



FOREX PROP
REVIEWS

HOW TO BECOME A SUCCESSFUL PROP TRADER?



One of the important aspects of forex trading is to look at how many traders we actually have worldwide. Starting the year 2022, there are over 14 million active online traders, this is according to The Modern Trader study and research documents. Based on the research, you can calculate that there is approximately one trader in every 561 people in the world. These numbers started increasing immensely after 1970. The average daily trading volumes increased from approximately 1.2 trillion in 1995 to 5.1 trillion in 2016, which makes it the most significant financial market in the world. However, we must consider that banks and large financial organizations contributed a huge part to the trading volumes. Nowadays, the online trading platforms developed by forex brokers are made with such simplicity that anyone can opt to use them since it is easily accessible and easy to use.

Proprietary trading firm's positive features (+):

- 📈 Chance to work with massive amounts of capital
- 📈 Working with the firm's money (no risk of losing your capital)
- 📈 Chance to opt for cheaper funding options if you are a beginner
- 📈 Chance to request a trial account to get used to the trading platform and dashboard
- 📈 Lower trading commissions compared to retail day traders
- 📈 Opportunity to participate in educational programs (can cost a specific fee in some cases)

Proprietary trading firm's negative features (-):

- 📈 No contact with experienced day traders since most proprietary trading firms are online based
- 📈 Numerous rules and guidelines that an individual has to follow
- 📈 Charging many different fees (desk fee, starting fee, monthly tool fee, etc.) with a high combined cost in some cases



Introduction to the **proprietary trading firm industry**

Keeping in mind all the statistics mentioned above, we can say for sure that there are many talented and skilled individuals who now have a chance to start working with higher amounts of capital. The proprietary trading firm industry is a unique opportunity for individuals to acquire larger amounts of capital to start earning from forex trading. It can be beneficial for experienced traders as well as new traders that are trying to participate in the forex industry for a lower one-time or monthly fee. The main factors that an individual should focus on while joining a proprietary trading firm are the following: Funding programs, profit targets, maximum loss limits, maximum and minimum trading day periods, profit splits, leverages, trading instruments, commissions, scaling plans, trading platforms, and prohibited trading strategies.

Now to see what being a prop trader actually means for an individual that is working in the forex markets. As a prop trader, you can take part in the firm's profit without risking your capital. You do so by using the firm's money to buy and sell assets, and since they fund you, you as a trader get paid based on a profit split commission plan that the firm has set. The most common profit splits range from 50-90% to the trader.

Prop trading is short for proprietary trading, and it implies financial assets trading, such as forex pairs, commodities, bonds, indices, cryptocurrencies, stocks, etc., with the prop trading firm's capital. That being said, a prop trading firm earns money from their client's trading and not from their clients' thin-margin commissions.

A prop trading firm has a built structure in which traders use the firm's capital to get part of the traders' profits. The main advantage is that traders gain access to higher leverage without risking their capital. Prop firms have different criteria for their clients' funding, and some offer direct funding for a one-time fee. Some offer financing after successfully passing one of their evaluation processes with specific rules. After being a funded trader at a prop firm, you have to follow that same firm's trading rules, so you are allowed to keep the funded account. Usually, after regulating any of the rules, the account is taken from you, and you have to start all over again.

Working for a prop firm means that you can purchase an account type that they provide, most of the time, a one-time fee to acquire a set balance, so you don't need to manage your own money. The prop firm also provides leverage meaning that you can trade larger lot sizes than at other times. On the other hand, you should be careful because every prop firm has its own trading rules that you must follow, mainly to maintain relatively low-risk management for their capital. Refusing to follow the specified rules can mean termination of your contract agreement, which can, in some cases, result in you losing your trading account.



How to improve your trading knowledge and results?

A great way to start your forex trading journey is to be a part-time trader, meaning that you continue with your regular job while trading forex as your second source of income. You can pursue your path and focus on the following part-time trading strategies.

