Don’t Gamble With Forex Trading. Aim to Get Rich and Retire Early Like This

Description

When it comes to generating high returns, buying and selling forex may seem to be a good idea at first glance. After all, forex markets can move sharply in one direction due to a changing macroeconomic outlook. For investors who are able to accurately predict a currency’s movements, it can deliver exceptional returns.

The problem with forex, though, is that its short-term price movements can be exceptionally difficult to predict. In many cases, they may be random. As such, focusing your capital on the stock market could be a better idea. Not only is it possible to reduce risk through diversification, the upward trajectory of the stock market over the long run can provide a tailwind to investors that is not necessarily available in the forex markets.

Risks

The volatility of forex markets means that it could be argued they are akin to gambling – in the short run at least. Their price movements can prove to random, and subject to wild changes in investor sentiment. This may mean that there are difficult to predict, with many investors potentially suffering major losses as a result of their high degree of volatility.

Although the stock market can also be highly volatile at times, the quality of a company is generally represented through its stock price in the long run. As such, researching companies through accessing their annual reports and focusing on their strategies can increase an investor’s chances of generating high returns in the long run, as well as reducing their risk of losing money.

Furthermore, diversification reduces overall risks when it comes to investing in the stock market. An investor can buy companies that operate in a variety of geographies and sectors in order to lessen a variety of risks.

Return prospects

Being bullish on the stock market generally pays in the long run. A brief glance at a chart of a major index such as the FTSE 100 or S&P 500 shows that they have risen dramatically over recent decades.

Certainly, there have been major bear markets such as during the financial crisis and the tech bubble. But stock markets generally recover from their challenging periods and post higher highs. As such, any investor who remains bullish on stocks and adopts a buy-and-hold strategy is likely to enjoy capital growth in the long run.

Forex does not offer a generally upward trajectory. Exchange rates fluctuate in perpetuity, without moving generally higher over the long run. As such, simply being bullish on a specific currency over an extended time period does not provide a tailwind as per the stock market, which means that an investor must continually research whether to be short or long on a particular currency. Doing so on a consistent basis can be difficult, which may mean that overall returns are lower when compared to investing in a range of stocks for the long run.

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