

Does **Trading Gold** Make You Rich?

How to succeed in gold trading



Insights from a Seasoned
Trader and Analyst

Darren Frentz

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Start now

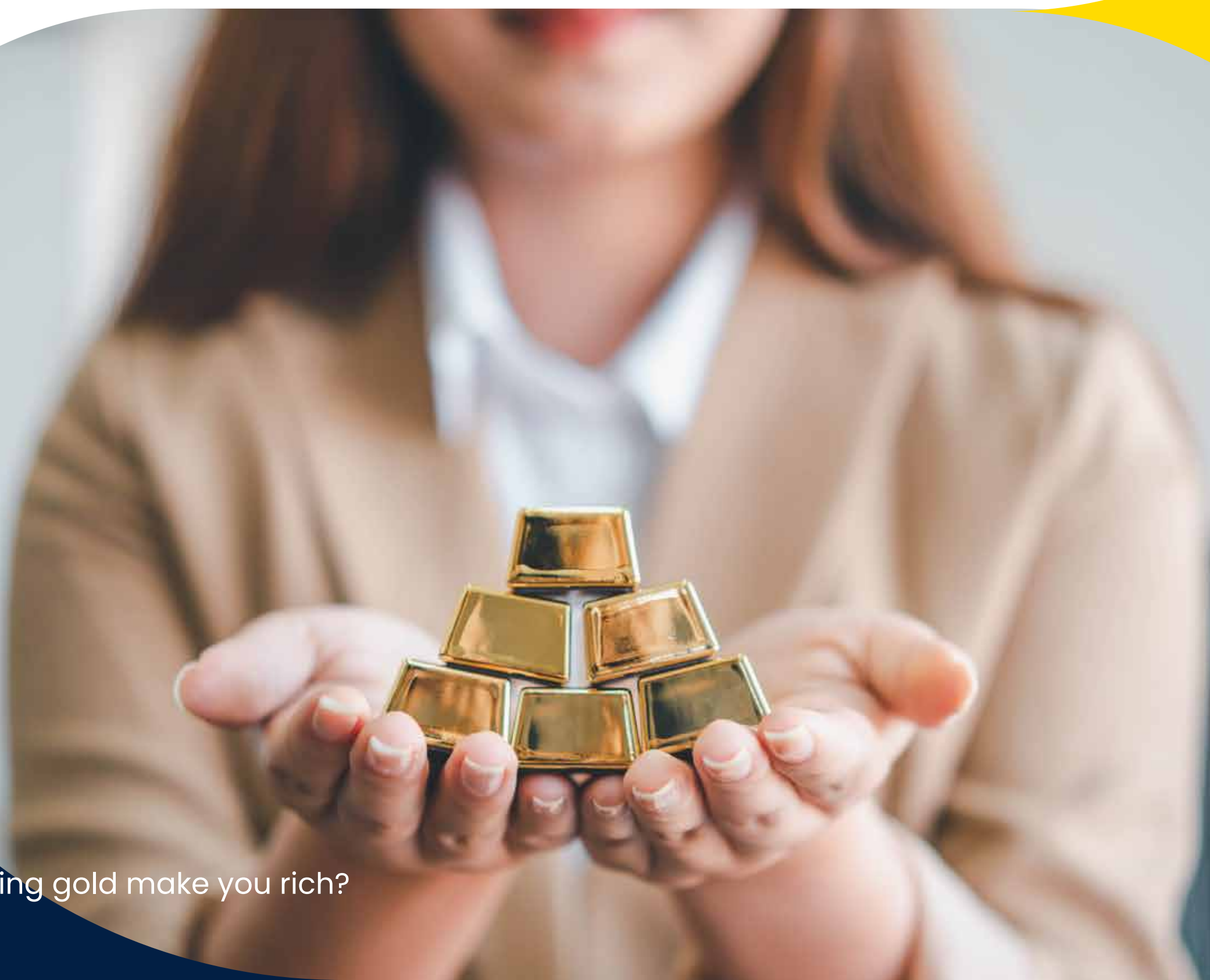


Why is gold valuable?

For centuries, gold has always been considered a highly prized commodity thanks to its physical properties and scarcity. It is sought after for applications within jewellery making, medicine, electronics and currency.

In the financial world, gold played a central role in the international monetary system until the collapse of the Bretton Woods system of fixed exchange rates in 1973.

Since then, its role has diminished but remains **an important asset in the reserve holdings of various countries.**



Gold is considered a long-term safe haven asset.

It holds value in times of crisis, and is a useful hedge or counterbalance against other investments.



The history of gold price over 30 years
(US Dollars per Ounce)



Should you own physical gold or trade gold?

