

Forex Trading Basic Strategies

"Learn How To Make Money From Forex"

Lesson 5

Understanding Forex Jargons

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Understanding Forex Jargons

One of the major frustrations of Forex traders is the awful lots of jargons. Googling those terms does not seem to help either because the explanations are more often than not, contain other jargons. In this Lesson I will Show You five common technical terms used in Forex trading in layman language.

Quote: Forex trading is always done in pairs and thus a currency is always quoted relative to another currency, e.g. USD/JPY, EUR/USD, AUD/GBP. A quote would look like this: USD/JPY = 100.00. The currency on the **left** (in this case, US dollar) is known as the “**base currency**” and always equal to 1 unit, whereas the currency on the **right** (in this case, Japanese Yen) is called the **quote or counter currency**. A quote is how much worth one unit of the base currency, hence this particular quote means that USD 1 can purchase 100.00 Japanese Yen.

Pip: stands for “percentage in point” which is the smallest increment of trade in Forex. Prices in Forex market are always quoted to **the fourth decimal place**, **except Japanese Yen**; e.g. when EUR/USD rises from 1.5200 to 1.5201, it rises by 1 pip. For Japanese Yen, 1 pip is equivalent to 0.01 (two decimal places). Most currency pairs trade between 100 – 150 pips daily.

Bid / Ask: In Forex, **to bid** means “**to buy**” whereas “**to ask**” means “**to sell**”. The quote on the left is the bid (buy) price while the quote on the right is the ask (sell) price, and bidding price is always lower than the asking price. The base currency

would be the one in which the transaction would be conducted.

Let's look at the example, *EUR/USD 1.2600/02*. To sell this currency pair means to sell the base currency, i.e. the EURO. The market would buy your 1 EURO base currency with 1.2600 USD. On the contrary, to buy 1 EURO, you need 1.2602

Spread: is the difference between the ask price and the bid price. Using the same example as above, the spread was 2 pips, which you automatically pay to your broker at every trade.

Margin: The minimum amount of money required to place a trade with a broker. You can trade as long as your account has this minimum amount, otherwise your accounts would be closed down.

Understanding the terminologies would definitely boost your confidence in trading and discuss your trade with other traders without sounding like a total novice!

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Highly Recommended Resources

Forex Millionaire's System-DTS, # 1 *Forex Daily Trading System, more than* *140 Training Videos Plus 39 Meta quotes* *and 2 Custom Indicators*

<http://forexmillionairessystem.com/forex-center.html>

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