Features of Forex Market; Trading in Decentralized Market Under CFD Contracts

A daily trading volume of around $7 trillion, **a 24-hour decentralized market**, **high leverage**, and **an easy start with a demo account** are some of the features that make Forex a suitable market for **trading** and **speculation**.



Forex is a highly liquid global market for trading currency pairs, driven by hedge funds and large financial institutions

LIVEWORKSHEETS

Forex market is international market that operates **globally**; Therefore, no specific organization or entity can **manipulate** its prices.

What are the Features of Forex?

The currency pair market is not dependent on any specific entity; in fact, **decentralization**, **trading volume**, **liquidity**, and the provision of **high leverage** are the key **features of Forex**.

1- Trading Costs and Broker Income

Forex traders must consider the costs of **commission**, **swap**, and **spread** when trading with brokers:

- **Spread**: The difference between an asset's **buy** (Ask) and **sell** (Bid) price. The **Ask** is the most attractive (lowest) price among sellers, and the **Bid** is the highest price among buyers;
- **Swap or Overnight Interest**: The cost incurred for **holding a position** overnight. The swap is calculated based on the **interest rate difference** between the bought and sold currencies;
- **Commission**: The fee charged by the broker for executing trades.

These are the **income sources for brokers**; however, brokers offer accounts with **different features** (such as swap-free accounts, low spreads, or no commission) for different users.

To learn about different brokers' commissions and costs, read the TradingFinder **Forex broker reviews**.

2- Trading Volume in Forex

Forex traders trade on **currency pair fluctuations** under **CFD** contracts. In CFD trading, the trader **does not own the asset** and only trades or speculates on the **price changes** of a currency pair; CFD contracts are one of the Forex Features.

Trading volume in Forex is measured based on the number of contracts in **lots**, where **1 lot** is equivalent to **100,000** units of a **CFD** contract.

LIVEWORKSHEETS

For example, when you buy the **EUR/USD** currency pair with a volume of **"1 lot"** (long trade), the trading volume is 100,000 CFD contracts, which is equivalent to 100,000 euros.

To determine the appropriate **trade size (lot size)** based on your **account balance** and **risk management**, you can use the TradingFinder **Position Size Calculator Tool**.

Pip Value and Profit/Loss in Forex

Profit and loss in Forex trading vary based on the **lot size** (trading volume).

In currency pairs involving the US dollar, with a trade size of 1 lot, each 1-pip movement equals a profit or loss of $10. In this case, the pip value (Pip Value) is $10.

Note: A **pip** is the smallest unit of price change in most currency pairs; measuring price fluctuations in pips is a characteristic of Forex market. The formula for calculating **Pip Value** is:

$$\text{Pip Value} = \text{Trade volume} \times \frac{\text{One Pip in the relevant Currency P}}{\text{Currency Pair Rate}}$$

In this formula, the trading volume refers to the number of contracts

Position Size or Contract Size

Contract Size indicates how many contracts are included in one lot for a specific asset.

The contract size for **all currency pairs** in **1 lot** is 100,000. However, the contract size for other assets such as oil, silver, gold, etc., varies across different brokers.

LIVEWORKSHEETS

3- Forex Market Trading Hours

The Forex market is open 24 hours a day, five days a week (excluding Saturdays and Sundays). The 24-hour day is divided into four sessions.

Forex Market Sessions:

- **Sydney Session**: The market is less active during the **Australian session**, and the Australian and New Zealand dollars are mostly traded;
- **Tokyo Session**: During the **Tokyo session**, Asian markets become active but remain less volatile, and currencies such as **AUD** and **JPY** are in focus;
- **London Session**: With the start of the **London session**, liquidity increases, and the impact of European and global news is observed;
- **New York Session**: With the start of the **American session**, liquidity and volatility peak, and U.S. news influences the market.

When the **London and New York sessions overlap**, the market experiences high liquidity and intense volatility.

To view the **market session** during trading hours, you can use the TradingFinder **Forex Sessions & Market Hours tool**.

4- Decentralized and High Liquidity

The Forex market, with a daily trading volume of **approximately $7 trillion**, is the largest financial market in the world. **Reasons for the high trading volume in Forex:**

- **24-Hour Market**: This feature, along with market stability and reasonable volatility, attracts traders from around the world to Forex;
- **Decentralized**: Unlike stock exchanges that operate within specific organizations, Forex trading is conducted **decentralized** through **OTC** platforms and is accessible in all countries;
- **High Leverage**: Forex offers high leverage (up to 1:2000), which not only adds to the appeal but also increases trading volume;
- **Participation of Banks and Financial Institutions**: Most of the Forex market volume is provided by **banks, governments**, and **international financial**

LIVEWORKSHEETS

institutions that must conduct currency transactions to manage **foreign exchange reserves** and finance international projects.

5- Leverage

High leverage in Forex is an advantage compared to other markets; however, this also increases the risk of trading. **Comparison of leverage in different financial markets:**

Market	Leverage (Typically)
Stocks	1:2 to 1:10
Forex	1:50 to 1:2000
Crypto	1:2 to 1:1000+
Futures	1:10 to 1:100
Commodities	1:10 to 1:20
Bonds	1:2 to 1:5
Commodity Exchange	1:2 to 1:4

6- Easy Start Without Initial Capital

In Forex, it is possible to start trading with a **demo account** and **trade without real money**, which is ideal for beginner traders. **Advantages of a Forex demo account:**

LIVEWORKSHEETS



The ability to execute trades without the risk of loss is the main advantage of using a demo account

Option to Use a Cent Account

In a **cent account**, the balance is displayed in cents. For example, if you deposit $10, your balance will be 1000 cents. This account is suitable for individuals with little trading experience or those who want to trade with small capital.

Conclusion

The **deep market** and **high liquidity** make Forex a **manipulation-resistant** market with relatively reasonable volatility.

Forex offers attractive features such as **high leverage**, **24-hour trading**, and **decentralized** (OTC) transactions, which encourage traders to participate.

LIVEWORKSHEETS

Sources:

1.our website link :
https://tradingfinder.com/education/forex/features-of-forex/

2.all Education :
https://tradingfinder.com/education/forex/

3.TradingFinder Support Team (Telgram):
https://t.me/TFLABS


TradingFinder


Educational link




TradingFinder


tradingfindercom

LIVEWORKSHEETS