Title:
What Is Forex?

Word Count:
507

Summary:
It may come as a shock to the investment rookie, but Forex is the largest market in the world. Forex is an abbreviated form of the term Foreign Exchange, or simply currency. These terms refer to the monetary value of one country's money value (as measured by the country's largest single-value denomination) and is usually measured in comparison to the unit of currency used by the country in which the investor is a citizen.

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Keywords:
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Article Body:
It may come as a shock to the investment rookie, but Forex is the largest market in the world. Forex is an abbreviated form of the term Foreign Exchange, or simply currency. These terms refer to the monetary value of one country's money value (as measured by the country's largest single-value denomination) and is usually measured in comparison to the unit of currency used by the country in which the investor is a citizen.

The measure by which Forex is considered the largest market is in terms of cash value traded, and it is used by every type of investment imaginable, from individuals (who use brokers or banks) to governments to international banking firms. Forex is extremely popular due to its extreme liquidity and its time capacity (with three large stock markets open day long during the week, it is possible to exchange foreign currency at every hour of the day). Liquidity is a term that is short for market liquidity, which refers to the ability to quickly buy or sell without causing a dramatic fluctuation in price. As currency for countries is determined mostly by internal (domestic) factors rather than external ones, Forex is not subject to the fluxes caused by a panicked sell-off.

As the industrial market place and arguably the defining center of the world, the dollar of the United States is used by far the most in Forex transactions. Involved in 89% of transactions, the US dollar was way ahead of other currencies, followed distantly by the euro (37%) and then the yen (20%). Remember that the numbers here do not add up to 100% because every transaction will contain at least two different currencies.

Forex speculators are a controversial topic among economists and politicians alike. One school of thought posits that currency speculation can contribute to a country’s economic downfall, as a lower currency value causes the price of inflation in comparison to imported goods to rise, snowballing the problem. Countries that are primarily exporters to a country with a higher currency value, however, receive benefits when their dollar is lowered in comparison, as their goods are thus inherently easier to purchase. The opposing view to the speculators as instruments of economic downfall is that speculators serve to keep currency regulated according to international agreements, and that their profits are the results of basic economic laws. Those who subscribe to this theory often point out that the opposing view is held all too often by leaders seeking to deflect attention away from their own domestic policies when explaining to a populace why their economy is in the toilet.

Individuals wishing to become involved in the Forex market need to remember that they must do so through a broker or bank, bodies regulated by their governments and international agreements to prevent the unlawful profit resulting in economic damage to a different country. Investing through these bodies inevitably means that the individual will not see the full results of their investment, as they naturally provide some insulation for themselves against loss in the fluctuating market.