INFINOX
BASIC FOREX THEORY

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What Is Forex

Foreign exchange (Forex) is the cross-country exchange of currencies and is, single handily, the largest and most liquid financial market in the world. With an estimated $5 trillion in currencies traded in a single day, it eclipses the trading of other types of commodities. Unlike other commodity trading, Forex has no centralised exchange and is traded primarily through banks, brokers, dealers, financial institutions and private individuals. Due to this ability for financial institutions to trade Forex, the Forex market is open 24/5, 5 days a week.

Prior to the late 1990's, **Forex trading** was only the practice for institutional traders and even though retail traders had access to trade the Forex market, only recently has it become popular and more common for individuals to trade Forex for profit.

Most of the world's different country currencies are free floating; meaning they retain an individual value and will appreciate and depreciate against other currencies. Currencies are always listed in pairs as they need another currency to benchmark against.

Why Would I Trade Forex?

Trading Forex has many purposes and you'll be surprised of the many levels traded that impact you and you're not even be aware of it.

For every purchase you make, the contents, ingredients, by-products, parts or materials may not necessarily be from a domestic source. It could have been bought internationally and as such the exchange of foreign currency would have had to be taken place.

From a financial perspective, some people may trade the Forex market for profit. By taking a cross currency pair, they may exchange currency to a foreign designation hoping for domestic currency values to depreciate, thus when you convert it back you will receive more than you initially started.

For international importer or exporter of goods and services, there are great opportunities by having access to the international market. However, with fluctuating international currency rates, payment can sometimes be difficult. Initially companies make a sale for an agreed price, then on the day of payment the agreed value is significantly less than agreed to, due to a currency fluctuation is known as "foreign exchange risk".

You will find all types of businesses, from large financial institutions to small retail freight forwarders will practice foreign exchange hedging. Simply put, these companies will put in place measure to ensure that their agreed payment value will represent the same value at the day of payment regardless of currency value fluctuations.

The Eight (8) Major Currencies

Internationally, there are eight (8) currencies that are traded more than other currencies. These are often referred to as "Majors".

These currencies are as follows:

USD – Unites States Dollar
JPY – Japanese Yen
GBP – British Pound
CAD – Canadian Dollar
EUR – Euro (European Currency Unit)
CHF – Switzerland Dollar
AUD – Australian Dollar
UKD – New Zealand Dollar

Certain parts of the world have part of their Saturday to trade, as it's still Friday in other markets. Financial institution in these countries may be dealing with the **Forex market** during their work hours.

Trading sessions according to GMT (Greenwich Mean Time):

Region	City	Open (GMT)	Close (GMT)
Europe	London	8:00 am	5:00 pm
	Frankfurt	7:00 am	4:00 pm
America	New York	1:00 pm	10:00 pm
	Chicago	2:00 pm	11:00 pm
Asia	Tokyo	midnight	9:00 am
	Hong Kong	1:00 am	10:00 am
Pacific	Sydney	10:00 pm	7:00 am
	Wellington	10:00 pm	6:00 am

Trading sessions according to EST (Eastern Standard Time):

Region	City	Open (EST)	Close (EST)
Europe	London	3:00 am	12:00 noon
	Frankfurt	2:00 am	11:00 am
America	New York	8:00 am	5:00 pm
	Chicago	9:00 am	6:00 pm
Asia	Tokyo	7:00 pm	4:00 am
	Hong Kong	8:00 pm	5:00 am
Pacific	Sydney	5:00 pm	2:00 am
	Wellington	5:00 pm	1:00 am

How Do People Make Money From Forex Trading?
Individual (retail) traders will look to trade currency pairs by holding currencies that appreciate and converting their holdings to other currencies to avoid depreciation. However, in recent times there have been financial products developed to make money in both rising and falling markets.

These structured financial products are known as contracts and through your broker they are accessible for you to trade. Through your broker, you will have access to **BUY** or **SELL** such contracts for profit. You will not be physically buying or selling these contracts, you are executing an order to process.

The position taken to make money from an appreciating currency is a BUY order.
The position taken to make money from a depreciating currency is a SELL order.