TradeMentor

Chapter 1.1

The Forex Market

THE FOREX MARKET

The Forex market is the largest financial market in the world. Nearly $3.2 trillion worth of foreign currencies trade back and forth across the Forex market every day. Forex stands for the foreign exchange—the financial exchange on which governments, banks, international corporations, hedge funds, and individual investors exchange foreign currencies.

Those of you who travel abroad frequently have probably also noticed that the exchange rates at the currency counter at the airport never seem to be the same. They are constantly changing. Sometimes you get a lot more bang for your buck when you exchange your money, and sometimes you have to exchange a few more euros, British pounds or U.S. dollars just to get by. That is because exchange rates are constantly changing, and it is these changes in exchange rates that enable you to make a lot of money in the Forex market.

FOREX INVESTORS TRADE CURRENCY PAIRS

Everything is relative in the forex market. The euro, by itself, is neither strong nor weak. The same holds true for the U.S. dollar. By itself, it is neither strong nor weak. Only when you compare two currencies together can you determine how strong or weak each currency is in relation to the other currency.

Currencies always trade in pairs. You never simply buy the euro or sell the U.S. dollar. You trade them as a pair. Some of the most well-known currency pairs are:

EUR/USD	(Euro / U.S. dollar)
GBP/USD	(British pound / U.S. dollar)
USD/JPY	(U.S. dollar / Japanese yen)

Investors, just like you, make money every day by trading currency pairs. By determining what is going to happen to a currency pair in the future, investors can act today to take advantage of coming price movements.

Currency pairs can do one of the following three things:

- They can go up
- They can go down
- They can go sideways

If you can determine which way a currency pair is going to move, you can become quite profitable.

WHAT DRIVES CURRENCY PAIRS

The key to making money in the forex is understanding what makes currency pairs move. Ultimately, it is investors who make currency pairs move as they buy and sell different currencies, but these investors buy and sell for a reason. Either they see something happening fundamentally in the global economy that makes them believe a currency is going to get stronger or they see something happening fundamentally that makes them believe a currency is going to get weaker. In other words, they watch the fundamentals and make their decisions according to what they see.

Fundamentals make currency pairs move. If the economic fundamentals in the United States are improving, the U.S. dollar (USD) will most likely be getting stronger because forex investors will be buying dollars. Conversely, if the economic fundamentals in the United States are declining, the U.S. dollar (USD) will most likely be getting weaker because forex investors will be selling dollars.

GETTING STARTED

Thousands of investors, just like you, are taking advantage of the profit potential of the forex market. Once you understand what drives the forex market, all you have to do is open a trading account, do your research and click a few buttons in your online trading station. Then sit back and monitor your trades. It may take a little practice, but before long, you'll be making money like a seasoned professional. Start letting your money work for you.

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