

A WISE SHAREHOLDER
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Introduction

Why is it so that a growing number of people start trading? Everyone has their own reasons: regular passive income, the ability to work remotely, ease of learning, no bosses breathing down your neck, and much more.

What is the gist of this work?

Traders receive income from trading in currency pairs, futures, indices, precious metals and commodities. They also make money on the shares of well-known companies like Amazon, Gazprom, Google and others. They do not buy assets directly, but speculate on the difference in value between the opening and closing prices of the transaction.

But how exactly do traders manage to make big money? We will reveal all the details further.



How The Stock Market Works

Imagine you are the owner of a large company. The income from your business covers costs and brings consistently good profits. However, this is not enough to shift to a new level of company development.

What do you do in such a situation?

Should you suspend the development of the company, take out a loan, or cut costs? Experienced owners do things differently. They attract financial flows from outside. To do this, they sell part of their business in the form of shares, but reserve the management of the company. This move is called IPO, or initial public offering.

Prior to IPO, a company determines its value and chooses the exchange on which its shares will be traded: New York, Tokyo or any other exchange that complies with the law and conditions.

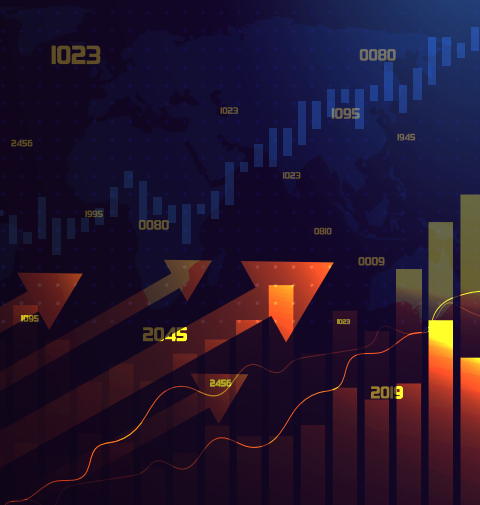
However, now the company has obligations: public disclosure and transparency to investors. Shareholders should have easy access to quarterly reports, financial statements of the company. The dates and timeframes of quarterly reports must be announced in advance.



Example: Uber determined its value at \$100 billion and decided to sell 10% of the company's shares for a total of \$10 billion. The price per share is \$40.

The brand was supported by major banks, including Morgan Stanley and Goldman Sachs. However, after the initial trading, the company was unable to raise the initially stated capital. As a result, Uber shares lost several points in price. But at the end of the first quarter, Uber performed well, thereby increasing investor confidence. The demand for shares has grown significantly.

Why Traders Choose Gold



Other popular instruments in the market are raw materials and precious metals, like gold or oil.

For investors, gold means the preservation and protection of capital. It is not for nothing that it is also called the "safe haven instrument".

The price of gold, like almost any other commodity, depends on two factors: supply and demand.

In 2018, gold production in the world amounted to 3,260 tons. Of these, 400 tons were mined by China, and 120 tons by South Africa. In the 1970s, South Africa was the leader in gold production, mining over 1,000 tons per year, which was 80% of the world's output. Now the country's share is only 4.1% and continues to decline.

Despite fluctuations in the amount of gold mined, its price is relatively stable.

Imagine you are a big businessman. Your total capital exceeds \$1 billion. And suddenly it happened that the US economy simply ceased to exist. What will happen to your billion now?

Exactly. Your billion will instantly lose value. This is where gold comes to the rescue.

To avoid this situation, businessmen convert US dollars into gold — after all, this instrument does not depend on national economies and can be exchanged for any currency or commodity almost anywhere in the world.

A collapse of the US economy is unlikely, but potential threats like the dollar's fall, a decline in GDP, an increase in the unemployment rate leads to huge infusions of capital into gold. This will inevitably increase the demand for the precious metal, causing

gold to rise in price. When the panic is over, the price will stabilize.



