Article Side

A Brief Introduction to Foreign Exchange Market by Monte Carlos

Article published on May 9th 2012 | Marketing

Currencies today can be defined as financial units of countries with indication of a certain type (gold, silver, paper) or economic units of a country which include payment and credit papers expressed in economic units and usable for international accounts in the form of cheques, bank statements, etc.

Currency market more popularly known as forex is the market, where all business done by its members is to trade some type of currency. Banks, multinational companies, brokerage firms and individual trader exchange a fixed amount of one currency for a fixed amount of another currency.

The forex market follows the rule of demand and supply and has two basic types of operations: buy and sell. The forex market is highly diversified and spread all over the world. It functions in the form of open market operations. No single person or company is capable of manipulating pricing through targeted buying or selling on the foreign exchange market because of the sheer magnitude of the volume of trading which exceeds $4 trillion every day.

All currencies are assigned a unique International Standards Organization (ISO 4217) code abbreviation to avoid confusion between currencies of different countries with similar sounding names. In currency trading, these codes are used to identify the currencies that make up a currency pair. For example, USD is the code for the US dollar, and JPY is the code for the Japanese Yen. For instance, the three-letter code for US dollar uses the ISO 3166-1 country code for the first two letters and the first letter of the name of the currency (D for dollar, in this example) as the third letter therefore United States currency, is referred to as USD worldwide.

The currency market has some primary currencies and majority of exchanges consist of pairs involving just these eight currencies:

1. USD (The U.S. dollar) - Most preferred currency of the Forex market, also called the buck, the greenback, the dolly.

2. EUR (The Euro) - Currency for the European Union countries, second most preferred currency.

3. GBP (Great Britain Pounds) - Englandâ€™s national currency, also called the sterling, pound, and cable.

4. CHF (The Swiss franc)

5. JPY (The Japanese yen)

6. AUD (The Australian dollar)

7. Đ¡AD(The Canadian dollar)

8. NZD (The New Zealand dollar)

Some more Forex jargons:

â€¢ A long position stands for buying a currency.

â€¢ A short position stands for selling a currency.

â€¢ Opening a position implies entering a new trade for a currency for both long and short positions.

â€¢ Closing a position implies buying or selling your holdings in a currency for reducing an open position to zero.

â€¢ Trades that do not involve US dollars are referred to as cross-rate trades.

The largest currency exchanges are in London, New York and Tokyo. Foreign exchange market is the largest market in the world .The volume of daily transactions makes it the most liquid and rapidly growing international market.

Article Source:
http://www.articleside.com/marketing-articles/a-brief-introduction-to-foreign-exchange-market.htm - Article Side

Monte Carlos - About Author:
Monte Carlos is a seasoned broker in the currency market (Spanish:- a mercado divisas) and offers valuable tips on how to make successful investments in foreign exchange market(Spanish:- a mercado de divisas). Visit his website to become familiar with FX strategies, tools, news and analyses.

Article Keywords:
mercado de divisas, mercado divisas

You can find more free articles on Article Side. Sign up today and share your knowledge to the community! It is completely FREE!