Forex Trader

BY ABE COFNAS

Innovations in technology

In 1970 Alvin Toffler wrote Future Shock. This new phrase described the phenomenon of culture shock resulting from fast technological change. In many ways "Future Shock" is an apt description of the world of the forex trader. Rapid advances in online connectivity around the world and the increasing access to wider bandwidth capability has enabled forex traders to access a growing range of new technologies and tools for trading.

While the forex trader may have more horsepower at the desktop, this question arises: Does it translate into better performance? How can technology assist the forex trader and what expectations should the trader have regarding the next generation of desktop trading technology, charts and tools?

While competitive pressures are resulting in tighter bid and ask spreads (3 pips being common), standard platforms for the forex trader are still essentially designed for optimizing trading execution. Recent innovations have included direct order entry by clicking right from the charts. Platforms also are providing visually better user interfaces.

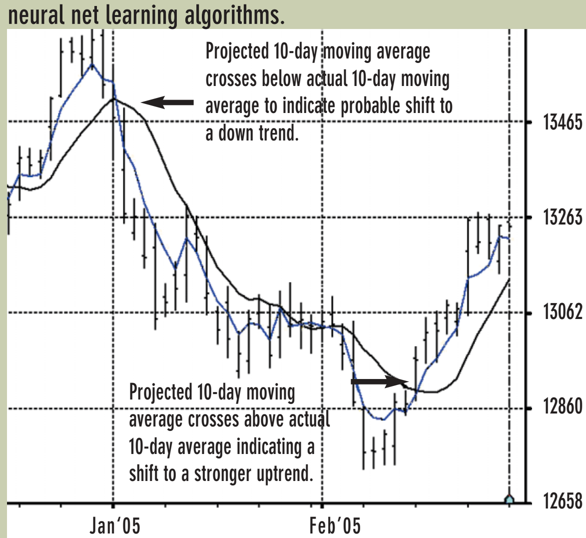
However, the current generation of forex trading platforms are lacking effective risk management controls. Platforms offer choices in the number of lots to trade and alternatives in the amount of leverage to use, but a much more effective risk tool would be a risk calculator that allows a trader to choose the risk per trade as a percentage of equity. After selecting a risk level, such as 2% of equity, the platform would generate the appropriate stop-loss order. Such an approach would allow for the trader to compound profits as risk control increases the amount traded, but doesn't increase the risk per trade.

The next generation of forex platforms needs to provide improvement in functionality allowing the trader to become smarter. Why should the trader do all the work in scanning the markets and analyzing the charts? For example, a click on a currency pair such as the EUR/USD should show key technical conditions. Is the pair testing a Fibonacci line? Is it probing a key moving average? While most forex firms provide news feeds, they become outdated as they arrive on the desktop. The good news is that the age of the smarter platform is not a fantasy, it is the kind of embedded intelligence now being planned and offered by platform technology firms such as GlobalEdgeTrading at www.globaledgetrading.com.

A remaining critical gap in current platform and charting approaches in forex trading is the lack of intermarket analysis. Currency trading is the most global of all trades and requires better understanding of global events, yet current platforms offer little assistance to the forex trader in gaining a handle on intermarkets. A fairly easy remedy that would take the platforms a step further is to offer tracking of key indexes. The access to quotes and charts on the U.S. dollar index, gold, the Dow Jones Industrial Average, the S&P and 10-year Treasuries, will provide a needed ability to assess global trends.

PROJECTING TREND DIRECTION

A projected shift alert in the EUR/USD is generated using neural net learning algorithms.



Source:Vantage Point Trading Software

A different approach to provide intermarket analysis to the trader has been taken by www.tradertech.com. Five different neural nets that have been developed for more than 20 years scan intermarkets and produce charts that show the current 10-day moving average against a projected 10-day average (see chart). The projected trend is throughout the next 2 to 4 days, allowing a trader to perceive whether a change in the trend is forecast. The advantage is to use the forecast to join an increasing uptrend or downtrend direction. Alternatively, the trader seeing a trend change potential, may stand aside.

As the forex industry grows, new product approaches will seek to gain market share. It may take a while longer for the future to come to the rescue of the forex trader, but don't be shocked if you soon turn on your platform and see features that were not even thought of a few years ago.

Abe Cofnas is president of learn4x.com LLC. E-mail: learn4x@earthlink.net