

## Lesson №6, part 1 Deal Execution

This lecture is a summary of what we covered before. Let's try to apply the knowledge received during the previous lessons. We will execute deals and observe what kind of useful information the terminal gives us, how this information is changing during the price change and so on. We will try to solidify the already received knowledge and, of course, learn something new. We hope that you had enough time to learn the manual to the trading SFX MetaTrader 4 terminal and opened a demo-account, so it would not be difficult for you to carry out all of the tasks mentioned below.

So, open the SFX MetaTrader and activate your demo-account. The amount of the deposit is 5000 USD. This sum will be reflected in the table of the balance, under the tab "trading."



As we know trading at Forex lies in deals execution, which may be short or long. For opening a position you need to request a quote from a broker.



Order /	Time	Type	Size	Symbol	Price	S / L	T / P	Price	Commission	Swap	Profit
15064729	2009.09.08 17:17	sell	1.00	eurusd	1.4471	0.0000	0.0000	1.4480	0.00	0.00	-9.00
Balance: 5 000.00 Equity: 4 991.00 Margin: 144.71 Free margin: 4 846.29 Margin level: 3448.97%											-9.00

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In the field “profit” above appears a sum of minus 9. Obviously this means that we observe a negative result because of having executed a deal at the bid price 1.4471; the offset deal may be made at the ask price which is 1.4480 at the given moment. The sum will be changing together with the market price and counted on the basis of the current ask price. Due to the fact that this deal is the only one and no deals were executed earlier in the field “profit” we see -9 and that is why in the field “total profit/loss” the sum -9 is duplicated. A bit further on we will show how to count this parameter if there is a result of current deals. In the field “funds” there are also some changes - the sum 5000 decreases and now equals 4991. Possible losses according to the floating result “non-implemented profit/loss” and commission were taken into consideration:  $5000 - 9 = 4991$ .

In the field “margin” 144.71 reflects how much money a trader needs in order to open a position with the volume of 1 lot (as it was said earlier the price of 1 lot in SuperForex equals 10000). We have opened a position EUR/USD and the main currency is EUR, consequently the sum of 1 lot equals 10000 EUR. If we have a leverage of 1:100, we need a margin 100 times less than 10000 EUR, which makes 100 EUR. We also have to take into consideration the account currency. In our case we have opened an account in USD and consequently we need to exchange 100 EUR to USD in order to calculate the margin. So, if  $\text{bid} = 1.4471$ , then

$$100 \text{ EUR} = 100 * 1.4471 = 144.71 \text{ USD}$$

Now, for opening additional positions a trader has 4846.29 USD. This sum is counted in the following way: we increase or decrease the balance in the amount of total profit, with the margin sum subtracted.

