

Forex A To Z: All You Need To Know To Start Trading Forex

Being new to FOREX trading? Don't worry, getting started in FOREX trading is easy and you can always test your skills first in a demo account before you go 'live' with real money. To get started in FOREX trading, we have to get to know what FOREX is. FOREX trading involves buying and selling the different currencies of the world. Buying one currency and selling another at the same time make a FOREX deal. FOREX market is the largest trading market in the world. It yields an average turnover of \$1.9 trillion daily and the figure is nearly 30 times larger than the total volume of equity trades in United States.

Who are the major players in FOREX market?

Although FOREX trading involves such a big volume of trades nowadays, it is not made available for the publics until year 1998. In the past, the FOREX market was not offered to small speculators or individual traders due to the large minimum business sizes and extremely strict financial requirements. At that time, only banks, big multi-national cooperation and major currency dealers were able to take advantage of the currency exchange market's extraordinary liquidity and strong trending nature of world's main currency exchange rates. Only until the late 90s, FOREX brokers are allowed to break huge sized inter-bank units into smaller units and offer these units to individual traders like you and me. As a fact in FOREX trading, FOREX is mainly traded in large international bank. According to Wall Street Journal Europe, 73% of the trade volume is covered by the major ten. Deutsche Bank, topping the table, had covered 17% of the total currency trades; followed by UBS in the second and Citi Group in third; taking 12.5% and 7.5% of the market. Other large financial cooperation in the list is HSBC, Barclays, Merrill Lynch, J. P. Morgan Chase, Coldman Sachs, ABN Amro, and Morgan Stanley.

Starting in FOREX trading

To start trading on FOREX, one must first learn how to read FOREX quotes. Foreign exchange quotes are always listed in pairs (e.g. USD/JPY 109.2): the first listed currency is known as the base currency with a constant value of 1 unit; while the currency listed in the second is known as counter. In our given example, USD/JPY 109.2 means a dollar of United States Dollar is equal to 109.2 Japanese Yen. In other words, the quote shows the relative value of one currency compare to the other. It means the value USD had been increased when USD/JPY quote goes up

However, a two-sided quote (e.g. EUR/USD 1.2435/1.2440) consisting of a 'bid' and 'ask' is often seen. The 'bid' price is the price at which you can sell the base currency; while the 'ask' price is where you can buy the base currency. The different of 'bid & ask' price is commonly known as 'spread'. In the example of EUR/USD 1.2435/1.2440, this means you can buy 1 Euro Dollar with 1.2440 USD or sell 1 Euro 1.2435. Currency brokers make their profit through these differences of 'bid & ask' price and this is how they manage to provide their services to individual investors without charging them commission fees. If you are new to trading it makes sense to deal in the more popular currencies. There are two main reasons for this. Firstly you do not want to be left with a currency where there is little interest and you may have difficulty selling. Secondly the spread between the bid/ask prices is likely to be narrower, making it easier to make a profit.

Major currency traded in FOREX market

There are seven major currencies, the US dollar (USD), Euro (EUR), Japanese yen (JPY) British pound (GBP), Swiss Franc (CHF) Canadian dollar (CAD) and Australian dollar (AUD). The US dollar is the most traded currency followed by the Euro and the Yen. The Euro is the relatively new currency of the European Union although some member states, including the UK, have not changed their currency. Also, if you live in a country using one of the major currencies, when you first start trading it makes sense to begin with that currency. Not only are you familiar and comfortable with the currency, but you are in a better position to judge its strength. The internet has a wealth of information on the financial climate of a country, but if you live there you have access to all newspaper content, as well being in the unique position of experiencing first hand changes at the consumer level.

Why I should trade FOREX?

Main Question raised in your mind might be: Why should you trade FOREX? There are lots of reasons why you should involve in FOREX trading. FOREX market is truly a global market where it opens 24 hours a day through out the whole week (weekends excluded). With the ease of Internet access, transaction in FOREX can be done in anytime regardless on your location. This gives you the convenience to work on any time, anywhere – which in turns gives you the freedom you cannot have in investing other kind of trading.

More over, trading in FOREX gives you an equal prospective in rising and falling market. As trades are always done in pair of currency pairs, FOREX traders can always find chance to make money in anytime, regardless on the fall or rise period of one single country currency. Also, FOREX trading offers incredibly high leverage rates to the traders. By trading currency in margin up to 200 to 1, you can start off your FOREX trade with minimum

capital and huge ROI.

Conclusion

Wrapping things up, I hope that the article gives you a better general understanding about FOREX trading. With the flexibility you can get, FOREX trading suits perfectly into most people investment plans. Like with any new form of trading you need to know what you are doing, especially as there is margin involved. If you are new to FOREX, take all the time you need to learn this new trading skill well -- practice everything you learn with a demo account before you consider going 'live' with your own money. Investors should read books, attend seminars and paper trade until they are comfortable with there strategy.

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