

# Start trading

## the Financial Markets

The Essentials

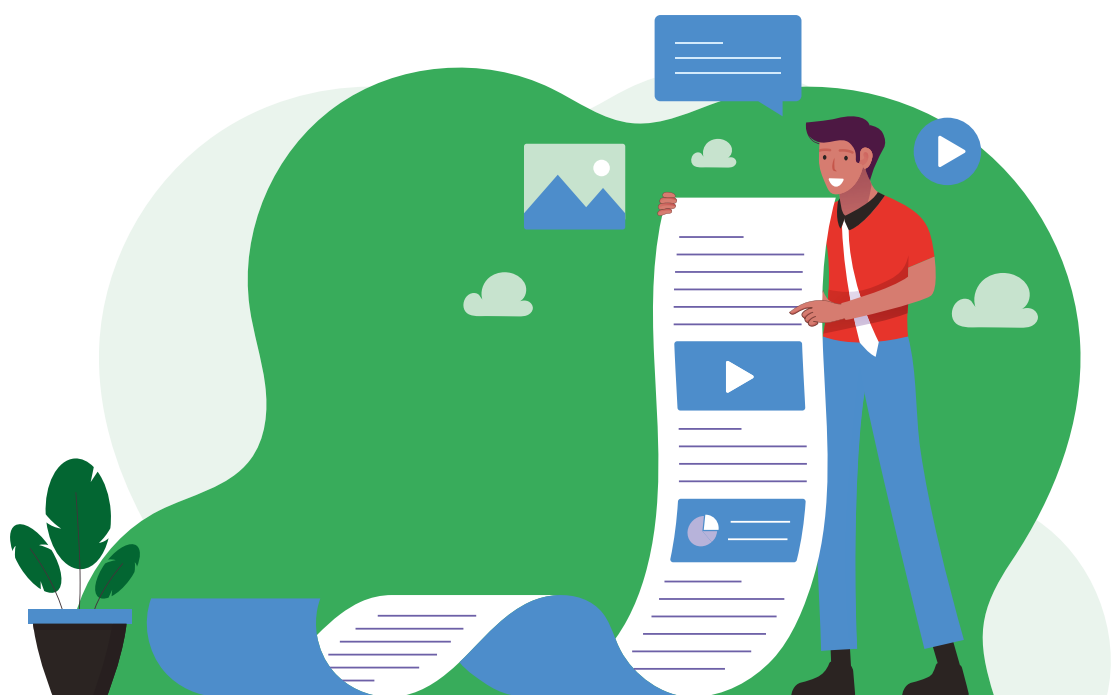


A starter's guide for anyone interested in learning how to trade the financial markets.



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# 1. Introduction



Looking to trade the financial markets?  
You are not alone.

Getting started with online trading can feel like a challenge - today's world offers many possibilities. However, trading isn't that scary once you know what Contracts For Difference (CFDs) are and how you can trade CFDs on forex (FX), commodities, shares, indices and cryptocurrencies. This guide will cover the difference between CFD trading and traditional share (stock, securities) trading, how to trade CFDs, why markets can be volatile, risk management, plus the different strategies that can be implemented.

Let's start with explaining trading from the beginning, slowly getting to basic trading strategies and other important aspects. Read on to learn more about trading CFDs on forex, commodities, indices, shares, and cryptocurrencies.



## What's the difference between CFD trading and traditional trading?

There are several differences between CFDs and traditional trading, including how you get exposure to asset classes such as Forex, Indices or Commodities. Did you know that you do not need to own the underlying asset to gain exposure to it? With CFD trading, a trader does not own the underlying asset in order to profit (or lose) from it - he or she is simply speculating on price movements.

There are a variety of markets you can trade via CFDs with Eightcap, including over 40 major and minor forex pairs, the most popular commodities, the world's largest indices, the US and Australia's largest share CFDs, as well as CFDs on Bitcoin, Ethereum, Litecoin and Ripple. the US and Australia's largest stocks, as well as Bitcoin, Ethereum, Litecoin and Ripple.

## CFD & Forex trading.

Over the last decade, trading in Foreign Exchange (FX or Forex) and Contracts for Difference (CFDs) has become extremely popular for traders all over the world. The appeal of such products is driven by a trader's ability to speculate on the price movements of a range of global financial assets in one trading platform, with a comparatively small amount of starting capital, known as margin. . This means you can use a smaller amount of funds to hold a larger position size.