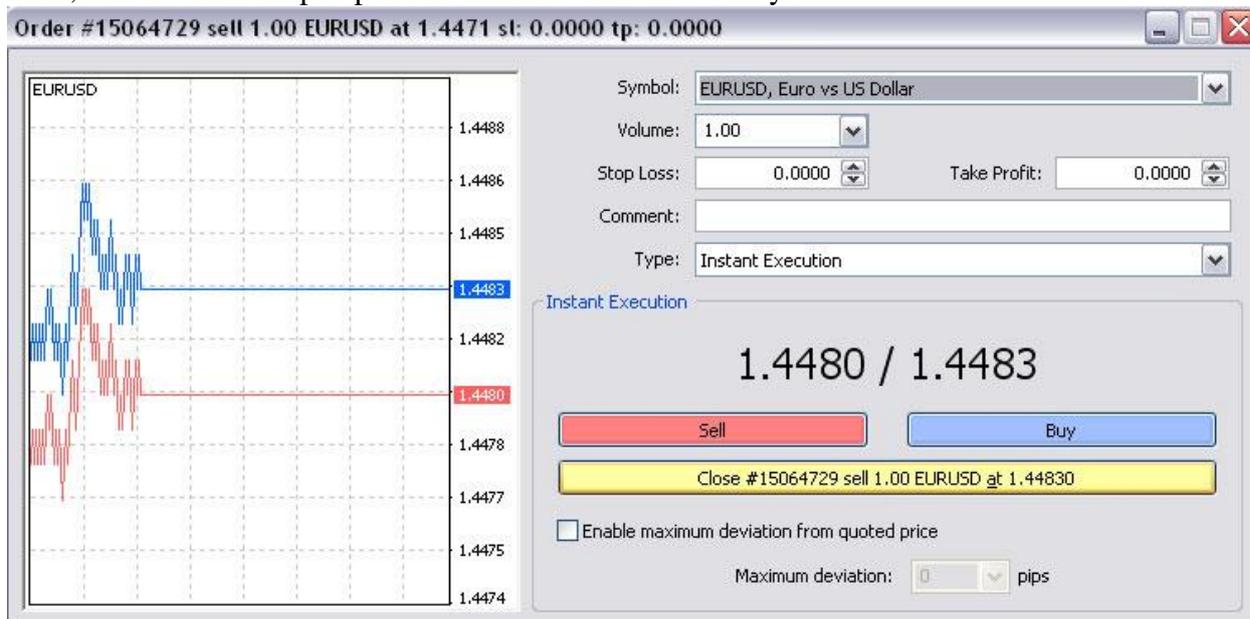
$$5000 - 9 - 144.71 = 4846,29$$

It is not difficult to count how many positions with the volume 10000 units may be added to an already open position EUR/USD:

$$4846.29 / 144.71 \approx 33$$

So, a trader may open 33 more positions. Sell 330 000 EUR or execute deals (sell, buy) with other currency pairs with volume not more than 330000 units.

Now, let us close the open position. We can do this in 2 ways:



- Either ask again for a quote and click “Buy” in the window shown. Please be attentive when you request a quote. You should request a quote for a pair EUR/USD and the sum which an offset deal will be executed with. The volume of this sum should be equal to the volume of the sum you used to open the position;
- You can also close a position by clicking the button “Close.” In this case the trading terminal determines what operation (sell or buy) should be executed and the amount of the offset deal.

The short position which we have opened was closed at a moment when the EUR was quoted at 1.4485-1.4488, and an offset deal was made at the ask price of 1.4488.

Let’s see what changed in the trading terminal:

Order /	Time	Type	Size
<b>Balance: 4 983.00 Equity: 4 983.00 Free margin: 4 983.00</b>			

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In the balance table the following changes took place:

In the field profit/loss a zero appeared because a recalculation was made as a result of the executed operation.

+100000 EUR	+14471 USD
-100000 EUR	-14488 USD
0	-17 USD

In the field “balance” the sum 4983 is reflected. It appeared as a result of the profit received and the deposit balance was added up. The deposit balance minus the loss and swap (it was reduced or added) makes  $5000 - 17 = 4983$ . We will touch on the swap charges in the next lecture.

The field “Order” does not have any marks, which means that there are no opened positions. In the table “Order” there is one more field.

Order /	Time	Type	Size	Symbol	Price	S/L	T/P	Time	Price	Swap	Profit
15063174	2009.09.08 16:53	balance								Deposit	5 000.00
15064729	2009.09.08 17:17	sell	1.00	eurusd	1.4471	0.0000	0.0000	2009.09.08 17:23	1.4488	0.00	-17.00
Profit/Loss: -17.00 Credit: 0.00 Deposit: 5 000.00 Withdrawal: 0.00											4 983.00

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In the section Account history you may find all information about executed deals: order number, time of operation opening, time of operation closing, deal type, opening price, closing price, swap and total profit.

So the first part of the lecture 6 is finished. In the second part we shall continue to learn about the technique of the orders’ execution at Forex, learn to place pending orders and familiarize ourselves with the peculiarities of the position shifting.

### Test

1. Describe the procedure for opening a USD/JPY short position.
2. Open a long position GBP/USD and describe the changes which occur in the window “Balance.” Explain the reason for these changes.
3. Close the GBP/USD position and describe the changes that happened in the windows “Balance,” “Position,” and “Orders.”
4. Specify the orders’ numbers.  
Make a scheme of balance.