Trade Financial Markets Like The Pros

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A New Trading Environment

There has never been a more difficult time to make money from trading the markets than now, with all of the long-standing foundation stones of the global financial system in a state of flux: engines of growth, monetary policies and the correlation dynamics between asset classes, to name but three.

In all previous difficult trading eras, many of these relationships held good. During the **Great Depression**, for example, initially shorting equities and then looking for value buys across asset classes based on alpha growth prospects was a very profitable strategy, as was buying selected commodities. In the lead-up to the **Global Financial Crisis**, convergence trades offered huge returns, particularly for EU accession states and some major Asian economies, based on the notion that they would soon morph into 'developed markets' rather than 'emerging' ones. Even when the Crisis hit, there were clear pockets of value to be exploited, based predominantly on future economic prospects, most notably in China.

Now, though, there is a huge question about where global growth will come from, as each of the four core regional growth engines around the world faces its own set of problems. The Eurozone continues to record dismal GDP numbers, the US has begun an interest rate hiking cycle even though its growth trajectory remains fragile, Japan continues to teeter on the edge of further recession and China itself moves from a manufacturing-led economy to a consumer-led one, recording ever-lower GDP growth figures in the process.

As a result of these factors, the long-running commodities super-cycle has come to an end as manufacturing-led growth in emerging markets especially is waning from the peak point, convergence trade opportunities are limited to much higher-risk areas than before, and many of the historic relationships between stocks, bonds and currencies have broken down. As such, countries are looking to secure their piece of a global economic pie that is failing to grow in any meaningful way.

This will lead to a broadening out of the type of extremely volatile and seemingly unpredictable activity that we have seen most notably in the past year or so in the oil (and other hydrocarbons products) pricing complex, which has seesawed dramatically as a result of Saudi Arabia seeking to hold onto its market share in the face of a new threat from the nascent shale energy sector by continuing to over-produce. The same dealing pattern was seen towards the end of 2015 in the euro, as it appeared finally to be trading in a 'sensible' devaluation pattern before the most dramatic reversal in recent trading history wiped out short positions.

Exactly the same basic policy – engaging in strategies based on ultra-self-interest that may, only in theory, be in a state's long-term interest, even at the expense of massive short-term pain both for it and other states with similar economic dynamics – can be expected going forward, as **new currency wars are likely to gather pace, with concomitant effects on the global equities, bond and commodities markets.**

Given this backdrop**, it is more important than ever that traders manage and exploit the few remaining factors in global markets that hold good, and this is what this book is about: knowing what these are, exploiting them and banking the profits in a risk/reward efficient manner.**