

FOREX BASICS

with Octa

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What Forex is

The **f**oreign **e**xchange market, which is usually known as '**Forex**' or '**FX**', is the largest financial market in the world, with a \$7.5 trillion total daily liquidity.

The Forex market is a global, decentralised market where the world's currencies are traded. Exchange rates change in seconds, so the market is constantly fluctuating.

What is traded in the Forex market

Currencies: Euro, Pounds, Dollar, Japanese yen, Swiss franc, etc.

Commodities: Gold, Silver, Oil, etc.

Cryptocurrencies: Bitcoin, Ethereum, etc.

CFD on stocks: AAPL, AMZN, TSLA, etc.

Indices: SPX500, NAS100, etc.

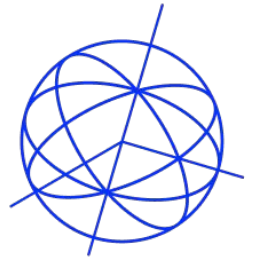


What a currency pair is

A currency pair is the quotation of two different currencies, with the value of one currency being quoted against another.

Types of currency pairs

- **Base currency.** The base currency is the first currency in a currency pair. It's also known as the transaction currency.
- **Quote currency.** The quote currency is the second currency in a currency pair. It's also called counter currency.
- The (bid) price attached to a currency pair tells you the amount of the quote currency you will need to buy 1 base currency.
- The base currency is always greater than the quote currency.



Examples of currency pairs

Abbreviations

EUR—Euro

USD—United States dollar

NZD—New Zealand dollar

AUD—Australian dollar

GBP—Great British pound

CAD—Canadian dollar

CHF—Swiss franc

JPY—Japanese yen

ZAR—South African rand

Currency pairs

EURUSD

USDJPY

GBPUSD

GBPJPY

AUDUSD

USDCHF

USDCAD

NZDUSD

USDZAR

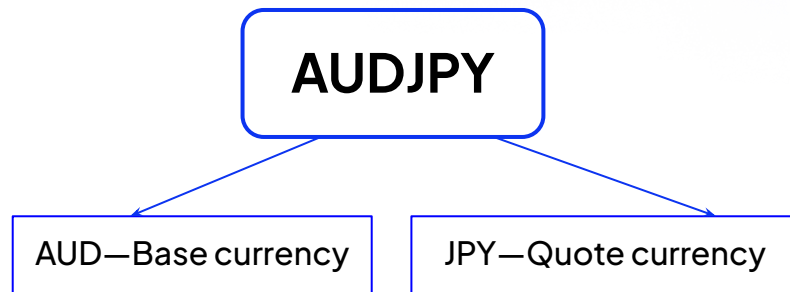
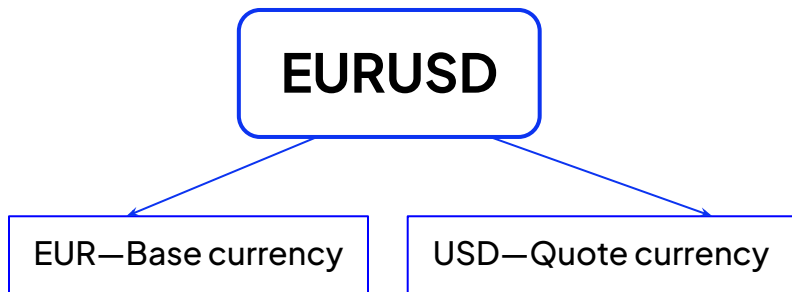
EURCAD

GBPCHF

USDCNY

Examples of currency pairs

Each pair has a unique name:



AUDJPY: 83.55⁵

The number **83.55⁵** shows how much Japanese yen (JPY) you need to buy one Australian dollar (AUD)

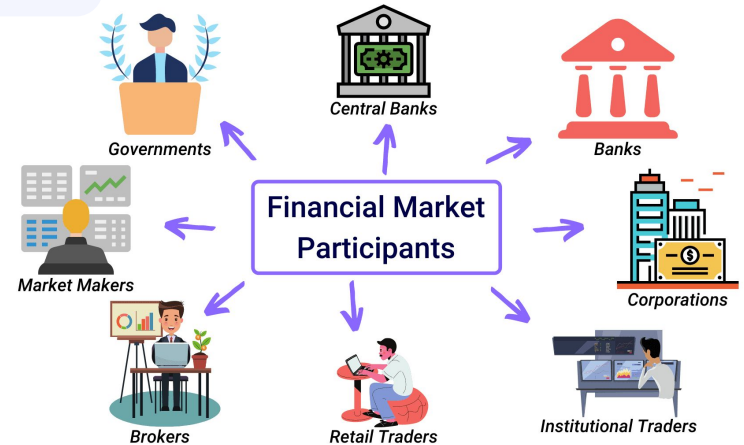
What is a Forex broker

Forex broker is the link between a trader and the network of banks that have access to the Forex liquidity.