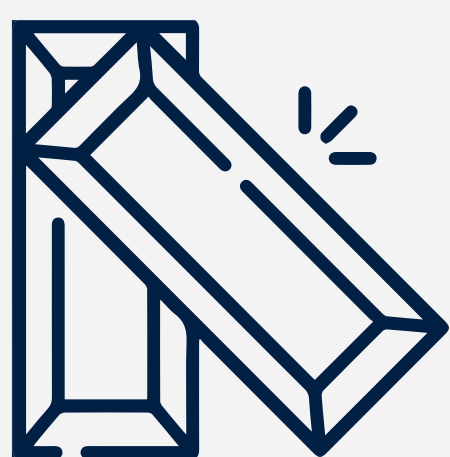
There are multiple ways you can leverage gold's safe-haven status.

You can choose to

- Buy physical gold bars or bullion
- Trade gold in the currency market (as XAUUSD)
- Invest in gold through exchange-traded funds (ETFs)
- Buy stocks in gold miners and associated companies

There are pros and cons to each approach, depending on your long-term goals and capital.

We will focus on the second method – trading gold in the currency market because this market is the most liquid and offers endless opportunities.



VS





What does it mean by trading gold?

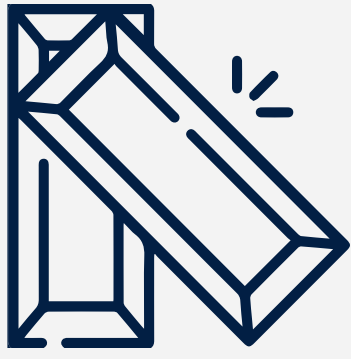
When you trade gold on the commodity market, you are not actually buying and selling physical gold.

You are trading at the gold price set by market participants. Gold is traded against the US dollar in pairs, and its trading symbol is XAU.

Whether the price of gold increases or decreases, you can profit from the market's volatility by buying or selling. This will allow you to take advantage of either scenario.



Current Price



Physical Gold

\$75
per gram



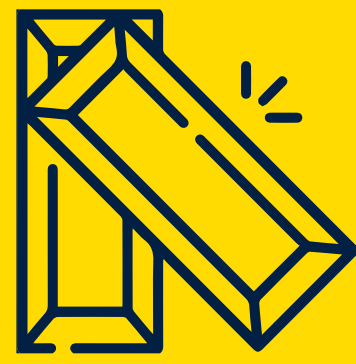
Gold Trading

\$55.7
per gram

\$1,735 per troy ounce
(1 Troy Ounce = 31.1 grams)

You'll notice that the price of physical gold is higher than the price of spot gold because there are extra costs involved, such as printing costs, guarantee fees, and storage fees for physical gold.

Now let's do the math!



Physical Gold



Gold Trading

Budget

\$7,500

\$7,500

What you'll get

100 grams
of physical gold
with full ownership

A contract,
you own 1% or
0.31 gram of gold

Leverage

1

100:1

If there's a
10% increase
in price,
your profit
will be

\$750

\$173.50 x 4 lot x 100
Leverage =
\$69.400

As you can see, trading spot gold offers more opportunities in terms of profitability.

However, note that trading with leverage comes with high risks.



Do you need a large capital to trade gold?

No, you don't.

Thanks to leverage, you can start trading gold with a small capital.

For example, if you have a leverage ratio of 100:1, you can trade gold with a value of up to \$10,000 with only \$100 in capital.

If you already have a successful trading strategy, this paves the way for you to make even more money.

This provides more opportunities to make a significant profit.





What causes gold prices to fluctuate?

It depends on supply and demand.

Since gold is widely used in many areas, including jewellery fabrication, technology, and investment, the price tends to fluctuate based on mine production and usage.

Gold is usually priced in US dollar, so if nothing else changes, the movement of the US dollar will significantly affect the price of gold.

If the US dollar goes up, the gold price will go down, and vice versa, as shown in the chart below.



Source: Macrotrends



What is the best time to trade XAUUSD?

NOW IS ALWAYS THE BEST TIME.

Gold has been an attractive commodity and a valuable instrument under different market conditions.



This chart shows the past performance of XAUUSD in times of crisis, during bullish and bearish markets.

Covid-19 was declared as a pandemic on 11 March 2020.

The price continued to rise until the vaccines were approved.

This shows that gold was widely traded in times of crisis.





One thing you must know when trading XAUUSD - Spread

To make more profits from trading XAUUSD, you must pay attention to the trading cost.

