

Forex Leverage Option Embraced by Currency Traders Around the World

Most Forex Brokers will support some level of leverage capacity, marketing the concept as a shortcut to big profits for traders with limited initial capital. Leverage can be an effective profit multiplier for Investtechfx traders; however some traders are using it without understanding the risk that goes with it. www.investtechfx.com

Toronto, Canada (PRWEB) June 5, 2009 -- InvestTechFX the leading 1 PIP Forex Co offering MetaTrader4 reported that the use of leverage in the Forex market can be a powerful force multiplier if used appropriately. The leverage in the Forex market can be compared to the concept of a lever as a simple tool- you can use a lever to lift or move something that is much heavier than what your natural strength allows. The advantages are obvious, but there is also a risk... compare a trader using 500:1 leverage to a person using a lever to lift a bolder 500 times their own weight into the air. It's a lot of power, but if the rock falls, there isn't much chance of survival. The idea is translatable to trading in Forex. A trader with a relatively limited initial capital can use leverage to trade lot sizes far beyond what he or she could actually pay for with their own cash. InvestTechFX the leading 1 PIP Forex Co offering up to 500:1 leverage on standard accounts reminded traders that even in times of volatility, the variations in the values of major currencies are very small compared the changes in stock and commodity prices. As a consequence, large lot sizes are required to achieve worthwhile profits. In Forex, a standard lot size is 100,000 units, an amount that only a tiny percentage of Forex traders would be able to put up as initial capital. As the above table illustrates, an initial investment of \$1,000 dollars would only have the return on interest (ROI) potential of a few dollars, making it hardly worth the trouble to open the account and trade in the first place. Thanks to the power of leverage, a trader with modest initial capital can make profits of around 20% of the initial investment with a successful trade, instead of 2%. Without leverage (and the communication power of the internet), Forex trading would only be accessible to the few corporations and individuals who could afford the massive initial investments necessary to make currency trading practical.

InvestTechFX the leading 1 PIP MT4 Forex Co cautioned traders to be aware of the dangers of overly aggressive leveraging. Ultimately, leverage is a form of borrowing. A trader is credited the buying power to purchase assets beyond the limits of their actual funds. Any trader using an amount of leverage must maintain a certain level of original investment that is proportional the value of their account (their margin). If the amount that a trader owes is too great in proportion to the amount of deposit, than a margin call will go into effect. This margin call results from a very large negative disparity between the value of an account and the initial deposit provided by the trader. The trader is forced to either deposit more funds or to liquidate some of the assets (lots of currency) in order to close the dept gap. This final failsafe exists to protect a trader from going into an amount of dept that they have no realistic hope of repaying.

InvestTechFX the leading 1 PIP MT4 Forex Co offering 500:1 leverage encouraged traders to protect their investments and exercise good judgment in regard to a safe margin. InvestTechFX's market analyst stressed the importance of maintaining a safe trading margin, and imposing reasonable stop-losses on open positions to prevent a margin call situation from ever arising. The abuse of leverage is a leading killer of Forex trading accounts, not because there is anything inherently wrong with using leverage, but because it is a risk/reward multiplier. There are few true constants within any area of financial investing, but reward never increases independently of risk. Like any other tool, leverage is only as good (or bad) as the person using it.

InvestTechFX the leading 1 PIP MT4 Forex Co offering 1:1 to 500:1 leverage speculated that traders will continue to push the envelope, employing more narrow stops and more aggressive leverage, regardless of risk.



As long as a few traders reap huge, easy rewards with these strategies, they will continue to be widely used.

InvestTechFX is No Dealing Desk (NDD) Forex broker and Software Solutions Co offering Meta Trader4 and a 1 PIP fixed spread on 6 major currency pairs. InvestTechFX supports the full range of Forex traders and their strategies through a comprehensive account groups system, including scalping and interest-free accounts. InvestTechFX is not a market-maker and never takes positions against traders. www.investtechfx.com

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