## 2. The Foundations of the Financial Markets

It is important for traders to know how the financial markets work. Understanding price movements and fluctuations can help you make more informed decisions about your trades. To help you understand how the financial markets work, we've prepared the answers to the most frequently asked questions about trading.

### What is trading?



The goal of the trader is to capitalise on volatility in the markets by either taking long (**buy**) or short (**sell**) positions on a particular market. Traders who speculate on forex, commodities, indices, shares, and cryptocurrencies, tend to follow the markets closely, often spending hours a day researching them. They use technical analysis to study the markets and to predict where the prices are heading.



### What causes price fluctuations?

The **prices** of the assets are only indications of value and may vary significantly from one day to another. Anyone trading forex, commodities, indices or other financial instruments should be aware that the price they pay today is not necessarily indicative of the price they will receive when selling their trade.

At its essence, financial markets are an ecosystem in which a participant can buy and sell an asset.

An important driver of the price of an asset is the volume of buyers and sellers, sometimes referred to as liquidity. This is often used to measure the market's health. When a greater number of traders wish to sell their assets rather than buy new financial instruments, prices drop.

## How can you benefit from the financial markets?

There are many ways to access the **financial markets**, with CFD trading being an extremely popular method because of the ease of access.

CFDs are unique because you can trade on the value of an asset without actually owning it. The underlying products include different currencies, indices, commodities, shares and much more.



### Are there risks involved?

**Risk** is one of the most fundamental concepts in finance. This is because financial markets are often very unpredictable. As a result, you can either make a lot of money, or lose a lot of money. You should take steps to make sure you are aware of the risks involved and only risk what you can afford to lose without adversely affecting your lifestyle.

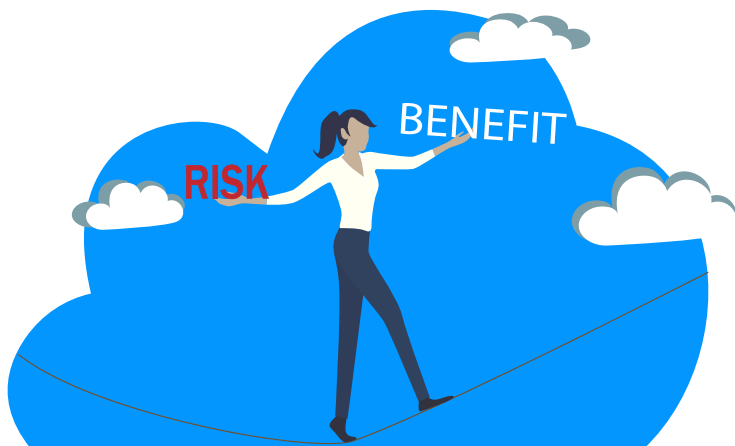
### What are CFDs?

A **Contract for Difference** (CFD) is a financial derivative that can be used to speculate on the price of different assets, including Forex, Indices, Commodities, Shares, Crypto, and more. A derivative is a contract between two or more parties whose value is dependent on, or “derived” from, an underlying asset. At the end of the contract, the parties exchange the difference between the opening and closing prices of a specified underlying asset. Trading CFDs means that you can either make a profit or loss, depending on which direction your chosen underlying asset moves in. With CFDs, you can trade a variety of markets with the flexibility and leverage of margin trading, without taking ownership of the underlying asset.

## How to trade CFDs?



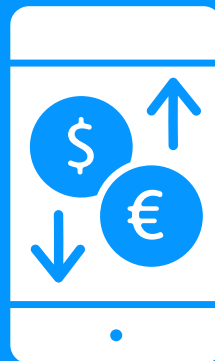
When you trade CFDs, you agree to exchange the difference in price of an asset from when the contract is opened to when it is closed. To do this, you need an online provider - a CFD broker.



### What are the benefits of trading CFDs? What are the risks of trading CFDs?

One of the biggest benefits of CFD trading is that you can trade a huge range of markets with leverage. This means you can deposit a small amount (margin) and be exposed to a larger position, according to the leverage available for that underlying asset. You can also use CFD trades to hedge an existing physical portfolio. However, leverage is also a characteristic of a CFD that may lead to greater losses.