A Forex broker gives you access to foreign exchange trading and provide support functions for you.

The advantages of trading with Octa:

- low spreads (difference between the buy price and the sell price of a currency pair)
- high speed of order execution
- no deposit or withdrawal fees
- local transfers
- promotions and bonuses.



How do traders earn

Forex market works just like any other market:

here, the **goods are currencies.**

The earning process is the same:

buying currency at a lower price → selling it at a higher price.

How to be good at it: master seeing and forecasting price trends to make most profitable deals.

The process of opening a good trade

Forex trade Example: EUR/USD

- **Investment/deposit:** \$25
- **Idea:** Anticipation of a positive EU economic report that should strongly boost the Euro.
- **Action:**
Buy 0.2 lots of EUR/USD at **1.1000**.
↓
Wait
↓
Sell: EUR/USD at **1.1050**.

Profit calculation:

Difference: $1.1050 - 1.1000 = 0.0050$ (50 pips)

Lot size: 20,000 units (0.2 lots)

Profit: $0.0050 * 20,000 = \$100$

Key takeaways from the example

- Economic news can create trading opportunities.
- Modest investments can yield significant results with strategic moves.
- Understanding market movements and risks is essential because the news could have a different effect, resulting in losses.

Trader and broker relationship

Trader:

Buys currency from a broker for trading

Broker:

Sells currency to a trader at a slightly higher price via **spread**

Spread is an additional price that brokers earn with

Smaller spread means lower trading costs for a trader

How to benefit: choosing a broker with a low spread can increase traders' profitability

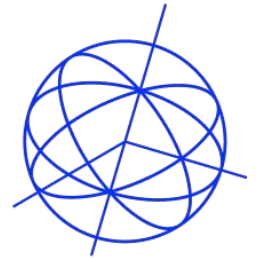
What bid and ask prices are

The **bid** represents the price at which the Forex broker is willing to buy (from you) the base currency in exchange for the quote currency.

The bid price is the trader's selling price.

The **ask** represents the price at which the Forex broker is willing to sell (to you) the base currency in exchange for the quote currency.

The ask price is the trader's buying price.



Example of Bid and Ask prices



What a spread is

The spread is the **difference** between the bid (Sell) price, and the ask (Buy) price of an instrument.



Example on EURUSD

Buy = 1.08195 Sell = 1.08186

Spread—0.9 pip



Understanding leverage in trading

See leverage as borrowed broker's money that traders use to control a larger position in the market with smaller amount of personal investment.

Example: 1:500 leverage

$\$200 \text{ investment} \times 500 = \$100,000 \text{ position}$

Why use leverage?

Leverage enables significant market exposure and the potential for higher profits without needing to invest a large sum of money upfront.

Key point

While leverage can increase potential returns, it also significantly raises the risk of losses. Understanding and practicing risk management is crucial.

What a lot size is

A lot size is the amount or quantity of a trade that you buy or sell. It's sometimes called a position size or a trade size.

Types of lot sizes

Lot size	Units	Representation	Value per pip
Standard Lot	100,000 units	1.00	10 USD
Mini Lot	10,000 units	0.10	1 USD
Micro Lot	1,000 units	0.01	0.10 USD

Test yourself

(*answers on the next slide)

Currency pair order:

which currency is listed first in a currency pair, and why does its position matter?

Buy Order Execution:

at what price are Buy orders executed in the Forex market? How does this relate to the market's current bid/ask prices?

Learning to earn:

what is crucial for a trader to learn to be successful and earn in Forex trading?

Broker's role:

what is the primary task of a broker in Forex trading, and how does it affect traders?

Answers

Which currency comes first in a currency pair?

The first currency listed is called the base currency. It's important because it determines how much of the second currency (quote currency) is needed to buy one unit of the base currency.

At what price are Buy orders executed in the Forex market?

Buy orders are executed at the ask price, which is the price sellers are willing to accept.

What is important for a trader to learn how to earn?

Traders need to learn about market analysis, risk management, and trading strategies to earn profits.

What is the broker's task?

A broker's main task is to facilitate trades by providing traders access to the Forex market, often making money from spreads or commissions.