

BASICS OF THE FOREX MARKET





KEY DISCUSSION POINTS

1. What is “Forex FX”
2. Market Sessions
3. Currency Quotation
4. PIP,PIP Calculations
5. Leverage
6. Margin
7. Bid/Ask
8. Lot size
9. order types
10. Margin Calculations

WHAT IS THE FOREX

The forex trading market is an international decentralized financial market whereby one currency is exchanged for another. The forex market is the largest, most liquid market in the world, with average traded values that can be trillions of dollars per day. It includes all of the currencies in the world.

MARKET SESSIONS



Pacific Session



Tokyo Session



London Session



New York Session



PACIFIC SESSION

FOREX STARTS ITS WORKING HOURS WHEN THE PACIFIC SESSION OPENS
ON MONDAY LOCAL TIME THIS

THE SESSION IS CHARACTERIZED BY A RATHER LOW VOLATILITY, AND, AS A
MATTER OF FACT, THIS IS THE MOST PEACEFUL TIME ON THE MARKET

TOKYO SESSION

THE PACIFIC SESSION IS FOLLOWED BY THE ASIAN SESSION CURRENCY PAIRS THAT INCLUDE USD, EUR, JPY, AND AUD ARE TRADED ACTIVELY DURING THIS PERIOD THE TRADING ACTIVITY OF AUD IS CAUSED BY THE INTERSECTION OF THE WORKING TIME OF THIS SESSION WITH THE PACIFIC ONE

LONDON SESSION

THE OPENING OF THE EUROPEAN SESSION STARTS IN FINANCIAL CENTERS SUCH AS THOSE IN FRANKFURT, ZÜRICH, AND PARIS HOWEVER, TRADING GETS MORE ACTIVE ONLY AFTER TRADING STARTS IN LONDON A FAIRLY STRONG VOLATILITY MAY BE NOTICED DURING THIS SESSION, BECAUSE THE EUROPEAN ZONE HAS A SUFFICIENTLY LARGE AMOUNT OF MONEY TURNOVER

NEW YORK SESSION

THE MOST ACTIVE TIME ON THE FOREIGN EXCHANGE MARKET IS THE BEGINNING OF THE AMERICAN SESSION, BECAUSE IT REACHES THE OPENING OF TRADING IN NEW YORK AND THE RENEWAL OF TRADING IN EUROPE FUNDAMENTAL NEWS OF SPECIAL IMPORTANCE IS RELEASED IN THE BEGINNING OF THE AMERICAN SESSION

CURRENCY QUOTATION

BASE AND QUOTE CURRENCY

In forex, the base currency represents how much of the quote currency is needed for you to get one unit of the base currency. For example, if you were looking at the EUR/USD currency pair, the Euro would be the base currency and the U S dollar would be the quote currency.

Buy

Sell

EUR / USD = 1.0676

Quote

Base is Always 1

100 EUR → 106.76 USD

WHAT IS PIP ?

“PIP”

STANDS FOR POINT IN PERCENTAGE

A pip is usually the last decimal place of a quotation
Most pairs go out to 4 decimal places, but there are
some exceptions like Japanese Yen pairs (they go out to
two decimal places)

PIP CALCULATIONS

Pip

Value $== (\text{Pip in decimal places} * \text{Trade Size}) / \text{Market Price}$

TRADING 1 LOT OF EUR/USD WITH AN ACCOUNT DENOMINATED IN EUR

ONE PIP IN DECIMALS - 0.0001 TRADE SIZE - 100,000 EXCHANGE RATE - 1.13798

$0.0001 * 100,000 = 10 \Rightarrow 10 / 1.13798 = \text{EUR } 8.78750$



Lot Size

1 LOT

100,000
Units

A STANDARD LOT
SIZE 100,000
CAUSES AN
APPROXIMATELY
10 USD PER PIP
GAIN OR LOSS

0.1 LOT

10,000
Units

A MINI LOT
SIZE 10,000
CAUSES
AN
APPROXIMATELY
1 USD PER
GAIN OR LOSS

0.01 LOT

1,000 Units

A MICRO LOT
SIZE 1 000
CAUSES
AN
APPROXIMATELY
0.1 USD PER PIP
GAIN OR LOSS

Order Types

MARKET ORDER

Order placed at the current market price.

BUY STOP

Order placed above price and price keeps going up

BUY LIMIT

Order placed below price and price then goes up

SELL STOP

Order placed below price and price then goes down

SELL LIMIT

Order placed above price and price then move down

MARGIN CALCULATIONS

Required Margin=Trade Size x Margin x

Market Price Example

TRADING 1 LOT OF EUR/USD USING 1:50 LEVERAGE WITH AN
ACCOUNT DENOMINATED IN USD

TRADE SIZE=100,000 MARKET PRICE 1.0729

REQUIRED MARGIN=100,000 X 0.02 X 1.0729=2145.8 USD



THANK YOU