



Social trading may be the next big development, particularly in the forex arena

Online, on message and on track to profits

Russ Mould

Knowledge is power. This particularly applies in the financial markets, where that extra bit of information or gossip could give you a vital edge, and one that can be turned in to profit. This is all well and good for those already in the know, but it can make gearing up for those first tentative trades an intimidating experience. Several brokers and service providers, particularly in the foreign exchange (forex) arena, have realised this and in response have launched several initiatives designed to help existing and new customers alike become better informed and more market aware.

Hands on

'We feel that education is the trader's top priority and if you have a live account we have a huge education package,' says Jaclyn Sales, international PR manager for FXCM, based in New York. 'We are a no dealing desk broker and only make money when people trade. If traders are knowledgeable they will be more successful and so they will trade more.'

One key offering from the forex and contracts for difference specialist is its www.dailyfx.com site, which is available in English, Spanish, Arabic and Chinese. This offers 60 video lessons, topped up by over 15 hours of live instructor help webinars a week. The site also provides live forex news, charts, price streaming and analysis from expert currency traders.

Online financial trading company eToro offers analysis of a similar depth and quality with its daily and weekly commentary on the markets. 'We also have a ten-part training course on how to approach all aspects of the market,' says chief executive officer Johnathan Assia. This is available in many languages and

'that extra bit of information or gossip could give you a vital edge'

its website also offers an events calendar, so no trader can be caught unawares by a key release.

The publication of key statistics such as, say, non-farm payrolls (NFP) in America or inflation or gross domestic product growth numbers from around the globe are market-moving events, but the speed at which currency pairs respond can seem intimidating to the uninitiated. FXCM therefore offers an interactive forum, where clients can not only learn from but actively engage in high-level conversations with its analysts and traders.

'We run live trading news events around big economic announcements such as the NFP numbers,' explains Sales. 'Traders log on 15 minutes

beforehand and can see what our analysts are thinking and trade with them live, even copying their positions. Our analysts will explain technical indicators and explain where they think a pair is going to and why.'

Global reach

The most recent development in the area of social trading is eToro's launch last week (12 Jul) of OpenBook, <http://open-book.etoro.com>. 'We have created lots of traction in communities, with people helping each other, talking to each other about what is going on in the market,' explains Assia. 'The problem for many now is not how I trade but what do I trade? Each trader on OpenBook can see the trades going through – who the traders are, what country they are in and what they are doing.'

Shares' first peek at the live stream of trades revealed active traders in 20 countries in less than 60 seconds, including Germany, India, Pakistan, South Africa, Moldova, Saudi Arabia, Malaysia, Canada and Italy, as well as the UK. Users can not only see the fellow forex traders at work, but follow them and be kept in touch with their all of their actions and even copy them. eToro's online platform enables the user to place trades so he or she can take the same positions as the trader whose onscreen views they have come to respect. A daily, weekly and monthly ranking table system helps iden-

The screenshot shows the eToro OpenBook interface. At the top, there's a navigation bar with 'Traders Feed', 'My Profile', 'Rankings', and 'WebTrader'. Below this, there are tabs for 'Everyone', 'My Friends', and 'Top 100'. The main area is a list of traders with their recent trades. For example, 'JimmyBoy' closed a USD/JPY Buy position with a 2.3% gain. Other traders like 'HansSmith', 'SwissieJ', 'Georgell', 'AmirSH', 'ForexFun', and 'RichGuy' are also listed with their respective trades and gains. On the right, there's a 'Featured Users' section featuring 'TheToro' and a 'Top Performance' section with a table of top traders like 'FunkyTrade' and 'TheToro'.

eToro's newly-launched OpenBook is an online community which connects traders

tify the traders with the best track records, making it easy for newcomers to spot whose advice and ideas are worth following. 'You can see what instruments they are using, how much risk they are taking and, for example, you can also track everyone who is trading EUR/USD in the system,' says Assia.

FXCM's *Dailyfx+* service provides technical and trading signals to traders, as well as a chance to investigate strategies such as break out, momentum and range trading across 14 major pairs over short, medium and long-term time frames.

Head on

A further tool used to both educate customers and forge that all-important sense of community is online competitions. Spread Co is challenging its customers to outwit head trader Rajesh Patel with its *Beat the Trader* competition. It will double the profits of anyone canny enough to outwit Patel, up to a maximum of £150. This may be of particular interest to those starting out as if you make a losing trade, but still suffer a lower deficit than Patel, Spread Co will also refund losses up to £150. You

simply have to make four trades to become eligible for the challenge, and your fifth play will see you pitted directly against the trader.

Patel's daily online diary, which is found at www.spreadco.com/beatthe-trader/diary.aspx is proving to be a useful educational tool in itself, explains the spread better's head of marketing Ian O'Sullivan: 'It's education without the boring 'spread betting is the the ability to place a trade...' it's an easier approach.' Hot topics discussed in the diary include where traders should place their stop losses.

FXCM also runs a competition, with its monthly 'King of the Micro' contest. 'This is for live micro account holders,' explains Jaclyn Sales. 'It's a fun thing and we want to get people participating and have a go at trading.' Any existing client with a minimum \$500 balance in their FXCM Micro account before the first day of the month can participate. The winner is the trader who can boast the highest percentage return over the month across at least ten trades. First prize is \$25,000 and you have to be good to win, as April's cash pot was bagged by China's Su Baoyi, who racked up a 632% return using tech-

nical analysis across a number of key pairs, including AUD/USD and USD/JPY.

Twittering on

Many forex providers have also latched on to microblogging service Twitter as a great way of interacting with customers. It is well suited to a volatile environment like forex, where day traders are particularly active and deals can be opened and closed in a matter of minutes on the basis of tiny shifts in price. FXCM's currency traders and analysts 'tweet' all day long and in the run up to and aftermath of major economic data. Its Twitter site has the time and date of the next major piece of news at the bottom, with a clock ticking down to the data point's publication.

Spread Co started its own Twitter page last month, www.twitter.com/spreadco and Ian O'Sullivan, says clients are finding it a useful tool: 'Clients can see up to date information on the markets, we've only been doing it for a few weeks and already have 101 followers. Our clients can come on the site and instead of seeing a report that is four or five hours old they see information updated minutes ago.'

The future

It seems inevitable social trading will rise in popularity, encouraging information flow and empowering traders, especially in an area such as forex where all the key data points are always in the public domain, liquidity is excellent and the global market trades round the clock five-and-a-half days a week. As a result, none of the early movers in this field are resting on their laurels.

'We are concentrating on video and chat,' confirms FXCM's Sales. Johnathan Assai is looking at ways at how to mine the data eToro is accumulating through OpenBook and use this to boost clients' trading performance: 'We consider OpenBook to be the number one in social trading and we have a dedicated team of analysts looking at the performance ranking data, to help traders understand just who they should be following in the market.'

Spread Co's O'Sullivan, says the company is looking at building a Facebook presence: 'We are looking to bring as much immediate information to clients as possible.' ■