

GF Markets Academy

Trading for Beginners

**“An investment
in knowledge
pays the best
interest”**

Benjamin Franklin





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A Bit of Stock Market History

1611

The first modern stock trading is created in Amsterdam. The Dutch East India Company is the first publicly traded company, and for many years, it is the only company with trading activity on the exchange.

1700s

A small group of merchants made the Buttonwood Tree Agreement. The men meet daily to buy and sell stocks and bonds, a practice that eventually comes to form the New York Stock Exchange.

1790

The Philadelphia Stock Exchange is formed, helping spur the development of the U.S.'s financial sectors and the country's expansion west.

1896

The Dow Jones Industrial Average is created. It initially has 12 components that were mainly industrial companies.

1923

The early version of the S&P 500 is created by Henry Barnum Poor's company, Poor's Publishing. It begins by tracking 90 stocks in 1926.

1941

Standard & Poor's is founded when Poor's Publishing merges with Standard Statistics.

1971

Trading begins on another U.S. stock exchange, the National Association of Securities Dealers Automated Quotations, otherwise known as the NASDAQ.

1987

Corporate buyouts and portfolio insurance helped prices in the market run up until Oct. 19, what becomes known as "Black Monday."

2008

The stock market crashes after the boom and bust of the housing market, along with the proliferation of mortgage-backed securities in the financial sector.



Chapter 1

What is Forex?

- Forex is short for Foreign Exchange. It is the global financial market that allows to trade currencies.
- If you think Euro will be stronger than usd and you open the correct position you will make money.
- Exchange rates are constantly changing by the second and most of the transactions are happening for speculative reasons.

Example

You believe that the European economy will do better than the U.S. Economy. Thus, you might choose to buy some euros. If its economy does perform better you will benefit (make profit) from the exchange rates.

You will open a buy position on EUR/USD pair. Buying or “going long” means that you are buying the base currency and selling the quote currency. For example, if you go long on eur/usd, **you are buying euros and selling U.S. Dollars.**

Note: currencies are always traded in pairs.



EUR / USD

BASE
CURRENCY

QUOTE
CURRENCY

EUR/USD 1.1302

One euro is worth 1.1302 dollars



The green candles at the right side of the chart show a **strong buying power** on the EUR/USD

Major Currencies & Exotic Pairs

An exotic currency is a currency from countries with developing or emerging markets.

Exotic currency pairs are made up of one major currency paired with the currency of an emerging economy, such as Brazil, Mexico, Chile, Turkey.

Major Currency Pair	Countries
EUR/USD 	Eurozone / United States
USD/JPY 	United States / Japan
GBP/USD 	United Kingdom / United States
USD/CHF 	United States / Switzerland
USD/CAD 	United States / Canada
AUD/USD 	Australia / United States
NZD/USD 	New Zealand / United States

Chapter 2

Other types of assets

Financial instruments or tradable assets can be stocks, forex, commodities, cryptocurrencies, and indices.



Stocks

- A stock also referred to as equity, represents a fraction of ownership in a company. Investors choose a stock (the company) and then purchase shares. For example, Facebook's stock has a total of 100,000 shares. If you purchase 1000 shares you would own 1% of the company's assets and earnings.
- When a private company goes public, it provides liquidity for its shareholders. Its major shareholders may wish to cash in on the wealth they have tied up in the business. The public offer creates a market for the company's shares that gives investors the ability to sell their holdings.

Commodities

Commodities are usually resources that are used in the production of goods and can be bought and sold in the market. Com, gold, silver, corn, oil, coffee, coal, cocoa, sugar, pork chops and others.



Cryptocurrencies

A cryptocurrency is a digital coin designed to work without intermediary banks and governments. Transactions are executed through a blockchain network which makes it nearly impossible to double-spend and all transactions are saved in a public ledger and can never be undone. The coins are stored in digital wallets.



How it works?



Mining

Units of cryptocurrency are created through a process called mining, which involves using computer power to solve complicated mathematical problems that generate coins.



Buying & Selling

Cryptos can be traded and purchased from brokers just like stocks but instead you are using your digital wallet. When owning cryptos, what you really own is a key that allows you to move funds from wallet to wallet without intermediary parties.



Market Value

The overall market value of cryptocurrencies climbed to \$2.3 trillion as of Dec. 17, 2021, according to tracker CoinGecko, which counts almost 12,000 tokens.

Indices

An index tracks the performance of a group of assets. Indices could be focusing on a specific industry or sector of the market, such as Nasdaq where the world's giant techs are listed on. As of April 2021, it has 3,097 securities including, Tesla, Apple, Amazon, Microsoft, Alphabet, Meta Platforms (Facebook) and others.



U.S. Indices

- **Nasdaq-100 Index**

Is a “modified capitalization- weighted” index designed to track the performance of the 100 largest and most actively traded non-financial domestic and international securities listed on The Nasdaq Stock Market. To be included in the Index, a stock must have a minimum average daily trading volume of 100,000 shares.

- **The NYSE Composite Index**

Tracks the price movements of all common stocks listed on the New York Stock Exchange. The Index is “capitalization-weighted” (that is, each stock’s weight in the Index is proportionate to the stock’s market capitalization).

- **S&P 500 Composite Stock Price Index**

Is a capitalization-weighted index of 500 stocks intended to be a representative sample of leading companies in leading industries within the U.S. economy. Stocks in the Index are chosen for market size, liquidity, and industry group representation.

- **Dow Jones Industrial Average (DJIA)**

Includes a wide range of companies—from financial services companies, to computer companies, to retail companies—but excludes transportation and utility companies, which are included in separate indices.



Chapter 3

What is a CFD?