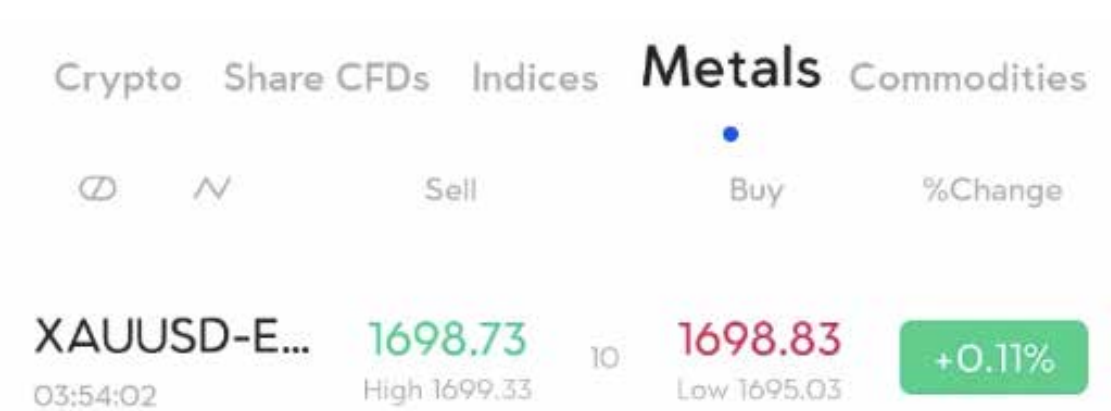
A spread is the difference between the bid (sell) price and the ask (buy). It indicates liquidity and volatility, and has a direct impact on your profitability.

Here is an example:

Trader A trades with broker A. The spread is 0.5 on spot gold.

Trader B trades with VT Markets*. The spread is 0.2.

*VT Markets has an ECN account with spreads starting from 0.0.



If both traders trade with 10 lots with a gross profit of 1.00, the profit will be:

	TRADER A	TRADER B
Leverage	1:100	1:100
Spread	0.5	0.2
Lot	10	10
Contract Size	100	100
Earnings	$(1.00 - 0.50) \times 100 \times 10 = 500$	$(1.00 - 0.20) \times 100 \times 10 = 800$

Trader A will earn \$300 less than Trader B. This is why you must pay attention to spreads when trading XAUUSD.

? What is the Triple Moving Average (MA) Trading Strategy?

The Triple MA strategy is a tried-and-true approach to identifying trends without the lag associated with traditional MA.

In general, traders tend to change their psychology daily, switching between buying and selling based on various factors such as economic or political news.

We track this behaviour and sentiment every 12 hours to keep up with the ever-changing market.



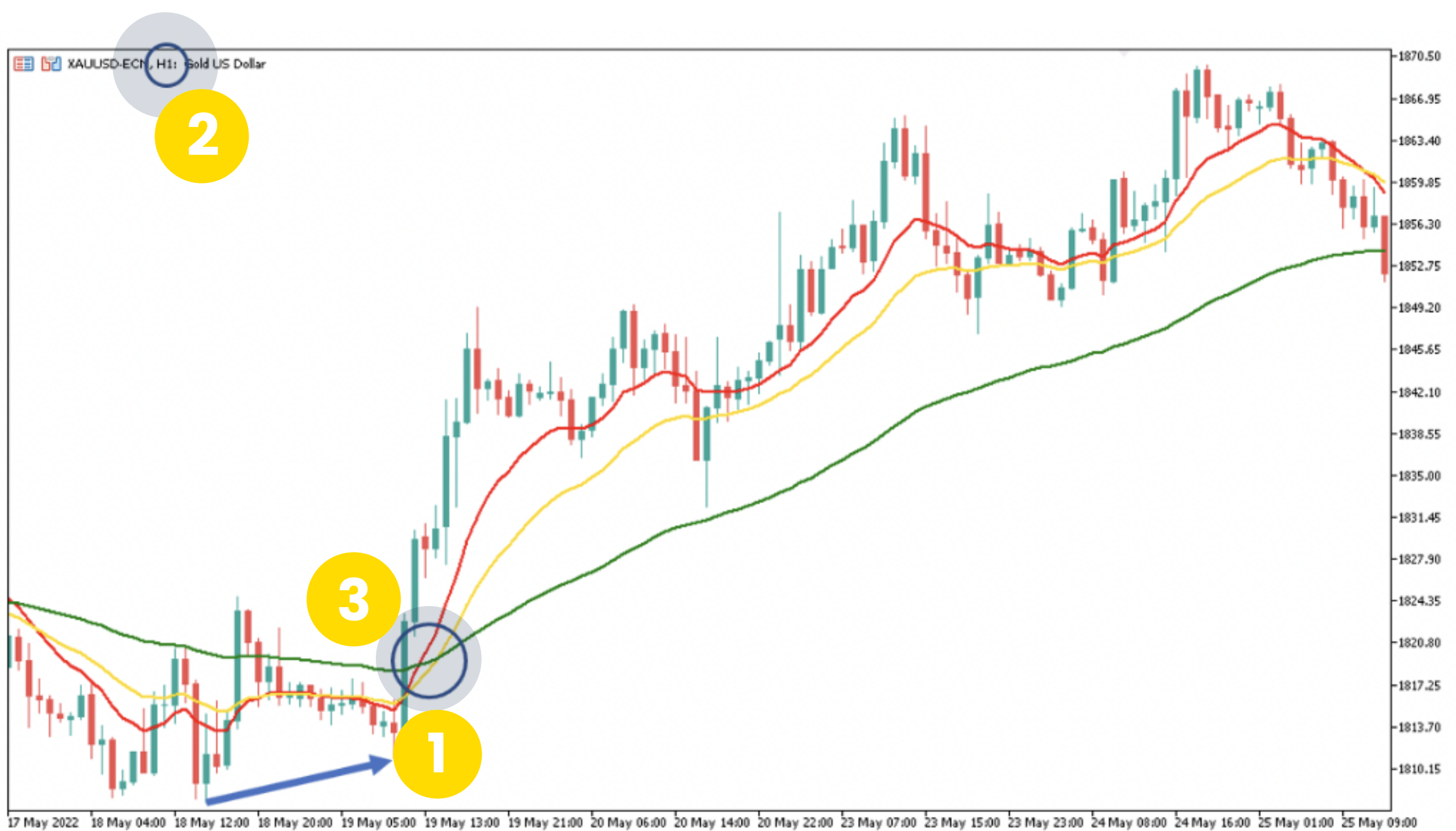
To see the change of behaviour every 12 hours, 24 hours and 72 hours, we'll be using these timeframes.

