Title:
What Is Forex? Get Rich!

Word Count:
369

Summary:
Although forex is the largest financial market in the world, it is relatively unfamiliar terrain to retail traders. Until the popularization of internet trading a few years ago, FX was primarily the domain of large financial institutions, multinational corporations and secretive hedge funds. But times have changed, and individual investors are hungry for information on this fascinating market.

What makes the relative value of Currency fluctuate?

There are two reasons th...

Keywords:
currency trading,currency,trading,money,currencies,capital,liquid currency,FX market,stock exchange,

Article Body:
Although forex is the largest financial market in the world, it is relatively unfamiliar terrain to retail traders. Until the popularization of internet trading a few years ago, FX was primarily the domain of large financial institutions, multinational corporations and secretive hedge funds. But times have changed, and individual investors are hungry for information on this fascinating market.

What makes the relative value of Currency fluctuate?

There are two reasons the relative value of a currency fluctuates. The first is because of a 'real' market: as outside investors or visitors wish to buy things within a country, they are forced to convert their domestic currency into the currency of the country they are buying within. Similarly, as money leaves the country, people must sell their currency for the foreign currency they will need to spend or invest abroad.

The second force for currency fluctuation is speculation. As investors feel a given currency will act strongly or weakly, they will buy or sell accordingly.

This speculation can have drastic consequences on a national currency and consequently on a country's economy. During the East Asia Crisis in 1997, for example, as nations in Asia began facing economic downturns, speculators used currency trading to realize enormous profits and in many analysts' view helped to exacerbate the problem.

Benefits of Currency Trading

Currency trading has many very real benefits over equity trading like the stock exchange. The spreads for currency trading are extremely low, making the cost to a trader very low as well. The volatility of the currency market is extremely high, which means that a trader can generate enormous return on a given exchange. The ratio of volatility to spread is approximately 500:1 for the currency trading market, as compared to 100:1 for even the most ideal of stocks.

Until recently, the currency trading market was very closed to small investors. Banking conglomerates and large multinationals were the main movers of this market place. In the past few years, however, new technologies have opened the doors to investors of all stripes. It is difficult to miss the enormous benefit of this 'new' market for the individual investor: higher returns with lower risk given the same amount of market knowledge have a very small downside.