## Why trade Forex?



Trading Forex CFDs allows you to participate in the price movements of the underlying forex pair. The main objective of these trades is to **exchange** one

currency for another in the expectation that the currency pair will appreciate/depreciate depending on the position taken. There are several advantages of trading Forex CFDs, including the ability to trade 24/5 on one of the most actively traded markets in the world, the high liquidity of this market as well as its availability.

The volume of transactions in the FX market is constantly changing, and not all regions are affected equally. However, it is worth noting that the daily turnover exceeds 5 trillion dollars a day.

## What is technical analysis?

**Technical analysis** is a trading discipline that enables traders to evaluate price action and identify trading opportunities by analysing statistical trends gathered from past market data, such as price movement and volume. Technical analysis focuses on an asset's historical price patterns or trends.

## Understanding pips

### What is fundamental analysis?

**Fundamental analysis** is a method of evaluating the intrinsic value of an asset by looking at external events and influences. It is based on financial statements, industry trends, and external factors.



**Pip** is an acronym for “percentage in point” or “price interest point”.



The movement of a currency pair is measured in “pips”. One (1) pip movement is generally the fourth decimal place. However, most currency pairs are priced out to five decimal places, which is 1/10th of a pip.

### What is margin?

**Margin** is the amount of deposit you need to hold a CFD. This means you can use a smaller amount of funds to hold a larger position size. This deposit amount varies according to the leverage.



The amount of margin required to hold a position will depend on a number of factors such as the asset type, market volatility, and the leverage. Many countries also have restrictions on how margin can be provided to retail traders.





## What is short selling?

**Short selling** allows you to speculate on the decline in an asset's price. This means you open a trade by selling a CFD and close a trade by buying the CFD.

## How to identify trading opportunities?

**Trading opportunities** may be identified through your analysis. You may adopt a view based on a particular technical indicator or seek to establish a fundamental basis for why you think a particular asset will increase or decrease in value.

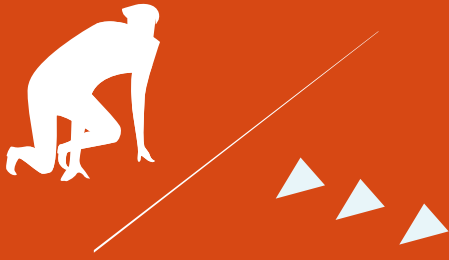




### 3. How to start trading CFDs?

This is the first question new traders ask themselves when they want to get into the world of trading. You are a step closer to starting your trading journey, as long as you have taken the time to **research** how to get started and, most importantly, have ensured you fully understand the significant risks involved.





## What should you know before you start?

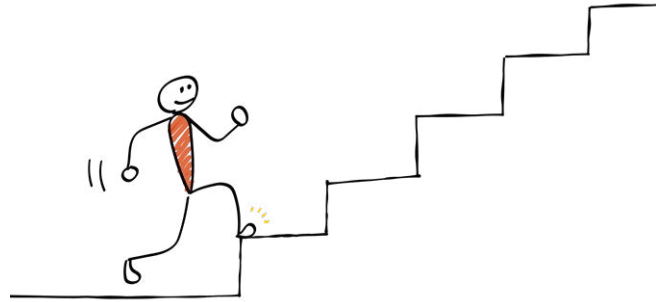
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The world of trading is full of different indicators, confusing views on chart patterns and a myriad of trading techniques. However, some of the more experienced traders often warn of being tempted to overcomplicate things.

Still, many traders simply rely on the use of technical indicators and/or looking for unique and specific chart patterns.

When attempting to take a view on a particular asset, one may also choose to use a combination of fundamental and technical analysis. Fundamental analysis is an assessment of the underlying drivers of the asset, while technical analysis measures the movement of its asset price's past price action.

## What are your first steps in trading?



If you're trading for the very first time, then you're probably trying to get as much **knowledge** as possible. Researching which broker to use, what to buy or sell, how the platform works, and how you keep track of your portfolio, are all basics that a beginner should understand.

Undoubtedly, the first and most important part of trading is **understanding the risks** involved. You can then get familiar with the available risk management tools in trading and how to use them efficiently. In order to control your exposure to risk, you can choose a strategy, create a trading plan and follow it closely.

