Basic Concepts I: Introduction

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The Foreign Exchange (often abbreviated as Forex or FX) market is the largest market in the world with daily trading volume of over 1.9 $trillion in September 2004*. With its high liquidity, low transaction cost and low entry barrier, the 24-hour market has attracted investors around the world.

The following articles aim to introduce the key concepts in forex trading, the terminologies and the characteristics of the FX market.

The articles first introduced the concept 'spread', which is the most important transaction cost in forex trading, how the spread is presented in the price quotes, what is the significance of it and what is the trick behind it. As most of the retail customers choose to trade forex with margin account, the articles then introduced what is margin trading, what is the significance of margin, how to trade a margin account and how to choose the correct leverage ratio.

In trading online forex, there are many types of orders that you can make to facilitate your trades. The articles then explained the rationale behind each type of orders, when and how to use each of them.

Being one of the most actively trading markets, the forex market is yet, may not be the most well known market. The articles then gave a little historical background and explained the nature of the forex market, and made an overall comparison of various trading markets. It also discussed the pros and cons of trading forex market and what are the recent trends.

Like any other trading instruments, traders should understand the terminologies and the basis of the market before he/she starts real trading. The above articles serve as an essential beginners' guide to the world of forex trading.

*According to the Triennial Central Bank Survey of the foreign exchange market conducted by the Bank for International Settlements and published in Sept 2004

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