**Why Oil Is
A Good Deal**

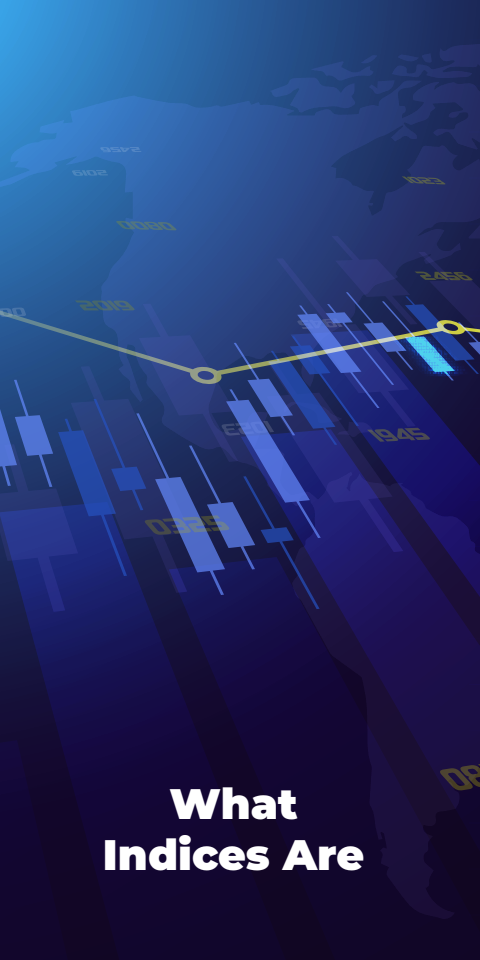
Oil is a lot like gold as it is affected by the same factors. However, the oil market is influenced not only by the United States, but also by China, Russia and some other countries.

One fundamental difference is that oil production varies greatly, literally from week to week. OPEC (the Organization of the Petroleum Exporting Countries) is trying in every possible way to reduce production, while the United States, on the contrary, is trying to increase it. Market fluctuations also occur due to conflicts in the Middle East, where the largest oil-producing countries are located: Saudi Arabia, UAE, Iran and others. As for China, it is the world's largest consumer of crude oil.

Why is it so?

Gasoline, fuel oil, diesel oil, rubber, paint — all these are made from oil. Plastic, polyethylene, cling film, detergents — these are all petroleum derivatives.

They are in great demand in production and everyday life. The demand for oil is growing along with the development of China's economy. Demand raises the price, and when the rate of growth is suspended, the cost of raw materials falls.



What Indices Are

Indices have been created for investors who do not like to take risks.

An index is one of the most stable investment vehicles.

One stock index includes stocks and other assets of many companies. Their average price will be the cost of this index.

Fluctuations in the value of one company are not enough to dramatically change the price of an index. Yes, they will affect the situation, but these changes will not be significant.

But changes in foreign policy can affect the cost. For example, when the Presidents of the United States and Russia come to some kind of agreement, the market immediately responds with a surge in volatility. New agreements open doors for businesses and attract investors.

The market provides a large number of types of trade. Here are some of the main ones:

Direct purchase of an asset

This is when you paid the full price for the securities, put them in a bank vault and wait for them to rise in price for several years. During this time, you receive dividends according to the number of acquired assets. If you want to sell them, you will need to find a buyer who is willing to buy them at their present value. Or you can contact a bank, which will offer its price. The famous billionaire Warren Buffett recommends holding shares for at least 10 years. Otherwise, he doubts the profitability of such an investment.

Example: Let's say you bought 100 WTI crude oil futures at \$50 per barrel and paid \$5,000. At that point, Iranian drones attacked Saudi Arabian tankers and caused a reduction in the oil

market supply.

The price increased by \$2 and reached \$52. You sold all your assets and earned \$2 on each barrel. Your profit was \$200. You have to pay to pay taxes and commission, and the balance will be your net profit.

CFD Trading

CFDs are trading on the difference in the value of an asset. You do not buy assets directly, but deposit the equivalent of their value into the leveraged margin.

Leverage is the ability to use money borrowed from a broker in trading. Such funds are called margin. Leverage is a temporary increase in your account when you open a trade. The margin does not participate in trading directly, it cannot be lost or increased in an already open transaction. The margin can only require more or less funds

from the consolidated balance at the time when the price of the asset you are using changes.

