

Important Notice

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1st Lesson:
Introduction to Financial Markets
CMS Forex Webinar Series

Course Overview

- Instructors:
 - Nugzar Dzodzuashvili
 - Fan Yang
- Approach/Philosophy:
 - Technical Analysis; Chartist
 - Simplicity
 - Discipline
 - Flexibility
- Theory vs. Practice:
 - The Power Course teaches the basic tools and principles to help you build your trading plan.
 - The Chartist Corner are like lab sessions, where we discuss the use of these tools in the current market

Instruments of Financial Markets

- Underlying
 - Stocks
 - Bonds
 - Commodities
 - Forex
- Derivatives
 - Futures
 - Options

Exchange

VS.

Interbank System



Individual investors do not participate in the interbank market, CMS LLC is the counterparty for individual clients' forex transactions

The New York Exchange



The Forex (Spot) Market

- Buying and Selling of Global Currencies: EUR, USD, JPY, GBP... Buy EUR/USD = Buy Euro, Sell US Dollar
- Interbank System**; No Central Exchange
- \$3.2 Trillion Average Daily Turnover* (High Liquidity)
- Leverage (Up to 400:1)***
- 24 Hours a Day; 5 Days a Week

** Reported 2007 By the Bank of International Settlements*

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****Leverage may increase gains or losses*

Participants

- Speculators
- Investors
- Institutions

Psychology

- Not....a leisurely hobby, gambling, or game.
- It is a business, and must be treated with discipline.

Characteristics of a Market

- Trendiness
- Volatility
- Leverage & Margin*
- Liquidity & Risk Perception

**Leverage may increase gains or losses*

Market Data

- Price
 - Open/Close
 - Hi/Low
 - ...Pips
- Volume & Open Interest
- Position
 - Long/Short
 - Size
- Leverage

Leverage may increase gains or losses

Chart Representation of Market Data

- Line Chart



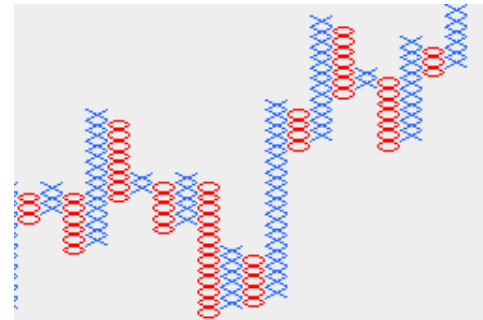
- Japanese Candlesticks (used in this course)



- Bars (O/H/L/C)



- Point and Figure



Market Indicators

- Range
- Volume
- Volatility
- Oscillators
Oversold/Overbought
- Momentum

Types of Analysis

- Fundamental vs. Technical
- Predictive vs. Probabilistic

Trading Approaches

- Trend Following vs. Countertrend (Reversal)
- Intraday vs. intermediate vs. long term, etc.
- ...Creating your own trading approach

