

Title:

FOREX Beats the Stock Market

Word Count:

585

Summary:

A comparison of investing in the FOREX exchange or the stock market.

Keywords:

forex, forex trading, learn forex, forex online

Article Body:

Companies issue stocks to raise capital for expansion, equipment and other projects. Stocks have been a very popular form of investment for years. Each share of a stock a person owns represents a small ownership of the company.

Stock values fluctuate based on the fortunes of the company. When the company is doing well the stock price will increase, at this time the investor can sell their stock to capture the profit or they can continue to hold it in hopes of greater profits in the future. Some companies will pay dividends on stocks; dividends are a small share of the profit per each share of stock.

To buy and sell stocks you must use a broker and go through one of the stock exchanges. In the US there are two exchanges, the New York Stock Exchange (NYSE) and the National Association of Securities Dealers Automated Quotation System (NASDAQ). Some very large companies may have stocks on multiple exchanges but most companies will sell their stocks on one or the other.

Until recently the stock market was seen as a long-term investment strategy. Most portfolios would have a large number of "Blue Chip" stocks. These are stocks that have proven their value over a long period of time. With the addition of internet trading we are seeing what is typically known as day trading. Day traders attempt to take advantage of the daily fluctuations in the market by making multiple trades during the day. This is a fairly high-risk method of investment and is further hindered by the large number of commissions charged for each transaction.

In some cases stocks can be bought on margin. In the stock exchange your margin rates are usually about 50%, which means you need half the cost of the stock to be able to buy it.

FOREX

The FOREX exchange is significantly different than the stock exchange. On the FOREX exchange almost all trades are short-term trades, in fact a trader may only hold a currency for a few minutes before moving it again. Since there are no brokers fees in the FOREX exchange you can make numerous trades in one day without racking up large commission fees.

With over \$1.5 trillion in trades every day the FOREX exchange is the largest financial market in the world. To put this in perspective all of the American stock markets combined only handle about \$100 billion worth of trades a day. This huge volume causes the FOREX exchange to be the most fluid market in the world. Because so much of the world economy is dependent on moving currency from country to country there is always a buyer and a seller for every currency combination. The stock market on the other hand is not nearly as liquid, you may not always find a buyer for the stock you want to sell or a seller for the stock you want to buy.

The FOREX market is not located in a single place but is worldwide. Due to time zone changes the FOREX market is open 24 hours a day 5 days a week.

Stock exchanges are normally only open for 7 hours a day, you can not buy or sell a stock if the exchange that it is listed on is closed at the time.

FOREX is more predictable than the stock market as well. It follows well-defined patterns, you can also leverage better in FOREX than the stock market. Margin accounts in FOREX run as high as 100:1 which means you only need \$1 to buy \$100 worth of currency.