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Title:
Forex For Absolute Dummies

Word Count:
615

Summary:
Forex (foreign exchange) refers to the foreign currency exchange market, the world's largest financial trading market. Pass yourself as a forex expert with these buzz words:

•Bid – to buy
•Ask – to sell
•Liquidity – financial ease of transaction, i.e. cash
•Trading volume – the amount traded
•Bid/ask spread – the difference between the proposed buying price and the actual selling price
•OTC – over the counter
•Exchange rate – the difference between currency values; f...

Keywords:
forex, forex trading,online forex trading,forex online,forex trading system,online forex trading

Article Body:
Forex (foreign exchange) refers to the foreign currency exchange market, the world's largest financial trading market. Pass yourself as a forex expert with these buzz words:

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•Liquidity – financial ease of transaction, i.e. cash
•Trading volume – the amount traded
•Bid/ask spread – the difference between the proposed buying price and the actual selling price
•OTC – over the counter
•Exchange rate – the difference between currency values; for instance, a Canadian dollar is valued at .86 of a US dollar
•Hedge funds – large mutual funds companies that control vast amounts of money and are able to manipulate the value of a currency through speculation
•Central bank – the national bank of a nation, which usually exerts control over

the value of that currency

Forex trading is the investment in the currency of one nation. Multinational Corporations doing business across national boundaries find value in keeping their cash reserves in a variety of countries, and holding their funds in a myriad of ways. For example, a UK corporation may hold a percentage of its working capital in UK pounds, but if it does quite a bit of business in USA it may also maintain a percentage of its money in dollars, in US banks. Individual investors over the decades have discovered that there is profit to be made in investment and speculation in the currency markets.

Take the case during the 70’s when the German DM swung rapidly in value. It was worth anywhere from 1.2 marks to the US dollar to 3.5 US marks to the dollar. When the mark was worth 2.5 it was beneficial to spend dollars buying marks, since the mark would buy more goods or services at that rate. As the mark bottomed out 1.7 to the dollar there was less incentive.

Surprisingly, the forex market itself is not unified. One can find many small forex markets specializing in trading various currencies. The most commonly traded currencies in forex speculation are the US dollar, the Australian dollar, the British pound sterling, the Japanese yen, and the European Euro. Currency values vary depending on the market in which an investor is speculating, so there is really no such thing as a single, unified dollar rate, but instead there are multiple dollar rates, which vary according to the market where the trade is occurring.

The major cities in which trades occur include New York, London, and Tokyo. It’s a 24 hour process. When Asian trading ends, European trading commences, and when European trading ends, then American trading opens. Naturally, when American trading ends, it is time for Asian trading to open house once more… and so on.

Currently, the most actively traded currency is the US dollar, involved in 90% of all trades. This is followed by the Euro involved in 36% of all trades, then by the yen in 20% and the pound in 17%.

Our fastest rising currency in trade is the Euro, however the US dollar is still the favored anchor point-- and the currency watched so as to judge how others will react. Differences in value of currencies come from the current events. GDP growth, inflation dips, interest rate swings, budget and trade deficits, surpluses and other economic conditions all shift currency values. Investors, for this reason, follow the news very closely. There are 24 hour cable news channels and many web sites devoted to news that aid currency speculators.

The forex market is highly susceptible to rumors. In fact the central banks of

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countries frequently manipulated local currency value by sowing rumors about interest rate hikes and other economic propaganda that impacts the value of the domestic currency. When this news is false it is called a dirty float- and it dismays the market.