Basic Descriptions of the Market

(1) Directional move

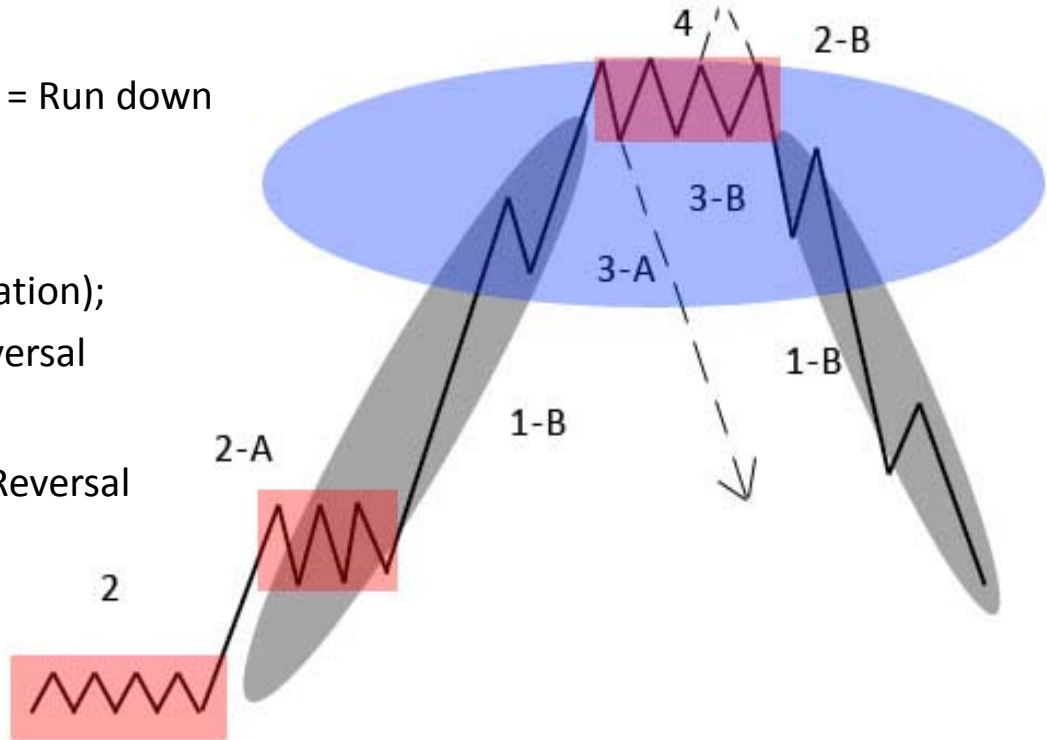
- **(1-A)** = Run up vs. **(1-B)** = Run down

(2) Consolidation

- **(2-A)** Consolidation-Continuation (Accumulation);
- **(2-B)** Consolidation-Reversal (Distribution)

