Title:
A way of winnig huge profits.

Word Count:
656

Summary:
The Foreign Exchange Market, better known as FOREX, is a worldwide market for buying and selling currencies. It handles a huge volume of transactions 24 hours a day, 5 days a week. Daily exchanges are worth approximately $1.5 trillion (US dollars). In comparison, the United States Treasury Bond market averages $300 billion a day, and American stock markets exchange about $100 billion a day.

Keywords:
inaces, profits, money, business, business from home,bank,account,forex,sells,buy,education,wealth,rich,dollar,value, currency, trading,exchange,cheque

Article Body:
A way of winnig huge profits.
Currency exchange is the trading of one currency against another. Professionals refer to this as foreign exchange, but may also use the acronyms Forex or FX.

Currency exchange is necessary in numerous circumstances. Consumers typically come into contact with currency exchange when they travel. They go to a bank or currency exchange bureau to convert their "home currency into , the currency of the country they intend to travel to.
They may also purchase goods in a foreign country or via the Internet with their credit card, in which case they will find that the amount they paid in the foreign currency will have been converted to their home currency on their credit card statement.

Although each such currency exchange is a relatively small transaction, the aggregate of all such transactions is significant. Businesses typically have to convert currencies when they conduct business outside their home country. They exportin goods to another country and receive payment in the currency of that foreign country, then the payment must often be converted back to the home currency.

Similarly, if they have to import goods or services, then businesses will often have to pay in a foreign currency, requiring them to first convert their home currency into the foreign currency. Large companies convert huge amounts of currency each year. The timing of when they convert can have a large affect on their balance sheet and bottom line.Investors and speculators require currency exchange whenever they trade in any foreign investment, be that equities, bonds, bank deposits, or real estate.

Investors and speculators also trade currencies directly in order to benefit from movements in the currency exchange markets. Commercial and Investment Banks trade currencies as a service for their commercial banking, deposit and lending customers. These institutions also generally participate in the currency market for hedging and proprietary trading purposes.

Governments and central banks trade currencies to improve trading conditions or to intervene in an attempt to adjust economic or financial imbalances. Although they do not trade for speculative reasons --- they are a non-profit organization --- they often tend to be profitable, since they generally trade on a long-term basis.

Currency exchange rates are determined by the currency exchange market.A currency exchange rate is typically given as a pair consisting of a bid price and an ask price. The ask price applies when buying a currency pair and represents what has to be paid in the quote currency to obtain one unit of the base currency. The bid price applies when selling and represents what will be obtained in the quote currency when selling one unit of the base currency. The bid price is always lower than the ask price.

Buying the currency pair implies buying the first, base currency and selling (short) an equivalent amount of the second, quote currency (to pay for the base currency). (It is not necessary for the trader to own the quote currency prior to selling, as it is sold short.)
A speculator buys a currency pair, if she believes the base currency will go up relative to the quote currency, or equivalently that the corresponding exchange rate will go up. Selling the currency pair implies selling the first, base currency (short), and buying the second, quote currency.

A speculator sells a currency pair, if she believes the base currency will go down relative to the quote currency, or equivalently, that the quote currency will go up relative to the base currency. After buying a currency pair, the trader will have an open position in the currency pair.

Right after such a transaction, the value of the position will be close to zero, because the value of the base currency is more or less equal to the value of the equivalent amount of the quote currency. In fact, the value will be slightly negative, because of the spread involved.

For more information contact Currency Traders at www.mynetto.com