you will most likely need to read some sections of the course at least twice to feel comfortable with the material. There is no shame in this. You should take the course at your own pace, and if you find yourself getting bogged down you can skim a section to get the general idea before going back and covering the calculations in depth.

Most people learn best by getting involved, so when you've read the workbooks you should spend time using our simulator to practice your skills and to check your understanding.

Like most things, you only get out what you put in. Setting aside time for serious study of the material in this course, to the point where you have genuine understanding, will pay great dividends.

Above all, enjoy the course! When the day comes to begin trading for real money, we wish you all the success in the world.