

Title:

Is The FOREX The Market To Trade Your Way to Riches?

Word Count:

630

Summary:

Ever watch the news and see the ending FOREX trades of the currency markets? They're usually based on how individual currencies traded against the dollar. FOREX is the abbreviation for the Foreign Exchange market. FOREX is a market where the value of individual currencies from all over the world are traded. The currency market today began in the 1970's as currencies that were historically tied to the gold standard, or the price of gold, were decoupled and allowed to float.

Keywords:

forex trading, learn forex ,day trading forex ,foreign exchange forex trading ,forex ,forex book ,forex broker ,forex brokers ,forex charts ,forex course ,forex currency exchange ,forex currency trading ,forex data ,forex system trading

Article Body:

Ever watch the news and see the ending FOREX trades of the currency markets? They're usually based on how individual currencies traded against the dollar. FOREX is the abbreviation for the Foreign Exchange market. FOREX is a market where the value of individual currencies from all over the world are traded. The currency market today began in the 1970's as currencies that were historically tied to the gold standard, or the price of gold, were decoupled and allowed to float.

So instead of a dollar having a gold based value, it's value is now determined by the other currencies in the world. FOREX can be an investors paradise as it's as close to a free trading market as you can get. Almost anyone can invest in FOREX because it's simply the trading of 1 currency for another.

So how does this work? Let's say that you believe the United States market is going to be suffering from inflation. That is, the value of the dollar, over the next year or so is going to go down....and all 100 dollars of your savings is in US dollars.

One way to trade the FOREX would be to trade your savings in dollars for a currency you believe will be more valuable or stable like the EURO as an

example. For this example, let's say one dollar is worth 2 Euros and remember this is an example only. So the trade is 100 US dollars for 200 European EUROS.

Next, let's say your right and inflation does hit the US hard and the value of the dollar drops by 10%. Be aware that when talking about currency we're talking not about the number of dollars and other currencies but the value of those currencies. That is, what it can buy or it's actual worth.

So in our example, if you kept your savings in US dollars it would now be worth only 90% of the value it held last year. Because you have your savings in EUROS however and that market has remained stable, the VALUE of your savings has been protected. The reason is that the FOREX trading markets will adjust the value of the dollar because of the inflation and raise the value of the Euro appropriately. So in this example, a US dollar would be worth about 1.8 Euros.

To complete the example, your savings of 200 EUROS could be traded back into US dollars. Because of the inflation however and the value of the dollar went down so you can now trade your 200 EUROS for about 110 US dollars.

Almost anyone can invest in FOREX, and there are strategies for investors who look for long term and short term gains. For those of you who are interested in forex trading, the very first stop is to get some good training and understand the markets. Unlike the private markets where stocks, bonds and commodities are traded, FOREX is currency which belongs to the individual governments. Currency manipulations by governments is not uncommon, while decisions they make can dramatically change the value of their underlying currency.

While many people and currency dealers can make it sound easy, the only thing easy in making any investment is losing your money. It's important to remember that currency dealers make their money through commissions and usually not on the investment they're selling. The example we used above, although very simplistic, had a number of risk factors and additional costs we didn't consider. Things like trading costs, and the assumption that one government held their currency completely stable, which is not usual, while another did not.

Many people involved with FOREX say a lot of money can be made trading currency. They're correct of course, but you can also lose a lot of money also. So get training, learn the markets and trade smart.