

Forex Trading

Introduction to Forex #Definición

Forex market is a market where you are trading currencies. **London, USA and Japan** are the biggest financial centers of the world.

There is no physical place where transactions take place. It is a **decentralized** market with banks processing orders and by doing that, *it helps small investors enter the market* (externally researched claim). Forex market can be traded using **forwards** and **Futures**.

Benefits of Forex trading

- **24/5 Market:**

Forex market is open **24 hours a day, from Sunday evening until Friday night**. This is due to the various international time zones which allow you to trade all hours of the day.

- **Recessions:**

You can look for trading opportunities during an economic downturn. You can make money regardless of economic conditions.

- **High liquid market:**

One reason the foreign exchange market is so liquid is because it is tradable 24 hours a day during weekdays.

Main downside

Forex market has relatively high volatility, which provides more opportunities, but can also create a lot of *stress* for people that do not possess the right attitude or enough experience to handle it.

The trading field needs people that are willing to work to improve their skills.

Requirements for Forex trading

- Good trading platform
- Good internet connection
- Reliable broker
- **Knowledge** and experience: it takes at least 3 years to become a profitable trader, not just 2 days with a basic youtube course. *Make sure you learn from the right people.*

Key Terms

- **Liquidity:** Amount of interest in the markets.
- **Pip:** Smallest unit of measurement of a currency pair (Percentage in point).
- **Leverage:** Ability to use a small sum of capital to control a larger sum of money.
- **Margin:** Amount of money available in your account or used to open a trade.
- **Ask:** The price in which you buy the base currency.
- **Bid:** The price in which you sell the base currency.
- **Spread:** Difference between bid and ask price.
- **Correlation:** The extent to which one currency moves in the same or opposite direction to another currency