

Forex Market; Common Terms & Features

The **Forex market** (Foreign Exchange Market - Forex) is the largest financial market in the world, accessible digitally through online trading platforms.



Features of the Forex financial market

Forex allows traders to profit from **currency exchange rate fluctuations**.

What is Forex?

The term **Forex** is derived from the combination of the words **Foreign** (international) and **Exchange** (exchange).

The word *Foreign* refers to foreign currencies, making Forex the process of **exchanging different currencies**.

Historically, currency exchange was done physically in places like **banks or currency exchange offices** for purposes such as international travel or purchasing foreign goods.

What is a Two-Way Market?

One of the unique features of **the Forex market (FOREX)** is its **two-way trading capability**.

This allows traders to **profit from both rising and falling prices**. In other words, one can simultaneously buy (BUY) or sell (SELL) a currency pair.

For example, if it is predicted that the **EUR/USD** currency pair will increase in value, a trader would buy (Buy) this pair.

The profit comes from the difference between the buying and selling price if the price increases.

Similarly, if a trader expects the price to drop, they can sell (Sell) the currency pair and repurchase it at a **lower price** to make a profit.

This feature enables **continuous trading** regardless of market conditions.

How Does the Forex Market Work?

In the **Forex market (Foreign Exchange Market - Forex)**, currencies are traded as **currency pairs**. For instance, the **USD/JPY** pair represents an exchange between the U.S. dollar and the Japanese yen.

When this currency pair is bought, it means buying **U.S. dollars** and selling **Japanese yen**. Conversely, selling this pair means selling **U.S. dollars** and buying **yen**. **Profits** and **losses** are determined based on price fluctuations.

Features of the Forex Market

The Forex market possesses unique characteristics that differentiate it from other financial markets, including:

- ❖ **High Liquidity:** Over **\$6.6 trillion of liquidity** is traded in Forex daily.
- ❖ **Extended Trading Hours:** The market operates **24 hours a day, five days a week**.
- ❖ **Leverage Trading:** Allows traders to control larger positions with smaller capital.

However, **misuse of leverage can lead to significant losses**.

Key Terms in Forex

To understand Forex better, familiarity with some common market terms is essential:



Commonly used key terms in the Forex market

- ◆ **Buy/Ask:** The price at which a trader can **buy** a currency pair
- ◆ **Sell/Bid:** The price at which a trader can **sell** a currency pair
- ◆ **Lot:** The standard unit of measurement for **trade volume** in Forex
- ◆ **Leverage:** A tool that allows traders to execute large trades with a small investment, Overuse can lead to **substantial** losses
- ◆ **Pip (Percentage in Point):** The smallest unit of price change in a currency pair
- ◆ **Take Profit (TP):** A predetermined price level at which a trade **automatically** closes in profit
- ◆ **Stop Loss (SL):** A predetermined price level to limit potential losses
- ◆ **Spread:** The difference between the buying and selling price of a currency pair, considered the trading fee
- ◆ **Fundamental Analysis (FA):** Examining **economic** and **political** factors to forecast price movements
- ◆ **Technical Analysis (TA):** Using charts and historical data to predict price changes

Key Software & Trading Platforms for Forex Trading

To trade in the **Forex market (Foreign Exchange Market - Forex)**, traders must use specific platforms. Some of the most popular platforms include:

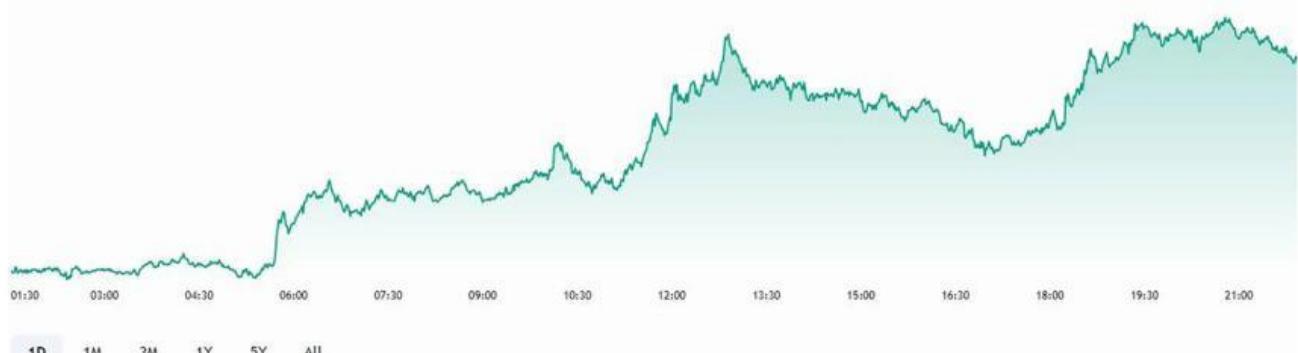
- ◆ **MetaTrader 4 (MT4):** One of the oldest and most widely used **trading platforms**, suitable for both beginners and professionals.
- ◆ **MetaTrader 5 (MT5):** A more advanced version of **MT4**, featuring **enhanced technical analysis** and support for new trading tools.
- ◆ **TradingView:** A powerful tool for **technical analysis** and **chart viewing**, known for its **user-friendly interface and advanced tools**.



Popular platforms in the Forex financial market

Each platform has its own advantages and disadvantages. For instance, **MT4** is more beginner-friendly, while **TradingView** offers **more analytical tools** for professional traders.

Market summary >

Indices Stocks Crypto Futures **Forex** Bonds ETFs EUR to USD =
1.04919 usd +0.75% USD to JPY =
155.920 JPY -0.06% GBP to USD =
1.2477 usd +1.04% AUD to USD =
0.63097 usd +0.42%

Forex financial market chart on the TradingView platform

What is a Forex Broker?

To trade in Forex and open an account, traders must use reliable **forex broker**. A **regulated broker** ensures **trader funds are secure** and provides features such as:

- ◆ **Fast order execution**
- ◆ **Low spreads**
- ◆ **Comprehensive support**

Well Known Forex Brokers

 **IC Markets**

 **exness**

 **FUSION MARKETS**

 **Black Bull**

 **pepperstone**

 **easyMarkets**
Simply Honest.

 **LiteForex**
The World of Financial Freedom

 **JustMarkets**

 **FX TRADING.com**



STAR TRADER

 **cFCA MARKETS**

 **HF MARKETS**

Well-known brokers in the Forex financial market

Risk Management and Emotional Control

One of the **key factors** for success in **Forex trading** is **risk management and emotional control**. Traders can **avoid major losses** by setting **Take Profit (TP)** and **Stop Loss (SL)** levels. Many beginners lose capital due to ignoring these principles.

Avoiding greed and emotional decision-making plays a crucial role in long-term success.

Conclusion

The **Forex market** is the **largest and most dynamic** financial market, where currency pairs such as **EUR/USD** and **GBP/USD** are traded.

With trading sessions in **London, New York, and Asia**, traders can find diverse opportunities **around the clock**.

With its **high liquidity and vast range of currency pairs**, Forex is an ideal market for **strategic trading**.

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