- A** 12-hour candles represent half a day.
- B** 24-hour candles represent 1 day.
- C** 72-hour candles represent 3 days or half a week.



We will be using 3 key parameters.

- 1 Trade based on trends.**
- 2 Trade using the H1 timeframe.**
- 3 Trade using 3 Exponential Moving Averages: 12-hour candle (EMA), 24-hour candle (EMA), and 72-hour candle (EMA).**

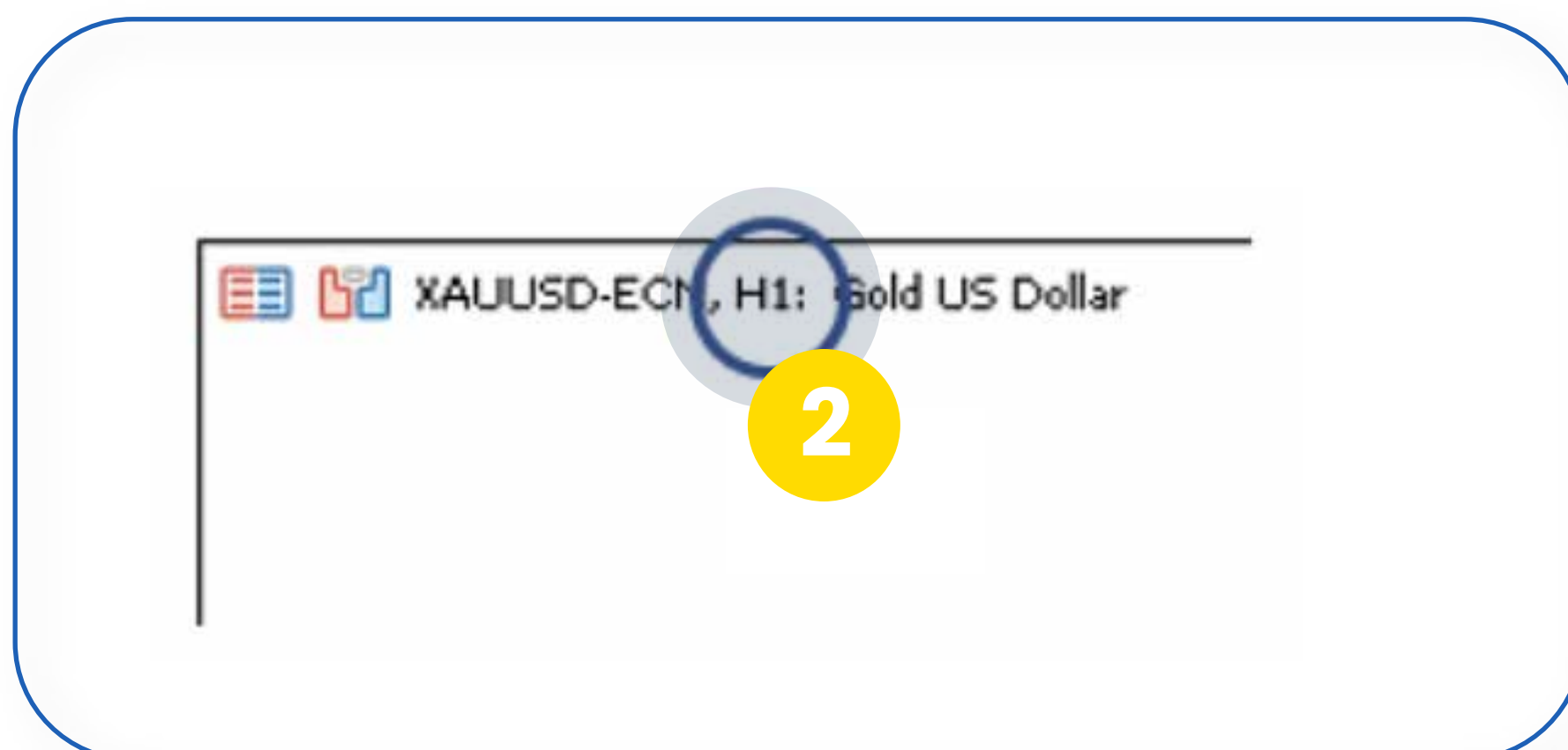


