

FOREX BASICS

What Is Forex?

Forex, also known as foreign exchange, FX or currency trading, is a decentralized global market where all the world's currencies trade. The forex market is the largest, most liquid market in the world with an average daily trading volume exceeding \$5 trillion. All the world's combined stock markets don't even come close to this.

The largest stock market in the world, the New York Stock Exchange (NYSE), trades a volume of about \$22.4 billion each day. That huge \$5 trillion number covers the entire global foreign exchange market, BUT retail traders trade the spot market and that's about \$1.8 trillion.

What Is Traded in Forex?

The simple answer is MONEY.

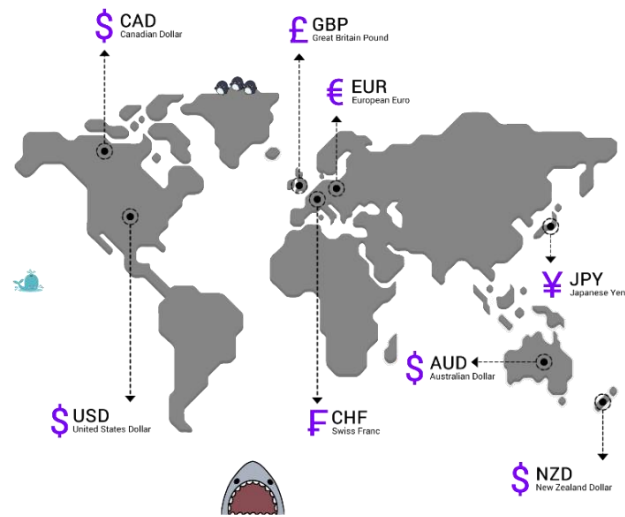
Think of buying a currency as buying a share in a particular country, kinda like buying stocks of a company. The price of the currency is usually a direct reflection of the market's opinion on the current and future health of its respective economy.

In forex trading, when you buy, say, the Japanese yen, you are basically buying a "share" in the Japanese economy. You are betting that the Japanese economy is doing well and will even get better as time goes. Once you sell those "shares" back to the market, hopefully, you will end up with a profit. In general, the exchange rate of a currency versus other currencies reflects the condition of that country's economy, compared to other countries' economies.

Major Currencies

While there are potentially lots of currencies you can trade, as a new trader, you will probably start trading with the "major currencies."

SYMBOL	COUNTRY	CURRENCY
USD	United States	Dollar
EUR	Eurozone	Euro
JPY	Japan	Yen
GBP	Great Britain	Pound
CHF	Switzerland	Franc
CAD	Canada	Dollar
AUD	Australia	Dollar
NZD	New Zealand	Dollar



Currency symbols always have three letters, where the first two letters identify the name of the country and the third letter identifies the name of that country's currency.

Take NZD for instance. NZ stands for New Zealand, while D stands for dollar. The currencies included in the chart above are called the “majors” because they are the most widely traded ones.



Buying and Selling Currency Pairs

When we buy a currency pair, it means that we are buying the Base Currency by selling the Quote Currency. Buying EUR/USD means that we are buying euro by selling USD.

When we sell a currency pair, it means that we are selling the Base Currency by buying the Quote Currency. Selling EUR/USD means that we are selling the euros to buy USD.

When you trade in the forex market, you buy or sell in currency pairs.

Major Currency Pairs



The currency pairs listed below are considered the “**majors**.” These pairs all contain the U.S. dollar (USD) on one side and are the most frequently traded.

CURRENCY PAIR	COUNTRIES	FX GEEK SPEAK
EUR/USD	Eurozone / United States	“euro dollar”
USD/JPY	United States / Japan	“dollar yen”
GBP/USD	United Kingdom / United States	“pound dollar”
USD/CHF	United States/ Switzerland	“dollar swissy”
USD/CAD	United States / Canada	“dollar loonie”
AUD/USD	Australia / United States	“aussie dollar”
NZD/USD	New Zealand / United States	“kiwi dollar”

Currency pairs that don’t contain the U.S. dollar (USD) are known as cross-currency pairs or simply as the “crosses.” Major crosses are also known as “*minors*.” The most actively traded minors are derived from the three major currencies: EUR, JPY, and GBP.