1 Know the best trading times that work for you as an individual

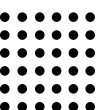
If you are working a 9-5, then you are probably going to be trading either before or after work or during your lunch hour. The markets close on Friday and re-open on Sunday. However, the weekends should also be used to refine your trading strategies and carry out long-term market analysis. The major forex centers in the world are London, New York, Tokyo, and Sydney. Because these cities are in different time zones, and there is no centralized forex exchange, it is possible to find good trading conditions at most times of the day. However, the geographical trading zones are not open continuously but overlap each other. So, although the markets are available to trade 24/7, they are at their most active when there is a crossover session between two zones. The first hour of opening for each zone is also usually one of the most active times. Because the USD is the most popular currency pair, the New York session tends to experience the highest volumes of trading on an average day.

2 Choose the currency pairs that suit you most

At all times, novice forex traders are advised to stick with the major currency pairs, which always include the USD. The other major currency pairs include the Euro, the Swiss Franc, the Australian dollar, the British pound, the New Zealand dollar, and the Canadian dollar. If you are trading during morning hours, you could also pick the Japanese Yen as your other major pair because there is a crossover period with the Tokyo market. The major currency pairs have the most liquidity on the market, meaning that they almost always have readily available buyers and sellers. This reduces the risk of making losses and maximizes your opportunities for taking a profitable trade.

3 Using price action strategies

Having good technical skills and being good at analyzing charts and data, you might be able to develop a price action strategy for your trading. This will involve entering and leaving the market for smaller and more frequent periods multiple times a day. Note that not all full-time jobs will lend themselves to this approach, but if you have flexible working hours, then you might be able to find a way to make it work. The key to this strategy is to follow your technical chart closely and make a series of trades based on your price action indicators. You have to consider that trade will sometimes be held for just a few minutes or even less, and the gains will be smaller. However, because the process can be repeated quickly, the profits can build up in a short time frame. If you are an individual that prefers short-term trading, you must first be very clear about your risk management limitations. You should set out how much money you are willing to lose on each trade at the beginning and not be tempted to go over this limit no matter the circumstances.



④ Developing a long-term strategy

Most part-time traders prefer a more long-term approach since forex trading is rarely a get-rich-quick-scheme. It usually works better when a trader prioritizes a steady and disciplined approach while learning from mistakes and making small gains. This is especially important for traders that have just begun their trading journey. Making longer-term trades requires a good understanding of what moves the market by analyzing graphs and charts to identify trends and patterns and also by following economic data releases relevant to your currency pairs. You should use an economic calendar to help you keep track of important data releases on a daily basis. In addition, you should also be aware of wider geopolitical events, such as election announcements, natural disasters, wars, and pandemics that impact specific currency pairs.

⑤ Managing a trading journal

Every good trader keeps a record of all their movements so they can keep track of their trade history while also helping them identify which strategies and currency pairs are the best suitable. This is especially important for part-time traders as it will give them an insight into the performance in more detail. For example, if you are trading early morning hours without much success, you could change your trading hours to the evening to see if you can track any improvements.



What is the economic calendar, and how can it be beneficial?

Another major factor in forex trading and the knowledge that you can implement your trading with is the forex economic calendar, which is a resource where traders can learn about major economies' critical economic information scheduled to be released. These events can include indicators such as GDP (Gross Domestic Product), CPI (Consumer Price Index), PPI (Producer Price Index), and the NFP (Non-Farm Payroll) report. It can also be helpful to know the date of central bank meetings or news announcements. Events on the economic calendar are usually filtered by country/region and timezones that are graded with low/medium/high importance. This rating depends on the likelihood of it impacting the market.

- ① GDP economic data is highly significant in the forex market. It is used as an indicator to gauge the overall potential growth of a country. The indicator measures the output and production of finished goods in a country's economy. Most of the time, it is calculated monthly, quarterly, and annually.
- ② CPI is an important economic indicator that gets released regularly by major economies to present us with the current growth and inflation levels. Inflation, which is tracked through the CPI, looks specifically at purchasing power and the rise of prices of goods and services in an economy. This can be used to influence a nation's monetary policy. You can calculate it by averaging the price changes of each item in a basket of consumer goods that is predetermined. These include food, energy, and services such as medical care. CPI is a beneficial indicator for forex traders due to its aforementioned effect on monetary policy and interest rates, directly impacting currency strength.
- ③ PPI measures the change in the producers' price of finished goods and services. It consists of data about the monthly change in the average price of a basket of goods purchased by the manufacturers. When the PPI index encounters a positive change, it implies that costs are rising, which means that the price increases get passed down to consumers. If the effect is strong enough, CPI figures increase and reflect that the general level of prices has increased.
- ④ The ISM manufacturing index plays an essential role in forex trading since ISM data influences currency prices globally. The ISM manufacturing, construction, and services indicators provide unique opportunities for forex traders that can understand and apply this data to their trading.