(3) 3-A[Sharp]/3-B[Consolidation] Reversal

(4) Clear-out

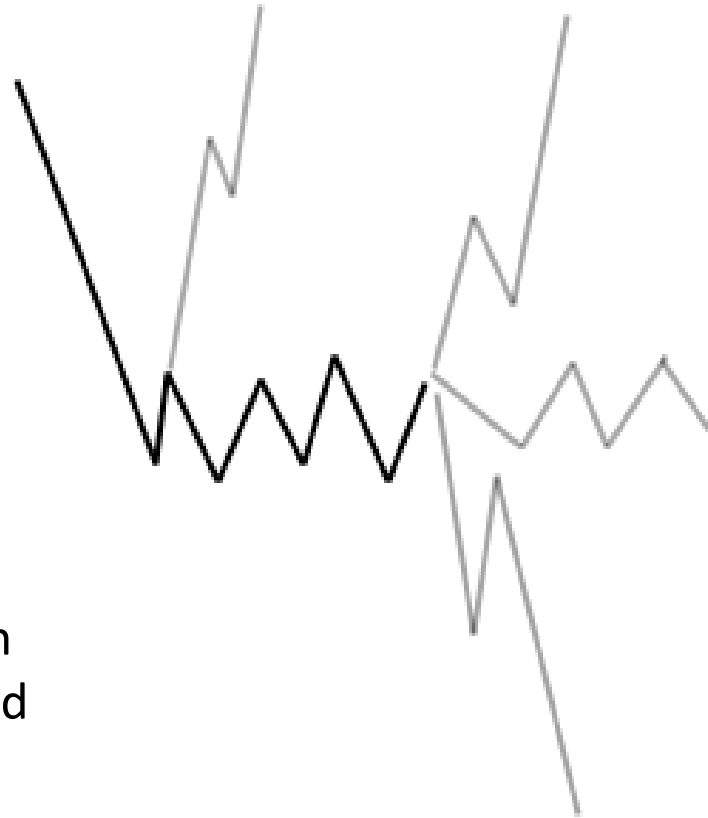


Uncertainty

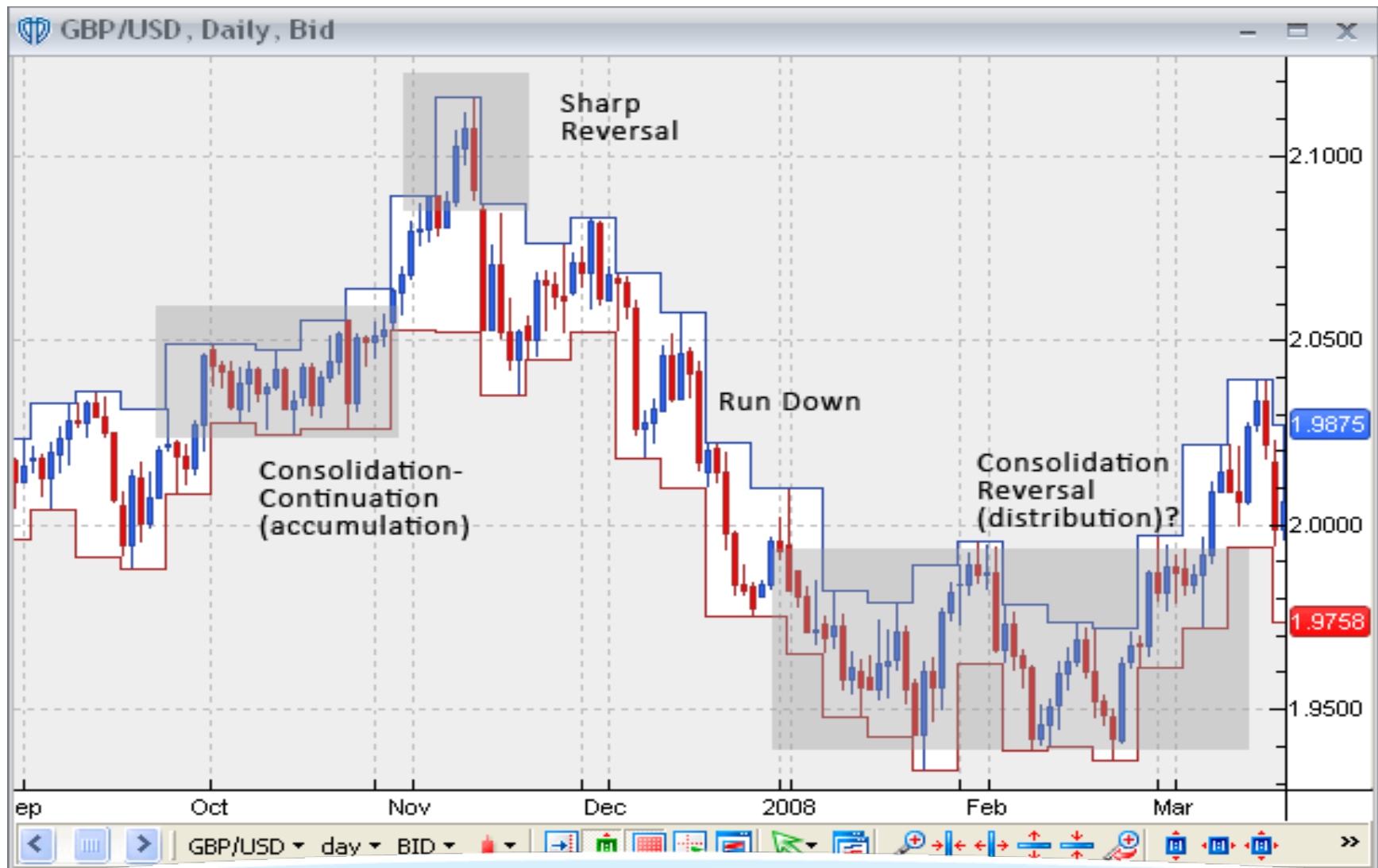
Is this a continuation consolidation? Or is it a reversal consolidation?

