



## Forex Vs. Commodity Vs. Equity Vs. Bond: Which One Should You Trade?

With so many lucrative investment options available today, choosing which one is the best fit for your capital amount and investment timeframe may be somewhat challenging. Forex, commodities, [stocks](#), and [bonds](#) are just a few of the popular alternatives for investments that offer traders a handsome rate of return in a short period of time. However, there are several aspects to consider before making a choice. Unfortunately, most individuals would blindly choose a random alternative based on hype rather than making a comprehensive comparison before making a decision. These efforts often expose their assets to unnecessary risk and sometimes even cause them to conceive a massive loss. You may have heard different buzz words about forex, commodity, equity, and bond indistinctly in social media and financial news. But it is essential to thoroughly compare them one against another before putting your hard-earned money at stake. In this article, we are going to do exactly the same. We shall take one option at a time, explain their advantages and drawbacks and illustrate a clear picture for helping you with decision making.

### Why Do You Want To Trade?

As obvious as the answer is "for money," make no mistake, this is the most crucial question for picking the perfect trading option. So ask yourself.

- Do you want to trade for a living?
- Do you want to make some extra cash through trading besides a full-time job?
- How much money do you want to make?
- How many months or years are you planning to be in the market?

All these questions refer to various parameters of the alternatives that will help you find your best suit.

Some of the trading options demand more time than others. One option demands more capital for an optimal profit while the other is riskier, starting with small capital. There are even some financial conditions when you should not trade at all. Instead, it would be better to open a business and keep your progress under your own control. This may seem overwhelming, but it will get clearer once we know about each trading option. But first, make sure you have a certain answer for all the questions above.

## Forex Trading

"Foreign Exchange" is abbreviated as "Forex." The name is self-explanatory. Forex trading entails the acquisition and/or sale of currencies from other nations. A huge amount of Currency pairings are exchanged (base currency and quote currency) around the globe every day. Although a significant amount is intended for international business, a large amount is exchanged only for currency trading purposes. The fundamental idea is to purchase a currency when its value is low compared to its pair counterpart and sell it when its value increases. Thus, the trader gains profit.

### Pros

- The broker charge is relatively cheap since most forex brokers benefit from the margins between currencies.
- Forex does not have set hours of operation. Unlike the stock exchanges, this market is active 24/7.
- Due to the forex market's strong liquidity, large orders can be quickly completed without significant price discrepancies from the dollar or other tricky currencies traded on the market.
- Unlike other investment options, one may readily begin forex trading with minimal initial capital investment.

### Cons

- Because the largest financial institutions control the majority of the market capitalization, your competition in this industry will be against the finest professionals.
- The forex market offers far more leverage than other trading choices (for example, equities), which means a minor price swing may wash out a leveraged trader.

- Unlike the stock market, you cannot rely on portfolio experts to assist you in forex; you are on your own.

## Commodity Trading

Commodity trading refers to the trading of minerals (gold, silver, crude oil, gasoline) and crops. But you don't have to buy and store them literally. Instead, commodity trading is all about virtually buying them at a lower price through an exchange and selling when the price goes up. This is the most ancient form of trading. Except now, you can virtually trade commodities through exchanges without the hassle of storage and transportation.

### Pros

- Although other markets decline during inflation, the prices of commodities used throughout the production of finished items grow exponentially.
- Even during geopolitical tensions, when stock prices fall, commodities prices exhibit an impressive surge owing to a supply-demand discrepancy.
- Commodity investments conducted online are 100% liquid, as they can be sold at any moment, making them a preferable alternative to bonds.

### Cons

- In this market, heavy leverage may also result in enormous risks, ultimately resulting in massive losses.
- Commodity prices are very volatile and are determined by variables such as demand and supply. Commodity supply and demand are inelastic in terms of price.
- According to several economic analyses, commodities market profits are insufficient compared to the market's significant volatility.

## Equity Trading

Equity is a security that represents ownership of a small share of a business. When you purchase a company's equity, the price fluctuates in response to the company's profit or loss. If you trade successfully, you may earn a substantial profit that outperforms gold or bond returns. Thus, the strategy is to purchase equities that will rise in value and sell those that will drop.

### Pros

- You can always choose a less risky investment by purchasing some stable equities that offer dividends.
- The stock trading community is enormous, and you can always get sufficient information for your research and get help from portfolio advisors.
- There are plenty of options for an equity trader for splitting his money and trying out a variety of businesses, from growing small-cap to stable large-cap.

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### Cons

- Equity markets are easily affected by external market sentiments.

- As the equity market is wildly volatile, it takes a solid nerve to deal with the emotional roller coaster. Some investors are better off with less-volatile investment options.

## Bonds

A bond is a "fixed-income instrument" since it typically pays depositors a set interest rate (yield). However, adjustable or floating bond yields are also becoming more popular. It has a maturity date, after which the principal must be repaid in full, or the loan will default.

### Pros

- A bond is a relatively risk-free investment that pays a fixed rate of return.
- Purchasing a bond takes between a few minutes and a couple of hours. In this case, you do not need to spend your precious time monitoring the market unlike the previous three trading alternatives.
- Debt holders also benefit from some legal protection: under the laws of the majority of nations, when a firm declares bankruptcy, its bondholders often get part of their money back (the recovery amount)

### Cons

- Bond returns on average are far lower than returns on successful equities trading.
- If interest rates fall unexpectedly after a bond is acquired, corporations may repurchase all of their existing bonds and reissue them at the reduced rate.
- There are always unlicensed scam bonds to be aware of across the world.

## Conclusion

So, Which one should you trade? There is no correct answer. We only tried to illustrate a bigger picture for helping you to pick the right one for you. If you are willing to start with a small capital and want to take risks, you can always go with forex. Pick commodities if you don't want to be cautious about inflation and be okay with a volatile market. Equity is right for you if you are a self-learner and have a strong nerve. And if you want to play safe and risk losing nothing, go ahead and buy some bonds. The right choice will be unique to every individual.

A last piece of advice! Regardless of whichever option you pick, it would be best if you always use an adequate broker for trading. Otherwise, you may face expensive charges with moderate maintenance facilities that may take away your whole motivation for investment. When it comes to brokers, Avatrade is my personal favorite.

[Avatrade](#) offers all these instruments via CFD trading at a very reasonable fee plan. Be sure to try it out.