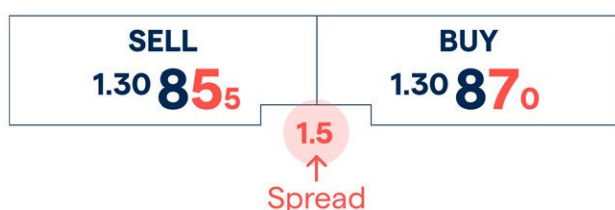
Knowing how the trading platform of your choice works is fundamental - you should start with the basics and **build** your knowledge over time. There are different resources available to you online as well as many free courses.



Choosing a **regulated** and well-reputed broker is also essential.

Last, but certainly not least, setting clear, realistic expectations is one of the main principles in trading.

## What is the spread?



The **spread** is the difference between the bid (sell) price and the ask (buy) price for a CFD. The size of the spread is influenced by many factors, including the size of your trade, liquidity, volatility, and your provider. If you're a frequent trader, it makes sense to choose a broker with a competitive spread.

Eightcap offers some of the **lowest** spreads in the industry. Our Raw Account has spreads from 0.0 pips and fast execution. However, you should keep in mind that they can widen when the market is volatile.

## Placing your first trade

Finding a good **online broker** is an important first step. You'll need an account through which you can buy and sell currencies, indices, commodities, shares, and/or cryptocurrencies CFDs, using your own money, with competitive spreads and commissions.




## How to manage your risk while trading?



Trading involves hard work. While experience is a fine teacher, knowledge through **education** is essential before you put your hard-earned money on the line.

It is also worth noting that when you're trading in a live environment, it is important to understand the value of your trade.



Eightcap can help you gain access to educational tools that will help you make informed decisions when trading.



It is also worth noting that when you're trading in a live environment, it is important to **understand** the value of your trade.

# 4. What tools and platforms are used in trading?

The trading world is constantly evolving. This is evident in the different tools and platforms available to traders. Most CFD brokers offer access to either their own in-house trading platform or platforms built by a company called Metaquotes - MetaTrader 4 (MT4) or MetaTrader 5 (MT5).

## What are the MetaTrader 4 and the MetaTrader 5 platforms?

Both Metaquotes platforms are synonymous with Forex and CFD trading.

There are several main differences between the two platforms. The first one is related to the available markets - on MT4 you can trade FX, Indices, and Commodities.

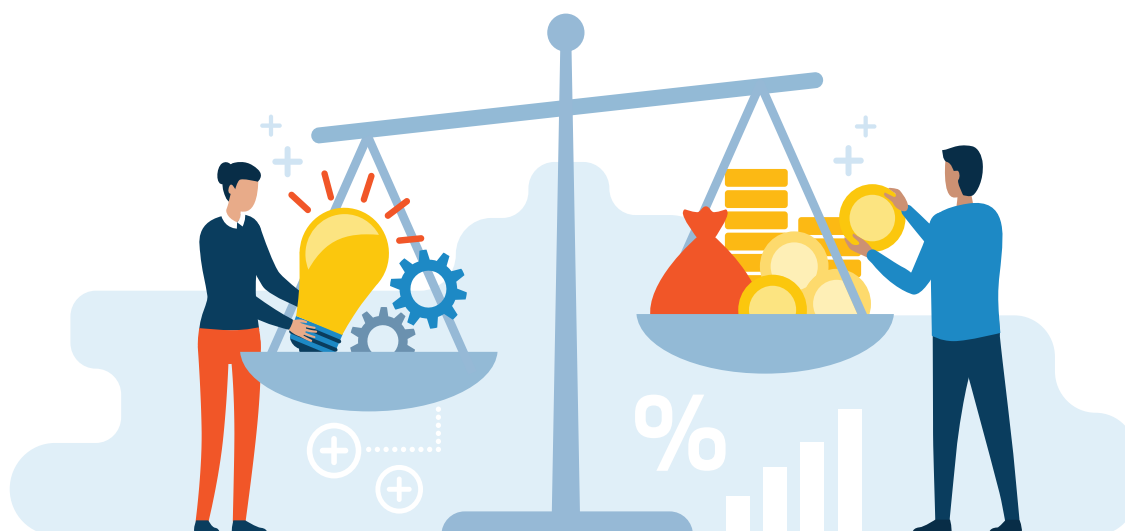


## MT4

## MT5

Markets	FX, Indices, Commodities	FX, Indices, Commodities, Shares
Trade with robots	Yes	Yes
Devices	Desktop & Mobile	Desktop, Mobile & WebTrader
Chart timeframes	9	21
Technical indicators	30	38

