



The Cautious Stock Market of 2010

HEDGE IT WITH FOREX TRADING

Since the start of 2010, fund managers and investors have been forecasting a cautious approach to the year ahead. Yes, there is a general agreement of growth this year, but also the overhanging warnings of caution, caution, caution. Thus, moving ahead with your stock portfolio, it will be a time to research deeper into your companies. You

should also expect retracements and thus have the foresight to load up at these levels. However, today I want to show you how Forex trading can give you a profit edge, while the markets are consolidating their direction. There are two possible outcomes with a cautious outlook in the market, the first one is an unexpected rally, while the second is a gradual growth of the stock market.

Scenario 1: The stock market spends the whole of 2010 in a flat holding pattern of sideways trading, only rising to a small gain at the end of the year.

In such a scenario, experienced stock investors will use the time to research deeply into their stock's fundamentals. They can also use the sideways market to buy shares at a discount and gradually scale into their positions. The really seasoned investors can find the few great gems in sector rotation, and capitalise on them to secure good gains.

However, the wider retail investor community would have very low returns or more likely, losses to their portfolio. Investors who do not have confidence in the longer term outlook would be shaken out by every retracement, and inversely keep locking in losses as the market moves sideways.

On the other hand, Forex trading never has a side-



Get a profit edge with forex trading

ways market that lasts throughout the year. There will be trades to be taken because you have the ability to amplify sideways markets into miniature trends. This means that small moves in the market can give you multiplied returns, whereas stocks are limited by their base value. You will have the ability to carry on trading regardless of whether the market is making a new high or not.

Scenario 2: The stock market rallies through 2010 to close the year at a new peak.


Stock market rallies tend to make everyone look good. Both seasoned investors and beginners ride on rallies to churn out great portfolio returns. The only difference is the total rate of positive return. Seasoned investors tend to have larger returns in rallies because they are

more willing to hold on to their positions, while new investors are in a rush to lock-in gains. With that said, the caveat is that foolish investors will also have large gains because they hold on to their stocks indiscriminately. The pending market reversal will separate the foolish from the seasoned.

Nonetheless, the year would end on a high note, and you might forget the value of the Forex market with the stock markets making such great moves. The returns in the Forex market may seem small relative to the larger gains in the stock

market. However, this would be a big mistake, because the Forex market will bring you the rewards as the stock markets climb, resulting in fewer stocks with safe upside potential.

The Forex markets are structured to best provide consistent returns in any market condition in any given year. They do not shine when related markets are in full swing rallies but they will still add to your profits nevertheless! If you consistently review the Forex markets, you will never be locked out of the market for more than 3 weeks, with the exception of the Christmas to New Year season. This keeps your trading skill relevant and sharp, unlike many stock investors who get bored with the sideways markets and reduce their interaction with the markets.

Finally, if the stock market turns against consensus and heads down in 2010, then you can trade the Forex markets, because the direction does not make any difference. Take the time in 2010 to invest in Forex trading as a skill to maintain your trading acuity and profit at the same time! 

Winston Ng, CEO, Forex Driving School (www.Forex-DrivingSchool.com). They conduct Singapore's only structured 8-week Forex Mastery course that combines knowledge with a guided process through live currency market scenarios. It is only in a mentored live-trading environment will you learn to master and direct your emotions for the most profitable outcome. Beginner to advance traders attest to their amazing education process through the flood of testimonials and referrals to their sell-out monthly courses.

All forms of trading involve risk of loss. No information presented here should be construed as advice to trade. Always seek professional advice when in doubt.

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