



INTRODUCTION TO FOREX

What Is “Forex-Fx”

Foreign exchange in short we call it as Forex , is the global market or international market whereby one currency is exchanged for another. It's the largest and most liquid financial market in the world, with average traded values that can be trillions of dollars per day .It includes all of the currencies in the world and operates 24 hours a day.

The foreign exchange market is often referred to as ‘FOREX’ ,‘FX’,‘ Spot FX’.

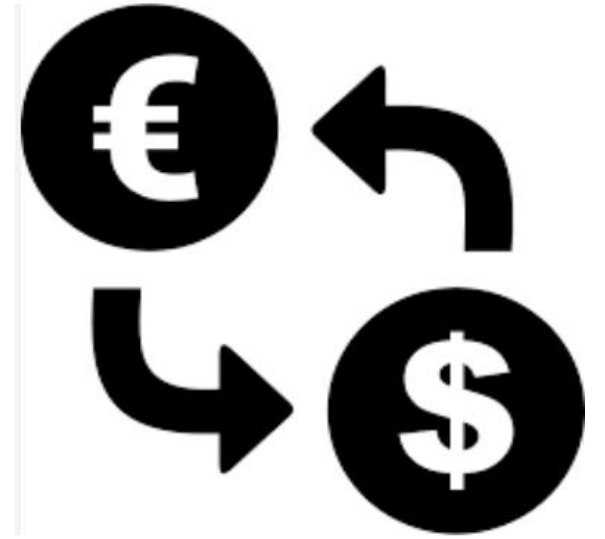
Forex traders exchange two different currencies and make profits from the price difference in buy and sell price.

As the value of currencies keep changing, traders can earn profits by trading at the right timing.

Example

When the US dollar is expected to weaken in value relative to the euro, forex traders would sell dollars to buy euros.

If the euro actually appreciates, traders would sell euros and buy back more dollars than they originally had, making a profit



Currency Pairs

- Currencies are quoted in pairs, such as EUR/USD or USD/JPY
- The first listed currency is known as the base currency, while the second is called the counter or quote currency.
- The base currency represents how much of the quote currency is needed for you to get one unit of the base currency

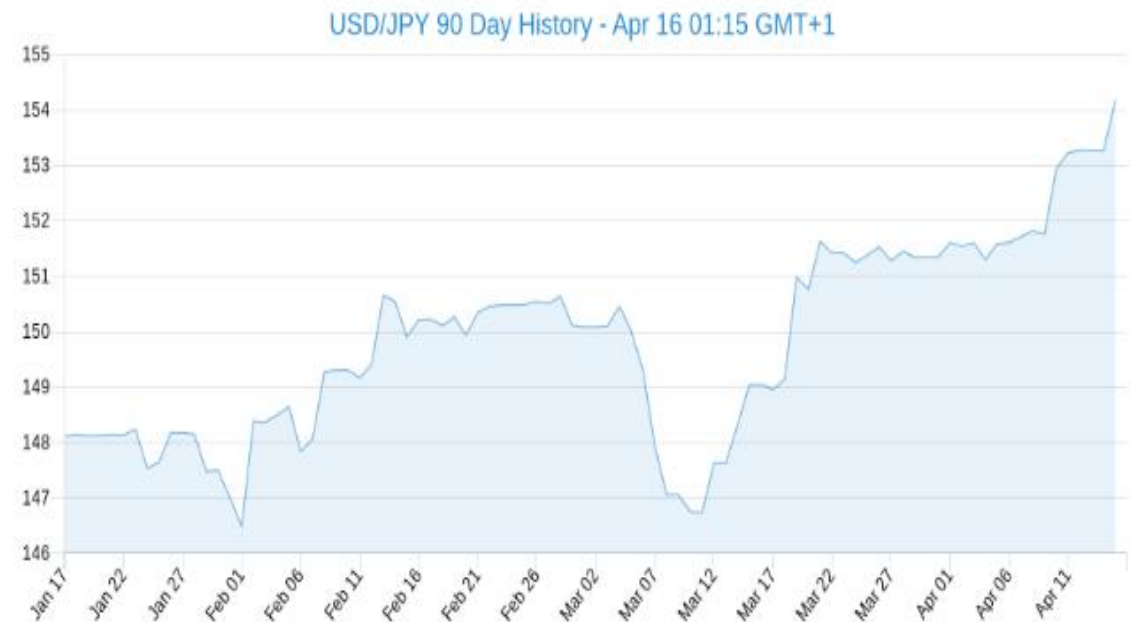


Exchange Rate

- The exchange rate is the price of the one currency in terms of another currency. It tells you how much of one currency traders need to spend to purchase one unit of another currency.

Example

USD/JPY Exchange Rate



Trade size (lot size)

- Lot is the way to measure the position size or the volume of a trade

Currency pairs

LOT NAME	LOT SIZE	VOLUME/UNITS	PROFIT
MICRO	0.01	1000	1PIP=0.10\$
MINI	0.10	10000	1PIP=1\$
STD	1	100000	1PIP=10\$

- Gold(XAUUSD) And Crude Oil (USOUSD)

LOT NAME	LOT SIZE	VOLUME/UNITS	PROFITS
MICRO	0.01	1	1PIP=0.10\$
MINI	0.10	10	1PIP=1\$
STD	1	100	1PIP=10\$

Silver(XAGUSD)

LOT NAME	LOT SIZE	VOLUME/UNITS	PROFITS
MICRO	0.01	50	1PIP=0.10\$
MINI	0.10	500	1PIP=1\$
STD	1	500	1PIP=10\$

NG(Natural Gas)

LOT NAME	LOT SIZE	VOLUME/UNITS	PROFITS
MICRO	0.01	100	1PIP=0.10\$
MINI	0.10	1000	1PIP=1\$
STD	1	10000	1PIP=10\$

What Is PIP?

“PIP” Stands for Point In Percentage, is a unit of movement in the exchange rate.

A pip is usually the last decimal place of a quotation.

- For most of currency pairs, The fourth decimal places is counted as "pips" and one pip is 0.0001.
- For Japanese Yen-related currency pairs, the second decimal places is counted as "pips" and one pip is 0.01

Example:

EUR/USD rises from 1.16997 to 1.17007. the EUR/USD has risen 1 pip.
USD/JPY drops from 110.200 to 110.145, the USD/JPY has dropped 5.5 pip.

Bid Price

- Bid represents the price at which a trader can sell the base currency , shown to the left in a currency pair
- For example , in the quote USD/JPY 1113.67/69, the base currency is USD, and the bid price is 113.67, meaning you can sell one US Dollar for 113.67 Japanese Yen.

Ask(Offer)Price

- Ask represents the price at which a trader can buy the base currency , shown to the left in a currency pair
- For example , in the quote USD/CHF 0.9997/99, the base currency is USD, and the ask price is 0.9999, meaning you can sell one US Dollar for 0.9999 Japanese Yen.

The difference between these two is called “Spread” .

Spreads

- There are buy and sell prices for every currency pair and the difference between the price is called the spread. For example, if EUR/USD pair's Sell price is 1.4079 and Buy price is 1.4081, the spread is 2 pips.

