A GUIDE TO USING FOREX TRADING PLATFORMS

The foreign exchange, also known as FX and ForEx, is a global marketplace where investors exchange national currencies for conducting foreign trade. Currencies are bought and sold against each other's exchange rates in pairs.

Foreign exchange consists of three markets (spot, forwards, and futures) where individual and corporate investors exchange currency. FX markets are the largest and most liquid markets globally and are commonly used for hedging and speculating international currency, and portfolio diversification.

AN OVERVIEW OF FOREX MARKETS AND PLATFORMS

Foreign exchange is a necessary component of foreign trade. In order to exchange foreign goods, foreign currencies must be exchanged against each other at their current values.

While, globally, it is the largest financial marketplace, foreign exchange is a somewhat unpopular form of investment trading for individual investors; it is mainly a corporation's investment game.

This is due to several complexities at play, including:

- Currency fluctuation
- Foreign trade lot sizes
- Transaction prices
- Profit-loss potential

HOW TO READ A FOREIGN EXCHANGE QUOTE

Foreign currencies are hardly ever equal in value. Foreign factors such as geopolitics, foreign economic activity, and government-reported economic data all constantly affect the rate of a country's currency value.

Foreign exchanged goods are rarely ever sold in individual units.

Instead, they are commonly sold in unit lots, usually on the magnitude of thousands, ten thousands, hundreds of thousands, etc.
Additionally, when foreign assets are bought and sold, ForEx currencies are exchanged against each other's current value rates. A ForEx currency exchange rate is called a quote.
One unit of the base currency is traded against the rate of the quote currency. The quote currency is usually priced to four decimal places.

TRADING IN THE SPOT MARKET

Thanks to the rising popularity of electronic trading, the spot market has become the most popular form of all three foreign exchange markets.

To some, the spot market is synonymous with ForEx.

The spot market is the largest of all three foreign-exchange markets because it is the basis for all three markets, meaning the forwards and futures markets' transactions rely on spot markets' assets.

TRADING IN THE FORWARDS MARKET

The forwards market is known as an over-the-counter (OTC) market, unlike the spot and futures market, which trade on centralized exchange markets.

In a forwards contract, a buyer and seller determine the type and price of an asset, as well as the date of settlement among themselves. The agreed-upon price is used as a standard against the asset's spot price at the time of the contract's settlement.

TRADING IN THE FUTURES MARKET

The futures market is an auction market, meaning contract buyers and sellers make competitive bids and offers.

Matching bids and offers are paired and executed as orders.

In a futures market, sellers create competitive offers for specific assets for which buyers buy the right receive assets at a future date.

RISKS AND REWARDS IN FOREX TRADING

Ironically, foreign exchanges are approached with lots of caution and excitement. These markets are high risk-high reward; trading in foreign exchange markets is not for novice investors.

Successful investments require a thorough understanding of one's:

- Target foreign market
- Asset
- Currency

START YOUR ADVENTURE WITH FOREX TODAY, CAUTIOUSLY

Foreign exchange is a broad and diverse investment topic; it's okay if you don't get it in one day. If you want to have a harmless try at ForEx trading, we suggest you try a demo ForEx account. Regardless of where you are in your ForEx journey, we hope you have fun learning lots about the foreign markets surrounding you!

Sources: www.investopedia.com/articles/forex/11/why-trade-forex.asp, www.nerdwallet.com/blog/investing/forex-trading/