

## Some Words and Some Knowledge Regarding the Foreign Exchange Market

Whether you call it Forex or Fx, you are talking about the Foreign Exchange market. This is where the trading of currencies, one against the other, is done. To have an idea just how big the action is, add all the stock exchanges in the world together and the Foreign Exchange will still be bigger!

When you consider that various speculators, hedge funds, governments as well as companies, plus countless private investors who take part, it is hardly surprising that this market is so strong and that the estimated daily average turnover of the foreign exchange market is over 3 trillion US Dollars.

THE SPOT RATE is by far the most asked for. This transaction has to be settled within two business days.

With London, New York, Tokyo, Frankfurt and Sydney as the chief trading centres, the action hardly ever closes.

BID refers to the price at which the buyer is prepared to buy the currency. It is like when you are at an auction and you are putting your hand up to say you are willing to purchase something at that price.

OFFER means the price at which an amount of currency the seller is ready to sell.

LIMIT ORDER is when you give instructions to buy or sell a currency at a predetermined exchange rate.

INTER BANK RATES means the bid and exchange rates when international banks buy and sell between themselves.

SPREAD is the difference between the bid and ask price of a currency.

STOP LOSS is when an order is given to purchase or sell a currency at a price level set by the client on a particular trade which if reached, will close out the particular position at the stated price.

TRANSACTION DATE is the date on which a foreign exchange trade is being done.

SETTLEMENT DATE is the date which foreign exchange contracts settle.

Every currency has a three letter code such as for the Euro (EUR), for the British Pound (GBP), for the US Dollar (USD), for the Japanese Yen (JPY), for the Australian Dollar (AUD), for the Swiss Franc (CHF), for the Canadian Dollar (CAD). Actually, these are the major trading currencies and all commonly traded currencies are called the majors.

CABLE is a name given to the US Dollar/British Pound rate in the foreign exchange market.

EFT is the Electronic Fund Transfer which is the transfer of money between banks.

When there is a quote in currency pairs, remember that the first currency is called the base currency. The second currency is called the counter currency. As an example when you get a quote GBP/USD at 1.96 it means that for one GBP you will get 1.96 USD. So for ten thousand pounds you will get nineteen thousand six hundred US Dollars.

The many foreign currency exchange companies which you can find on the internet will gladly give you a quote, and by phoning around you can find the best currency rates. They will be better than a high street bank is likely to offer and they will give you a very fast service. Furthermore, most of them will not charge you any commission or the cost of the electronic bank transfer.

## About the Author

Paul Dubsy is director of [Foreign Currency Exchange Services Ltd](http://www.fxarticles.info). The company is focused on being able to offer really friendly currency exchange rates. We believe we are the only Foreign Currency Exchange company which offers special rates to Senior Citizens.