



Types of Market Positions

A MARKET EXECUTION

A market execution order is an instruction from the trader to the broker to execute a buy or sell order for a currency at the prevailing market price. A market order is therefore an instant order, as the trader is interested in having the order fulfilled instantly and not at a later time or date.

1

BUY BY MARKET

The Buy (by market) order on the MT5 platform is an instruction by the trader to the broker to buy a currency pair at the prevailing market price. It is used when the trader has an expectation that prices will start to rise immediately.

2

SELL BY MARKET

The Sell (by market) order on the MT5 platform is an instruction by the trader to the broker to sell a currency pair (or go short) at the prevailing market price. It is used when the trader has an expectation that prices will start to fall immediately.

3

TAKE PROFIT

The Take Profit (TP) instructs the dealer/broker to match the trader's order to exit the position at a certain favorable price to another party prepared to acquire the position at that price. Therefore, the TP requires that the broker matches the order to exit the trade at a particular favorable price to another trading party prepared to acquire the position at that price.

4

STOP LOSS

The Stop Loss order is an instruction from the trader to the broker to automatically end an active trade at a certain unfavorable price that has imparted a negative value to the position in order to avoid further losses. The broker does not just close the order. A stop loss is only fulfilled by selling off the position to a counterparty (for a buy trade) or buying off the position in a sell trade. Usually, the broker has to look for, and match buyers or sellers who want to deal at the price set as the stop loss to execute that order. That is why the stop loss is also known as a stop order in other trading platforms.

B PENDING ORDERS

A pending order is an instruction from the trader to the broker to execute a buy or sell order for a currency at a future time/date. A pending order is therefore a delayed order. They are used when conditions in the market do not favor an immediate entry.

Pending orders can be limit orders or stop orders. Limit orders are used when the trader feels that prices will be unfavorable to his expected trade direction before they become favorable. Limit orders have a buy and sell component (Buy Limit and Sell Limit).

LIMIT ORDERS

1 BUY LIMIT

Used when the trader feels that the price of the asset will fall initially before they start to rise again. Obviously if prices will fall before they rise, a market buy order cannot be used as this will cause immediate negative value to the position. There is no way of knowing before initiating a trade how negative a position can become before recovery. Therefore, a Buy Limit is setup by using an entry price which is lower than the market price.

2 SELL LIMIT

Used when the trader feels that the asset price will first be unfavorable (i.e. will rise in this case) before it falls. Obviously if prices will rise before they fall, a market sell order will cause the position to have an immediate negative value. To avoid this, a Sell Limit is used.

STOP ORDERS

3 BUY STOP

A trade order which sets the entry price of the trade at a level that is higher than the market price. The expectation is that a strong bullish run that is expected to break a resistance will continue.

4 SELL STOP

A trade order which sets the entry price of the trade at a level that is lower than the market price, with an expectation of a strong bearish run that is likely to take out an established support and establish new lows.