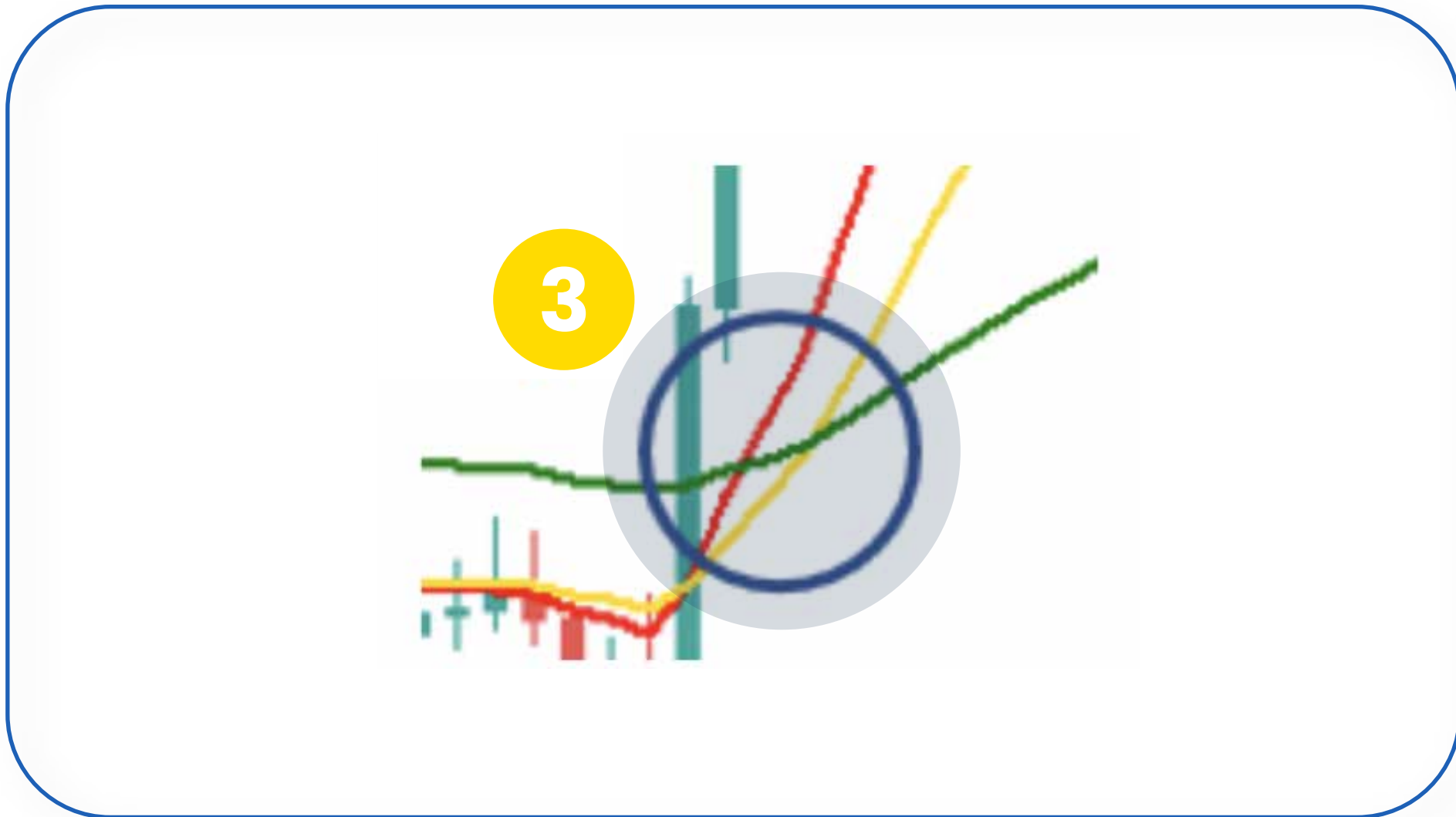
Triple Moving Average Strategy

1. Spot the beginning of the trend when a Higher High and Higher Low start to appear.



2. This trading strategy is mostly used in the H1 timeframe.





3. Notice the aligned 12, 24 and 72 EMA.

12>24>72 for long

If the 12 EMA is higher than 24 EMA and 72 EMA, you can start looking for a long position.