Example: You decided to purchase Sberbank shares to the amount of RUB 100,000 at a price of RUB 220 per share.

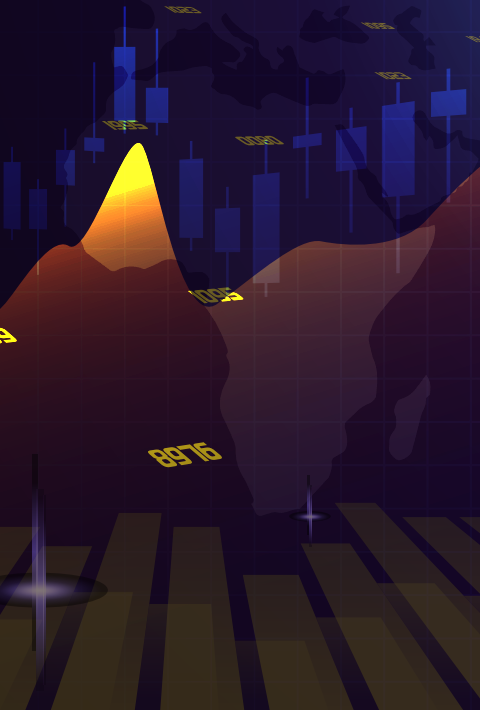
If you do it directly, say on the MICEX stock exchange, you will receive 454 shares. A change in price by RUB 1 will bring you RUB 454, and in case of a fall, it will devalue them by the same amount.

What if we take on leverage?

If we take a leverage of 1 to 20, then your purchasing power will increase 20 times. Your balance will have RUB 2,000,000. This amount can be used to open a deal for 9,090 shares. If the price changes by RUB 1, your income will be RUB 9,090.

When dealing with CFDs, you open buy or sell trades and receive a profit in the form of a difference in value. Upon closing the transaction, the margin is returned to the general balance.

What Is Needed For Successful Trading



A Gulf war will definitely affect the price of oil, US dollar and gold. Knowing how much production will decrease in this region, it is easy to calculate changes in price.

Or, for example, the US unemployment report or NFP shows the number of new jobs in relation to the last month. With historical data, it's easy to calculate how many tax payments will be in the next month. Knowing how social benefits for the unemployed will decrease or increase, you will understand how the value of the US dollar will change.

Any Apple report shows whether the company earned more or less in the past quarter. If the company's earnings rise, then its stock will naturally spike in value. If the company incurs losses, then its value in the market will decrease.



**Where To Find
A Reliable
Source
Of Information**

Subscribe to reputable news portals, see forecasts from analysts, follow the changes in the global economy. But what should you pay attention to?

Example: Let's say you trade the EUR/USD currency pair.

What influences its changes?

- GDP level.
- Unemployment.
- Inflation.
- Military conflicts.
- The price of gold.
- Oil market figures.
- The EU economy in general and in its individual states.
- Natural disasters.

And there are more points that need to be taken into account when analyzing just one instrument.

Some instruments are easier to deal with.

For example, gold is a store of value, since you can sell, buy or exchange it for another currency in any country. Gold is always valuable. To understand the gold climate, you need to take into account the dollar exchange rate, the oil market, supply and demand in the market.

However, the simplest and most affordable instrument is stocks. To analyze the stock market, you just need to read the yield report or learn about the signing of a contract to expand the company. Besides, you will know in advance when a particular news will be released.

But it is not as simple as it seems. Despite the fact that the information is publicly available, there are no guarantees that something won't go wrong at the last moment.

What do you do then?

Use broker's services. A broker is interested in your successful trading, so they will provide verified information on time. Brokerage experts receive information from paid internal channels, conduct their own technical analysis, and only then write the news.

Conclusion

Many people would not go to a dentist who has learned the profession on YouTube. They would not want to fly on a plane that was assembled in the backyard. Likewise, we recommend that you contact a broker if you want to trade on the exchange successfully and efficiently.

With the broker's help, you will learn to foresee the course of trade. You will begin to understand what risks are expected in a particular trade and what profit you can get.