- A contract for difference is a financial contract stipulating that the buyer will pay to the seller the difference between the current value of an asset and its value at contract time. CFDs give traders the ability to profit from both an increase or a decrease in the value of an asset.
- Thus, it is a way of speculating that does not require the buying and selling of any underlying assets.

Example



Let's assume Netflix shares are going to drop because the company did not reach the expected revenue and did not grow its subscription base. You will then sell shares on CFD (yes without owning them) and you will make money if the price does drop. If you sell at a price of \$500 and the stock drops to \$450, you will make \$50 profit per share.

Leverage

The concept of leverage is used by traders to significantly increase the potential returns that can be provided on a trade. They lever their trades by using various instruments including, currencies, stocks, cryptos on a CFD trade.

Let's assume that you open a buy position on the Nasdaq index at \$15,000 because you bet it will increase by \$200 to \$15,200. If the trade does go your way you will make \$200. However, if you use leverage of 5, your profits will be multiplied by 5 and your profit would be \$1000 ($\200×5) and vice versa. This is called a 1:5 margin (leverage 5x) but in real life it can even higher.

Leverage is a multi-faceted, complex tool and it should be treated like one. Beginners should make sure they understand leverage before using it since it can magnify both gains and losses. If a trade moves against the trader, the loss could be much greater.

Note: Leverage can be much greater like, 10, 200 or so on depending on the broker.



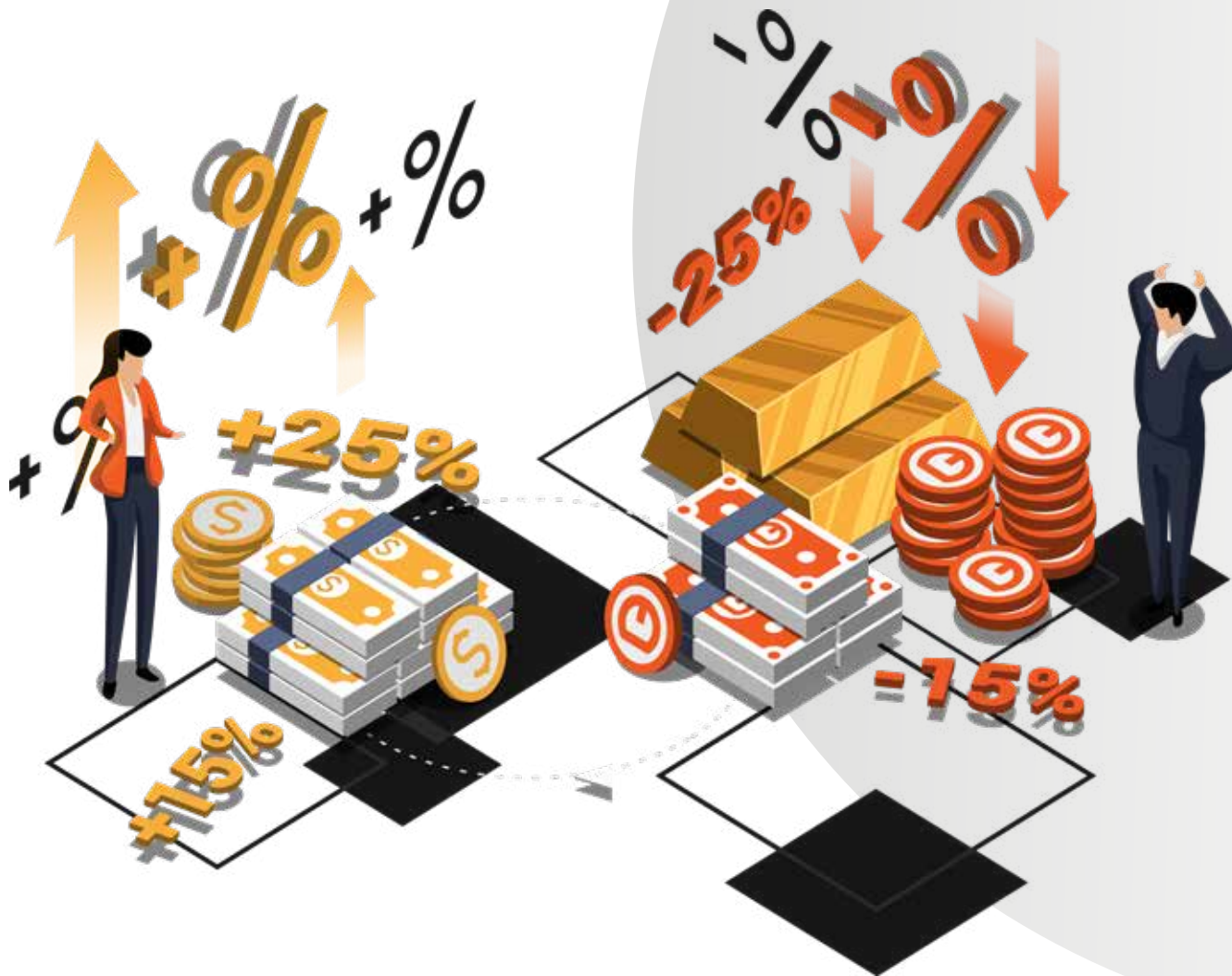
Margin

Margin trading refers to the process of traders/investors can buy more stocks than what they can afford. For this purpose, the broker is lending the money to the individual to buy shares and keep them as collateral. In order to trade with a margin account, you are first required to place a request with your broker to open a margin account.



What is Stop Loss and Take Profit

Stop loss is an order specifically designed to limit an investor's loss on a position. For example, when placing a long position, you can choose to put a stop loss 10% below the price you bought. In that way, if the trade goes against you, you will only lose a small amount and your trade will close automatically so you don't bear bigger losses.





Example of how to place your take profit and stop loss orders

Always Trade Smart

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