12<24<72 for short

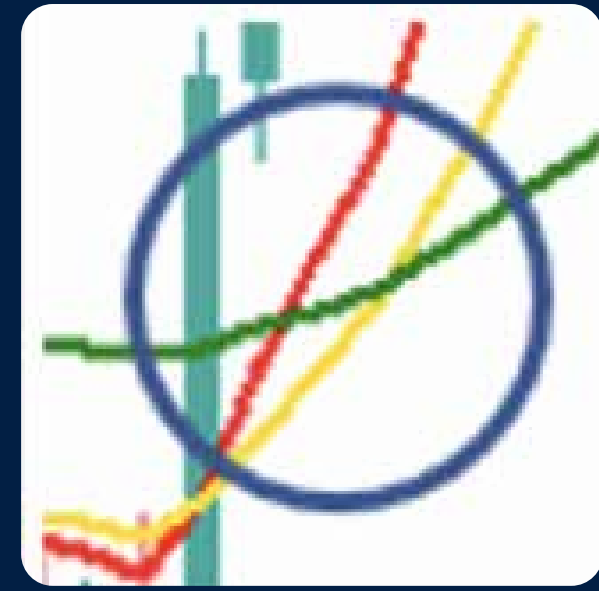
If the 12 EMA is lower than 24 EMA and 72 EMA, you can start looking for a short position.

?

How do you trade with this strategy?

Long position:

1. Wait until the trend forms where $12\text{EMA} > 24\text{EMA} > 72\text{EMA}$

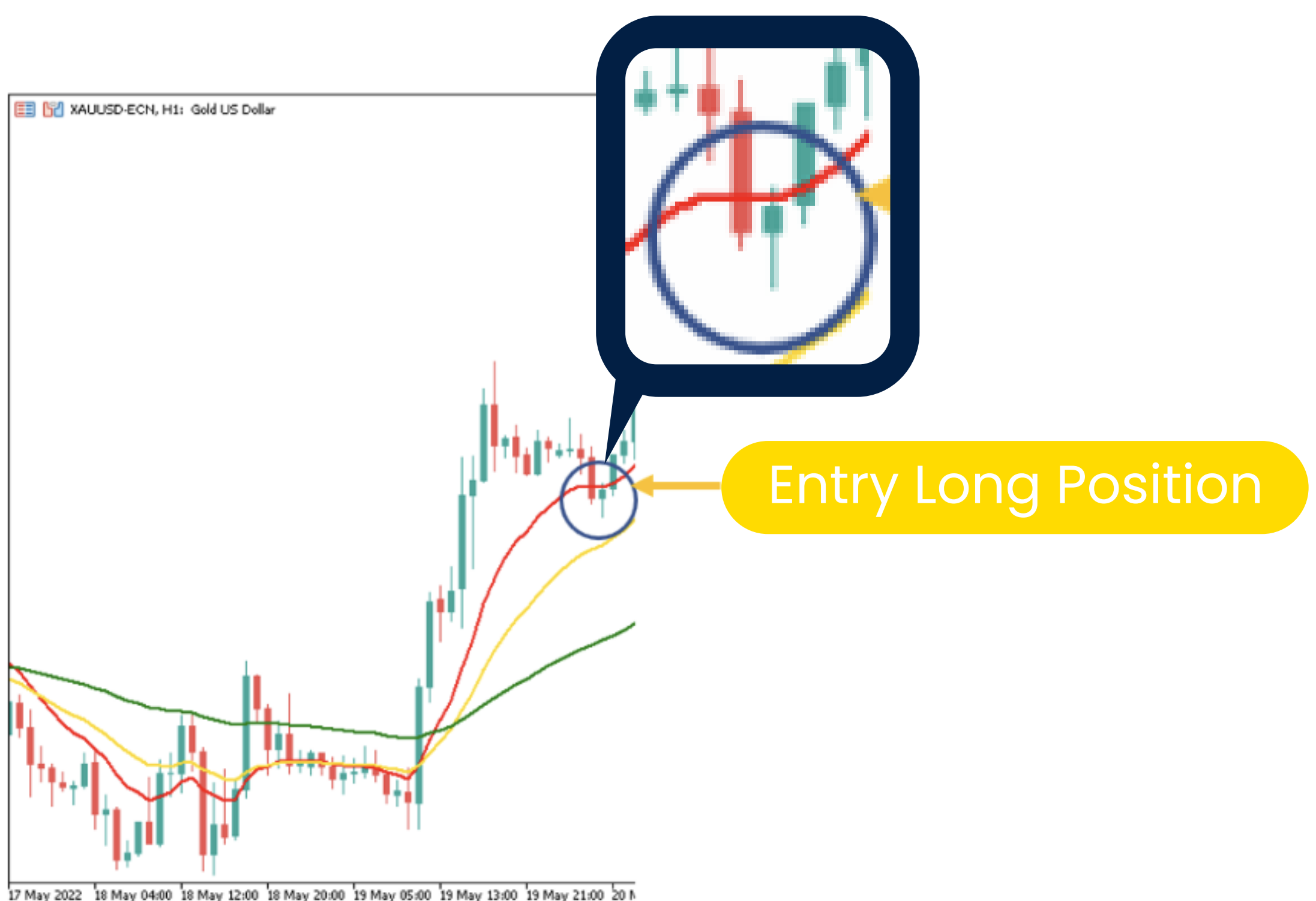


2. Wait for the candles to return touching the 12EMA

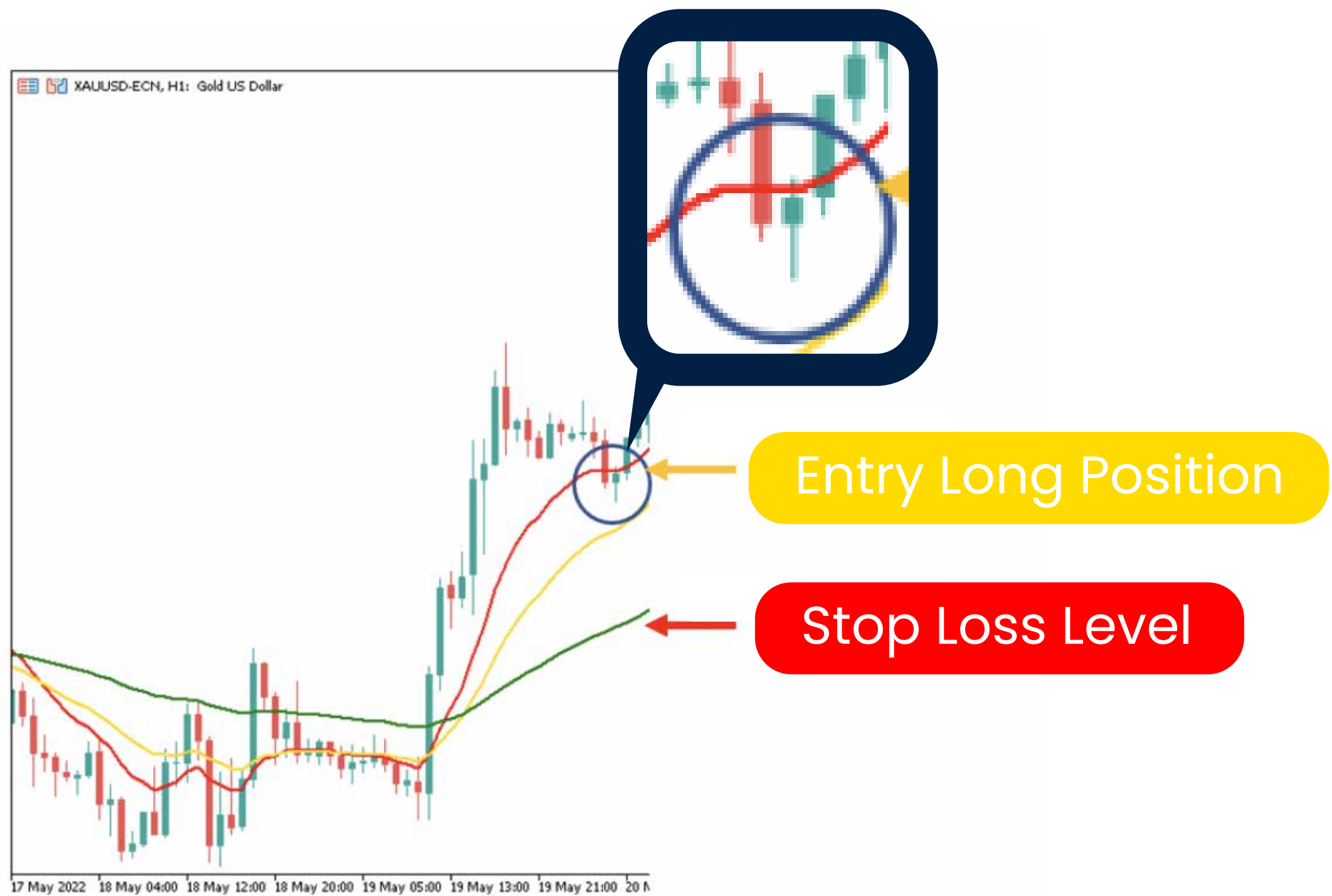


Notice there's a hammer candlestick pattern in the circle above, showing a bullish candlestick pattern.