ISM measures economic activity from both sides, the manufacturing and service sides. They get released on a monthly basis and include critical information about changes in production levels.

- ⑤ The Non-Farm Payroll (NFP) is an essential economic indicator for the United States economy, whose releases create volatility in the forex market. It represents the number of jobs added while excluding farm employees, government employees, private household employees, and employees of nonprofit organizations. The NFP data is typically released every first Friday of the month.
- ⑥ Central Banks in the forex market are mainly responsible for maintaining inflation. This is due to the interest in sustainable economic growth while contributing to the overall stability of the financial system. They are able to intervene in financial markets under the circumstances defined in the "Monetary Policy Framework". Whenever this policy is implemented, it is highly monitored and anticipated by forex traders, who are looking to take advantage of the resulting currency movements.



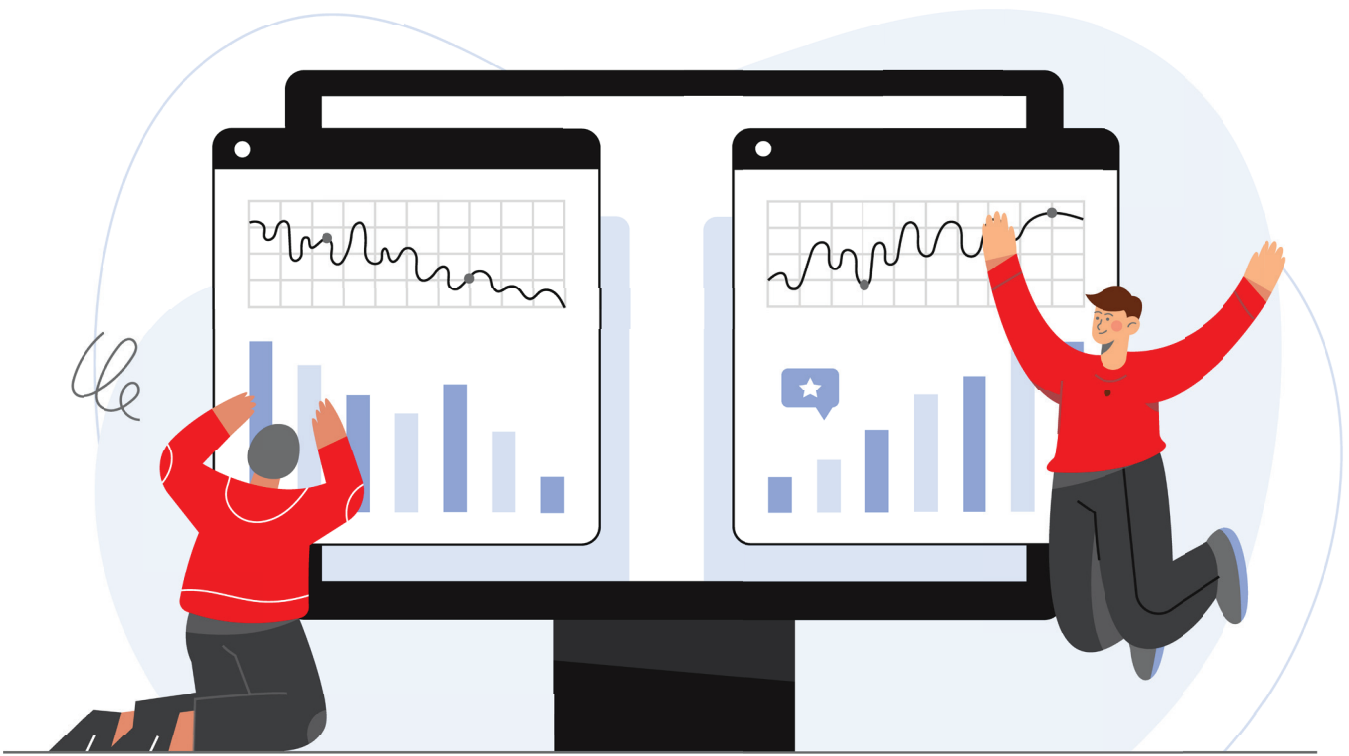
How does discipline factor in your trading journey?

