



What is forex hedging and learn about forex hedging strategies?



Forex hedging occurs when one side of market trading loses and then turns that lossy movement in profit or for a trend shift. It protects currencies against money loss. But it can also serve as a long-term solution. Each situation is different. This is the best Forex strategy that protects traders from losing. It is used to help traders calculate the risk associated with the next market price change.

It's used for predicting the next trading move in market trading. The [forex hedging technique](#) matches the trading strategies that are in two of the same currency pairs. It places a hedge at an opposite position, while the second is the purchase forex options to H4 Trading Strategy. The second strategy can also be used for short-term and long-term time periods.

How easy is it to learn Forex hedging?

The most basic strategy for [forex hedging](#) involves taking a long position (taking a purchase position) on both eur/usd, and eur/chf.

The negative correlation between these currency pairs is very high - almost 87+%. This means that even if one pair goes up, it's highly likely the other will go down.

So, how does this help? You can put a stop-loss of the same distance on every leg of the trade (say, 25 pips) and limit order of 45-50 pip, and then one leg should knock out your stop-loss, while the other should continue to hit your profit target.

You should be aware of a few things:

- The volatility must be substantial. This strategy is best used in conjunction with news announcements.
- Slippage. This is the difference in trade prices that you intended to enter or exit and where your order actually fills.

Worst case scenario? The market whips up and hits both your stop loss. Take care and don't take on too much risk with these types of fx hedging strategies.

Referring to point 2, you can mitigate this by having your broker offer guaranteed stop losses (whereby you pay a small premium for a guarantee of your exit price).

This is a brief overview of a very basic forex hedge strategy.