4. Set entry at the next H1 candle



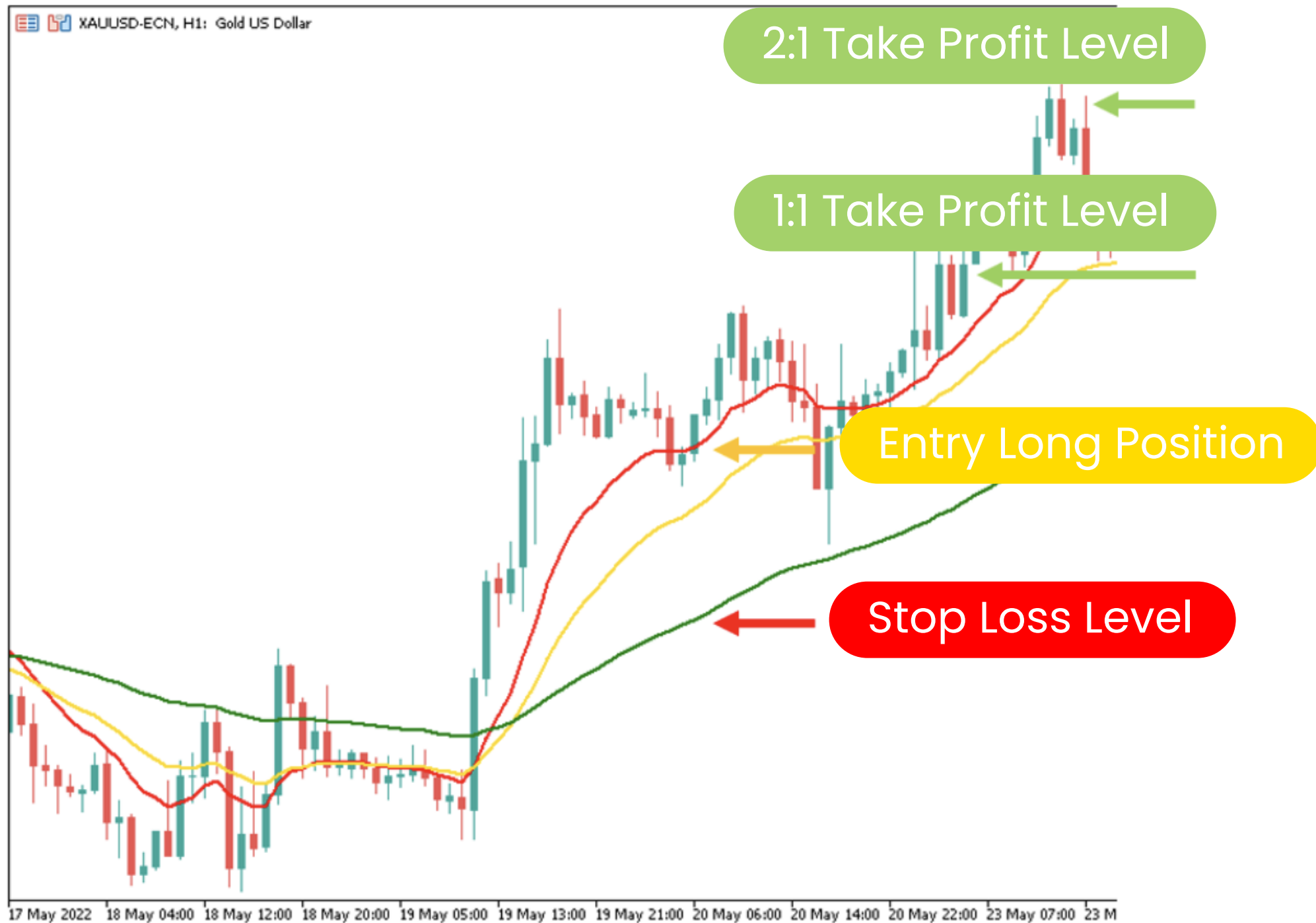
5. Set Stop Loss below the 72EMA (Move the Stop Loss following the EMA 72 or you can move the Stop loss to the entry price when the price runs 1:1)



6. Take profit Ratio 1:1 or 2:1 depending on the market condition.



Trade Result



Summary:

If you trade using this strategy in this example, you will gain 130 pips of profits for the first Take Profit Level (1:1) and 260 pips of profits for the second Take Profit Level (2:1) with the risk of 130 pips.



Don't wait, start now.

As you can see, there are many reasons why gold is the perfect asset class to trade.

Gold has been one of the most consistent investment vehicles throughout history.

You must leverage its safe haven status and capitalise on the price movements if you want to diversify and recession-proof your portfolio.



VT Markets is an award-winning and regulated brokerage.

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