Euro Crosses

CURRENCY PAIR	COUNTRIES	FX GEEK SPEAK
EUR/CHF	Eurozone / Switzerland	“euro swissy”
EUR/GBP	Eurozone / United Kingdom	“euro pound”
EUR/CAD	Eurozone / Canada	“euro loonie”
EUR/AUD	Eurozone / Australia	“euro aussie”
EUR/NOK	Eurozone / Norway	“euro nockie”

Yen Crosses

CURRENCY PAIR	COUNTRIES	FX GEEK SPEAK
EUR/JPY	Eurozone / Japan	“euro yen” or “yuppy”
GBP/JPY	United Kingdom / Japan	“pound yen” or “guppy”
CHF/JPY	Switzerland / Japan	“swissy yen”
CAD/JPY	Canada / Japan	“loonie yen”
AUD/JPY	Australia / Japan	“aussie yen”
NZD/JPY	New Zealand / Japan	“kiwi yen”

Pound Crosses

CURRENCY PAIR	COUNTRIES	FX GEEK SPEAK
GBP/CHF	United Kingdom / Switzerland	“pound swissy”
GBP/AUD	United Kingdom / Australia	“pound aussie”
GBP/CAD	United Kingdom / Canada	“pound loonie”
GBP/NZD	United Kingdom / New Zealand	“pound kiwi”

Other Crosses

CURRENCY PAIR	COUNTRIES	FX GEEK SPEAK
AUD/CHF	Australia / Switzerland	“aussie swissy”
AUD/CAD	Australia / Canada	“aussie loonie”
AUD/NZD	Australia / New Zealand	“aussie kiwi”
CAD/CHF	Canada / Switzerland	“loonie swissy”
NZD/CHF	New Zealand / Switzerland	“kiwi swissy”
NZD/CAD	New Zealand / Canada	“kiwi loonie”

Exotic Currency Pairs

Exotic currency pairs are made up of one major currency paired with the currency of an emerging economy, such as Brazil, Mexico or Hungary. The chart below contains a few examples of exotic currency pairs. These pairs aren't as heavily traded as the "majors" or "crosses," so the transaction costs associated with trading these pairs are usually bigger.

CURRENCY PAIR	COUNTRIES	FX GEEK SPEAK
USD/HKD	United States / Hong Kong	
USD/SGD	United States / Singapore	
USD/ZAR	United States / South Africa	"dollar rand"
USD/THB	United States / Thailand	"dollar baht"
USD/MXN	United States / Mexico	"dollar mex"
USD/DKK	United States / Denmark	"dollar krone"
USD/SEK	United States / Sweden	"dollar stockie"
USD/NOK	United States / Norway	"dollar nockie"

It's not unusual to see spreads that are two or three times bigger than that of EUR/USD or USD/JPY.

Commodities

For trading newbies out there, you should know that commodity prices can affect currency price action. In fact, commodity-related currencies like the Aussie, Loonie, and Kiwi often take cues from commodity prices trends.

COMMODITY	DESCRIPTION
USCOCOA	US COCOA
SOYBEAN	SOYBEAN
BRENT	BRENT OIL FUTURE
COPPER	COPPER FUTURE
USOIL	West Texas Intermediate Crude Oil Cash
UKCOCOA	UK COCOA

Indices

A stock index or stock market index is a measurement of a section of the stock market. It is computed from the prices of selected stocks. It is a tool used by investors and financial managers to describe the market, and to compare the return on specific investments.

INDICES	DESCRIPTION	FX GEEK SPEAK
DAX30	Deutscher Aktien Index	"DAX"
DJ30	Dow Jones Industrial Average	"Dow"
NASDAQ	National Association of Securities Dealers Automated Quotations	"NASDAQ"
S&P500	Standard & Poor 500	"S&P500"
Nikkei	Average Index of the Japanese stock market	"Nikkei"
FTSE	FTSE 100 or FTSE 250 depending on the number of companies included in the index	"Footsie"

Cryptocurrency pairs

If you trade cryptocurrencies, it's not enough to pay attention to just BTC/USD (bitcoin).

By only trading bitcoin, you're missing out on other potential trading opportunities.

You should also be monitoring other cryptocurrencies (also known as "altcoins") as well.

CRYPTO PAIR	DESCRIPTION
BTC/USD	Bitcoin vs US Dollar
ETH/USD	Etherium vs US Dollar
LTC/USD	Litecoin vs US Dollar
NEO/USD	Neo vs US Dollar
DASH/USD	Dash vs US Dollar
XMRUSD	Monero vs US Dollar