

Lavenant Capital

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5 Fundamentals of Currency Trading

1) Know what currency you currently hold

Most people hold and use the currency of the country in which they live in. Currency traders and savvy investors with considerable holdings choose to amass their fortune by trading their country of origin's currency for that of another more preferable tender.

2) Predictions never work

It is difficult to predict which way the economy will turn, how much interest rates will rise or fall, as well as the stock market's behavior. It is best to focus on fundamental facts based on the present, rather than speculation based on the future.

3) Be patient

Yes, it may sound strange, since the foreign exchange market fluctuates so rapidly with the large amount of volatility involved. However, patience pays when the fundamentals of a given currency suggest that the valuation of that currency will rise when institutional investors take hold of the information.

4) Be flexible

Not all currency trades turn out right. Some exchanges that were made in belief of a sell-off may have actually turned out tragic. While at the same time, currency trades worked out just right, despite making the exchange for the wrong reasons.

5) Knowing when to buy and sell is hard

It is important to know why you made the currency trade. But it is more important to know why you're about to sell back the currency you purchased.