Discipline is an integral part of any forex trading strategy. Without discipline, a solid trading system and proper risk management rules lose all of their value. The good news is that discipline can be mastered. This involves carefully studying the forex markets and mastering your self-control. In order to maintain discipline, you must practice patience and be able to control common emotional impulses like greed and fear. In more technical terms, proper discipline involves having and sticking to a trading plan. Create a schedule for your trading and know what signals will help to decide to enter or exit a trade. Ensure that you apply proper risk management by sticking to your stop loss and take profit orders. If you follow the rules, you will discover that discipline is a prerequisite for success. These rules will enable you to have some control over your trading. Defined guidelines like the time of day and which session to trade will also give you distinct boundaries. It is always important to know why you are entering into a trade and if the trade meets your trading strategy rules. You need to know what to do if you are correct and the trade goes into profit, as well as if you are wrong and the trade is losing money. Understanding and managing your risk in every trade is essential. This is especially important when markets are volatile. You must have the control to accept the evidence and execute your rules.

How can I improve my **forex risk management strategy**?

Forex risk management comprises individual actions that allow traders to protect against the downside of a trade. More risk means a higher chance of sizeable returns. However, it can also mean a greater chance of significant losses. Therefore, being able to manage the levels of risk to minimize loss while maximizing gains is a key skill for any trader to have. Risk management can include establishing the correct position size, setting stop losses, and controlling emotions when entering and exiting positions. Implemented well, these measures can prove to be the difference between profitable trading and losing it all. The following four aspects are probably one of the most important regarding the fundamentals of forex risk management.

- ① **Position sizes** - Selecting the right position size or the number of lots you take on a trade is important as the right size will both protect your account and maximize opportunities. To select your position size, you need to work out your stop placement, determine your risk percentage and evaluate your pip cost and lot size. For more on how to do these things, click on the link above.
- ② **Setting stop losses** - Using stop loss orders which are placed to close a trade when a specific price is reached, is another key concept to understand for effective risk management in forex trading. Knowing the point in advance at which you want to exit a position means you can prevent potentially significant losses.
- ③ **Adjusting to leverage** - Leverage in forex allows traders to gain more exposure than their trading account might otherwise allow, meaning higher potential to profit but also higher risk. That being said, leverage should be managed carefully.
- ④ **Control your emotions** - It's important to be able to manage the emotions of trading when risking your money in any financial market. Letting excitement, greed, fear, or boredom affect your decisions may expose you to unnecessary risk. To help you take your emotions out of the equation and trade objectively, maintain a forex trading journal. Studying your past trades can help you refine your strategies based on prior data and leave feelings out of the equation.



What to consider when joining a prop firm?

To be able to work for a prop firm, you have to consider their rules, though, meaning that most firms usually have evaluation processes that many beginners with low amounts of experience will have a hard time passing. On the other hand, other firms that offer direct funding usually require you to show some kind of previous proof of your success before trusting you with their capital, so keep that in mind when looking for a prop firm that will suit you best. As a beginner, a good choice for a prop firm would be its educational program, so you have experienced people helping you achieve your dream. And who else is better to help than the people who deal with their rule systems daily and who know them by heart.

A profit target is a specific percentage of profit that a trader is required to obtain before they can complete an evaluation phase, withdraw profits, or scale their account.

Maximum daily loss is the maximum loss a trader can reach on a daily basis before the account is violated.

Maximum loss is the maximum loss a trader can reach overall before the account is violated.

Minimum trading days is the minimum period which you are required to trade for before you can complete an evaluation phase or request a withdrawal.

Maximum trading days is the maximum period in which you are required to hit a specific profit target or withdrawal target.

