The Complete Guide To Global Oil Market Trading

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Introduction: The Oil Market Offers Unique Trading Opportunities

The perfect dealing scenario for any trader is a market that trends dramatically in one clear direction for an extended period of time and this is precisely what the oil market offers. The reason for this recurring pattern is that oil is so important to the economies and power of virtually all countries that it is the most highly manipulated of all financial markets. However, unlike the other major markets of foreign exchange, equities and bonds, the oil market is manipulated in such a way that allows all knowledgeable investors to benefit almost equally.

In the foreign exchange and equities markets in particular, a huge advantage historically came from deal and information flows that only those at the centre of the global market architecture could see (principally, banks' market-making operations) or were told about almost immediately by these banks (their customers, notably including hedge funds, 'real money' funds and corporations). The vast majority of market moves from which these players were able to benefit would typically last a few seconds or even a few minutes, with the smaller non-institutional investor (the retail investor) left out of the information loop, unless they were a high-net-worth individual that ranked as a favoured client by a bank.

Despite the rise of electronic trading platforms through which anyone with a few hundred pounds or dollars could 'play' the markets, this advantage for what had been the original market makers and their favoured key clients has persisted. Moreover, the disadvantage in the foreign exchange and equities markets for retail investors has become much worse in recent years, with the advent of high frequency trading operations that use extraordinarily fast computing systems to trade many thousands of orders, selected by that company's trading algorithms, in less time than it takes a person to blink.

These orders can be used not only to spark or exacerbate a relatively small market move up or down but to make enormous profits based on huge volumes before the retail trader can put on their own trade, even if that trader knew what was going to happen in advance. It is for these reasons that historically at least 90% of all retail investors lost at least 90% of their trading funds within the first 90 days of beginning to trade, especially in the foreign exchange and equities markets.

The oil market, however, is very different. It offers a much more level playing field for the retail trader, offering huge profit potential against extremely minimal risk, if managed properly. High frequency trading techniques and inside information also work in the oil market but equally if the retail trader knows the principal factors involved in how this market works then he can benefit in exactly the same way as all other market participants.

These factors – that will be covered both in their basic form as well as in much greater depth in this book – include:

- recurrent manipulation patterns
- major country players
- key oil market cycles
- critical macroeconomic and geopolitical factors
- supply and demand dynamics
- cornerstone technical analysis
- trading risk/reward analysis and corollary hedging techniques
- cross-asset risk-on risk-off correlations.

Finally, the book also addresses those events that may suddenly appear seemingly from nowhere but which may give rise to further enormous trading opportunities. Once these factors are understood then working out the direction that the market will move over time is relatively straightforward, allowing the trader to maximise returns whilst minimising risk.