What is Forex?

The foreign exchange market – also known as forex or the FX market – is the world's most traded market, with turnover of $5.1 trillion per day.

To put this into perspective, the U.S. stock market trades around $257 billion a day; quite a large sum, but only a fraction of what forex trades.

Forex is traded 24 hours a day, 5 days a week across by banks, institutions and individual traders worldwide. Unlike other financial markets, there is no centralized marketplace for forex, currencies trade over the counter in whatever market is open at that time.

Trading currencies can be risky and complex. Because there are such large trade flows within the system, it is difficult for rogue traders to influence the price of a currency. This system helps create transparency in the market for investors with access to interbank dealing.

Factors like interest rates, trade flows, tourism, economic strength, and geopolitical risk affect the supply and demand for currencies, creating daily volatility in the forex markets. An opportunity exists to profit from changes that may increase or reduce one currency's value compared to another. A forecast that one currency will weaken is essentially the same as assuming that the other currency in the pair will strengthen because currencies are traded as pairs.

How FX Trading Works

Trading forex involves the buying of one currency and simultaneous selling of another. In forex, traders attempt to profit by buying and selling currencies by actively speculating on the direction currencies are likely to take in the future.

World's Major Currencies

COUNTRY	SYMBOL	COUNTRY	SYMBOL
United States	USD	Switzerland	CHF
Eurozone	EUR	Canada	CAD
Japan	JPY	Australia	AUD
Great Britain	GBP	New Zealand	NZD

Basic Forex Trading Strategies

The most basic forms of forex trades are a long trade and a short trade. In a long trade, the trader is betting that the currency price will increase in the future and they can profit from it. A short trade consists of a bet that the currency pair's price will decrease in the future. Traders can also use trading strategies based on technical analysis, such as breakout and moving average, to fine-tune their approach to trading.