Reversals may be sharp at times and at other times, may follow a period of consolidation

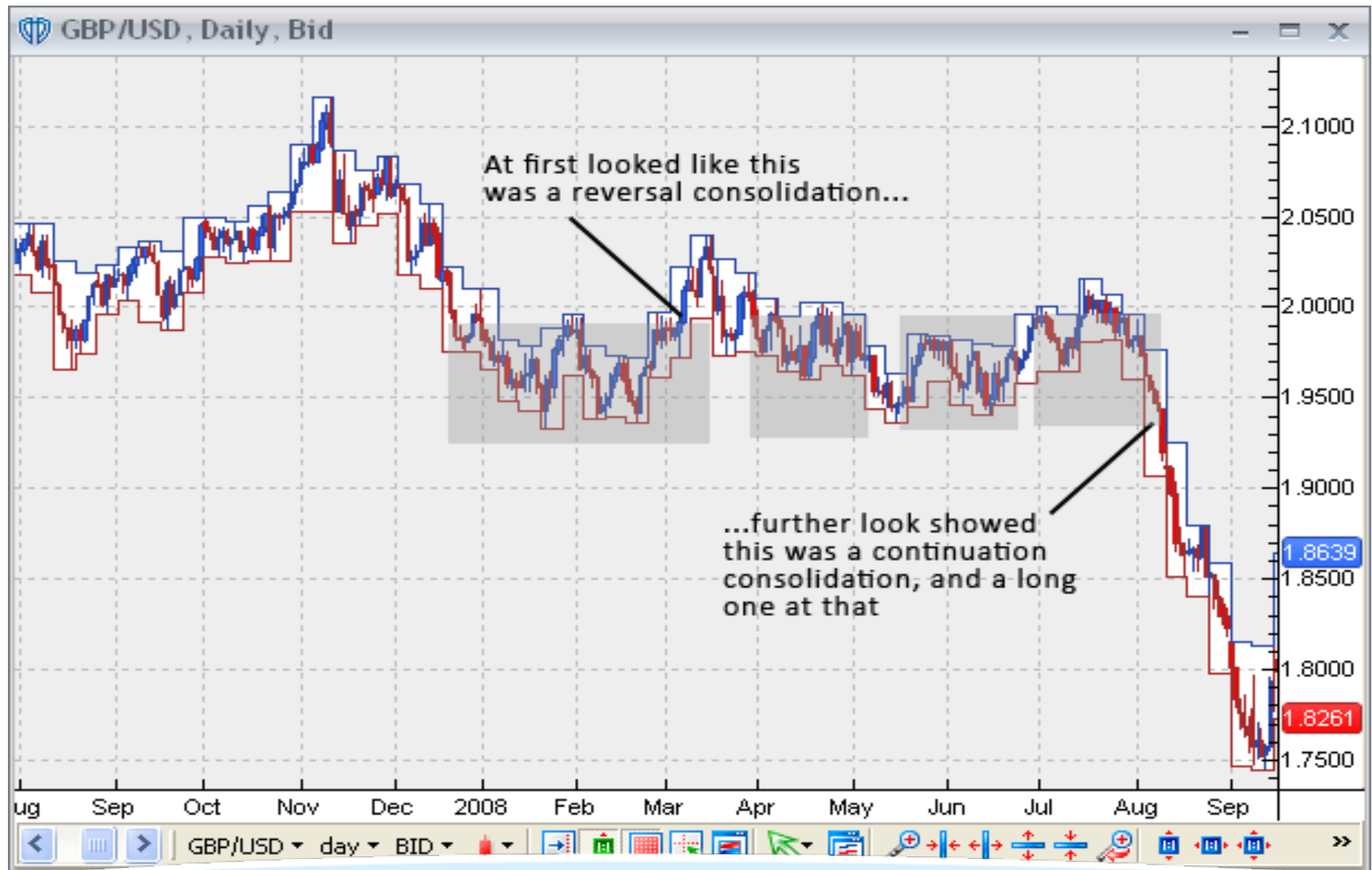
Consolidations vary in sizes and time covered



Real example of market actions



Uncertainty of Market Action



Basis of Technical Analysis: The Trend

- Definition: A simple trend can be defined by 4 points (2 tops and 2 bottoms).

2 Successively HIGHER tops and bottoms = UPTREND



2 Successively LOWER tops and bottoms = DOWNTREND