However, on MetaTrader 5 you'll also have access to Share CFDs and Cryptocurrency CFDs. Additionally, the two platforms offer trading with robots as well as access from both Desktop & Mobile. Furthermore, the MetaTrader 5 can also be used on a web browser. The two platforms have some differences when it comes to chart timeframes and technical indicators: MT4 supports **9** timeframes and **30** indicators, while MT5 offers access to **21** timeframes and **38** indicators.



Determine which platform is right for you and start trading!

## 5. How to choose a CFD broker?

When you are looking for a suitable brokerage firm, you need to keep in mind a few things. First, you need to select a broker that is regulated, competitive, offers great products and services as well as excellent client support. You also need to know what kind of **trading environment** you are looking for.



### What should you know about trading fees?

It's important to understand what fees you will be paying when you choose your broker. Trading fees include brokerage fees and commissions. Fees are likely to differ from firm to firm.

Eightcap's Standard Account is commission-free, but other costs do apply. That is, instead of a fixed monetary commission, you pay the spread. On the other hand, you can choose to trade with a small monetary commission by using our Raw Account.

### Are there any research and educational tools available?



Eightcap is on a mission to create a new home for MT4 and MT5 traders by educating people who want to trade. There are many resources for this already, but they can be difficult to find, especially if you're just getting started. Some people have experienced issues with searching for information, and that's why we're creating an educational trading course that you can easily access.

Additionally, you can find a lot of resources on our website, including MetaTrader guides, articles about the fundamentals of trading, in-depth pieces explaining different trading strategies, and much more.



## The importance of Customer Support



Customer Support is one of the most important aspects of trading. Our multilingual experts are here to **help** you navigate the world of trading. We know that each client has different needs, and we work hard to answer your questions quickly and accurately.

When you think of Forex and CFD trading, the first thing that comes to mind may be “risk.” That’s not too surprising. After all, trading is a risky business. There are many methods traders use to help manage and reduce risks; education and experience is critical to understanding how. However, every trader should be aware that they can lose all of their initial deposit, and with some brokers even more.

### What can Eightcap offer?

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Eightcap is a broker that offers its clients **transparency, client support, competitive spreads, premium liquidity**, and much more. Eightcap strives to offer you smooth deposits, fast withdrawals, and all the perks of a premium trading platform.

We’ll do our utmost to empower you, which is why we walk you through every step of the process with our education program. We give you access to all major exchanges around the world via CFD trading, so you can trade what and when you want on our award-winning platform. Our customer service is there for you **24/5** throughout the year. We offer competitive spreads on all of our trades and a multitude of trading tools.

## 6. Conclusion & Next Steps?

You may have tried a bit of CFD and Forex trading, only to realise that building your own strategy is much harder than it looks. You may even have purchased, and then swiftly returned, one or more trading courses because the information you were presented with was either too basic for your taste or so complex that you felt totally overwhelmed. A quality education in trading from the beginning is vital for your success.



Ready to take your trading to the next level? No matter the level of knowledge, whether you're a beginner or a seasoned trader, we'll do our utmost to assist you to take your trading to the next level.

**Risk Warning:** *Margin trading carries significant risks, including the risk of losing the entirety of your initial investment. You also do not own, or have any rights to, the underlying assets. Margin trading is not suitable for all investors, so please ensure that you are fully aware of the risks involved, seek independent financial or personal advice if necessary, and read the relevant legal documentation (available from our website) before making any decisions. Eightcap's Product Disclosure Statement (PDS) and Financial Services Guide (FSG) are available to download from the legal page on our website. Please assess and consider these documents carefully before making any decision about using our products or services. Please also note that Eightcap provides 'general advice' only which does not take into consideration your objectives, financial situation or needs. You must operate your trading account in a manner that is consistent with your own trading comfort level. Our offers are not designed to alter or modify your preference or encourage individuals to trade in a manner that is inconsistent with their own trading strategies.*