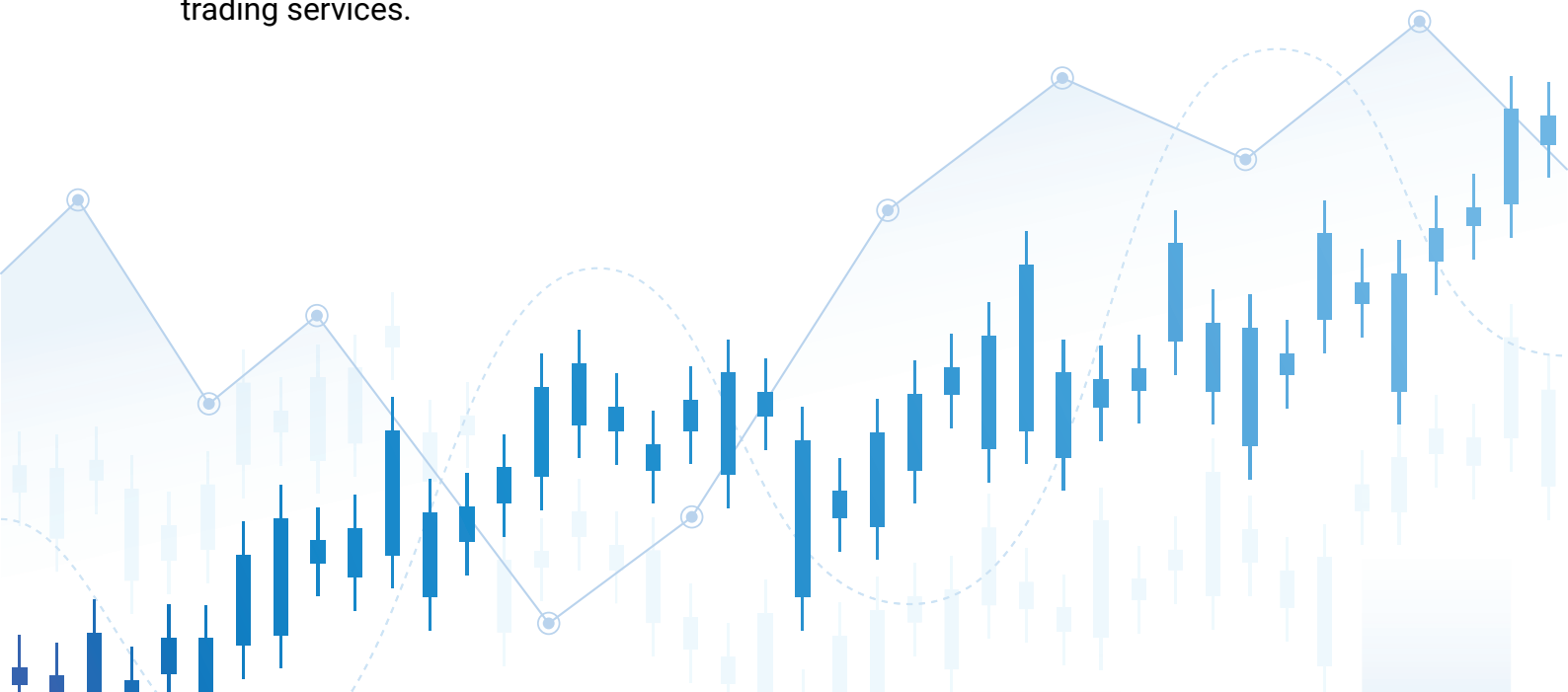
No overnight holding means that traders are not allowed to hold open positions overnight.

No weekend holding means that traders are not allowed to hold open positions during the weekends.

No news trading means that traders are not allowed to trade during high-impact news releases.

No EAs allowed means that traders are not allowed to use any type of EA services.

No copy trading allowed means that traders are not allowed to use any type of copy trading services.



Conclusion

The proprietary trading firm industry has massive potential for anyone who is successful in forex trading while also giving chances to individuals that are lacking the capital to start their journeys. With some firms, you are able to manage up to a couple of \$100k capital in just a matter of minutes, while with others, you are required to complete an evaluation to be able to start earning your profit splits. Despite the fact that you can acquire massive amounts of capital in a short period of time, you should familiarize yourself with some of the important factors of forex trading: developing a trading strategy, learning to read the economic calendar, and using the data on a daily basis, constantly working on your trading discipline, and setting a clear risk management strategy. With all of that general knowledge acquired, you will be able to find a proprietary trading firm that suits you most by going through each firms trading rules and guidelines. After receiving your first funded account, your options will be limitless, you will be able to continue acquiring capital from the same proprietary trading firm up to their maximum allocation capital, or you can opt to get funded with multiple proprietary trading firms.

