



FOREX JARGON

BEGINNER FOREX

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Part 2: Forex Trading Terminology

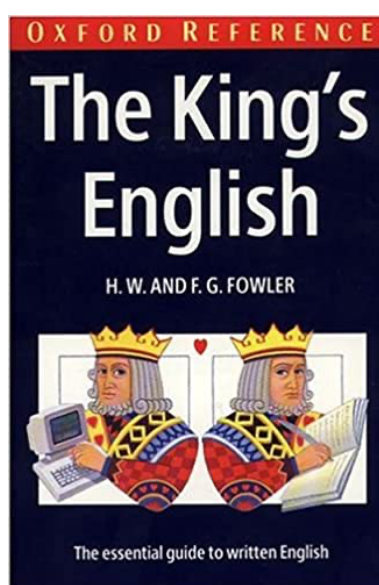
Forex Trading Terminology



The FX market, like any other financial industry, has its own jargon aka slang. Don't worry bra, I gots you. Below are some forex terms that I tried to make easier to understand. If you still don't understand? Then go watch a YouTube video or better yet, sign up for our Beginner Class! (First 10 seats are at R19, yeah 19 F#####N RAND! Just tryna make awareness for COVID-19, stay safe folks!)

• **Basic B# Slang:**

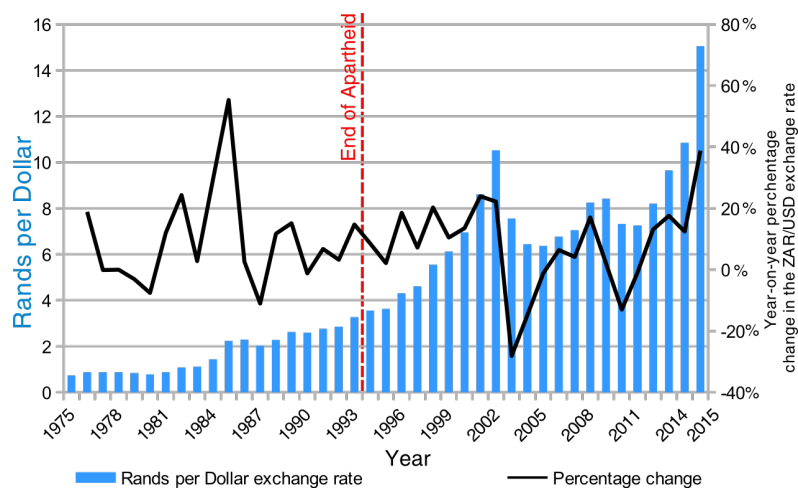
This free module, will look at the basic stuff! Like things people will mention on a tweet or an Instagram video. I have tried my utmost best to write these in Kings English so you can sound smart when regurgitating this shit to someone else! You know what, I'll even chuck in some in examples just to break it down better for you. I know right, what a guy!! Lez go:



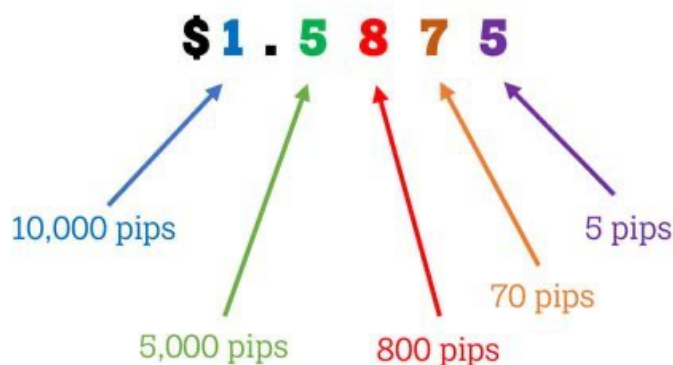
Cross rate – The currency exchange rate between two currencies, both of which are not the official currencies of the country in which the exchange rate quote is given in. This phrase is also sometimes used to refer to currency quotes which do not involve the U.S. dollar, regardless of which country the quote is provided in.

For example, if an exchange rate between the British pound and the South African rand was quoted in an American newspaper, this would be considered a cross rate in this context, because neither the pound or the rand is the standard currency of the U.S. However, if the exchange rate between the pound and the U.S. dollar were quoted in that same newspaper, it would not be considered a cross rate because the quote involves the U.S. official currency.

Exchange Rate – The value of one currency expressed in terms of another. For example, if ZAR/USD is 1.3200, 1 Rand is worth US\$1.3200. (IMAGINE!!!)



Pip – THE MOST USED WORD IN FOREX! The smallest increment of price movement a currency can make. Also called point or points. For example, 1 pip for the ZAR/USD = 0.0001 and 1 pip for the USD/JPY = 0.01. (To understand WHY they different, Google it)



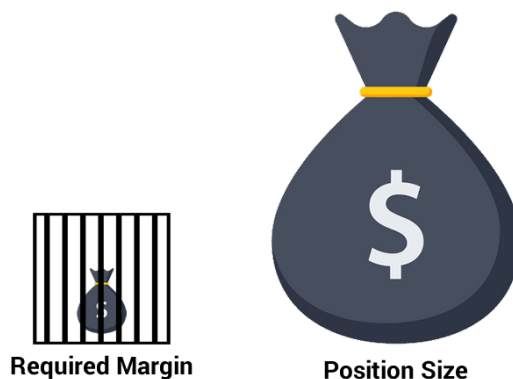
Leverage – Leverage is the ability to gear your account into a position greater than your total account margin. For instance, if a trader has R1,000 of margin in his account and he opens a R100,000 position, he leverages his



account by 100 times, or 100:1. If he opens a R200,000 position with R1,000 of margin in his account, his leverage is 200 times, or 200:1. Increasing your leverage magnifies both gains and losses. (BECAREFUL)

To calculate the leverage used, divide the total value of your open positions by the total margin balance in your account. For example, if you have R10,000 of margin in your account and you open one standard lot of ZAR/JPY (100,000 units of the base currency) for R100,000, your leverage ratio is 10:1 ($R100,000 / R10,000$). If you open one standard lot of EUR/ZAR for R150,000 ($100,000 \times EURZAR 1.5000$) your leverage ratio is 15:1 ($R150,000 / R10,000$).

Margin – The deposit required to open or maintain a position. Margin can be either “free” or “used”. Used margin is that amount which is being used to maintain an open position, whereas free margin is the amount available to open new positions. With a R1,000 margin balance in your account and a 1% margin requirement to open a position, you can buy or sell a position worth up to a notional R100,000. This allows a trader to leverage his account by up to 100 times or a leverage ratio of 100:1.



If a trader's account falls below the minimum amount required to maintain an open position, he will receive a "margin call" requiring him to either add more money into his or her account or to close the open position. Most brokers will automatically close a trade when the margin balance falls below the amount required to keep it open. The amount required to maintain an open position is dependent on the broker and could be 50% of the original margin required to open the trade.

Spread – The difference between the sell quote and the buy quote or the bid and offer price. For example, if EUR/USD quotes read 1.3200/03, the spread is the difference between 1.3200 and 1.3203, or 3 pips. In order to break even on a trade, a position must move in the direction of the trade by an amount equal to the spread.

“Normal” Spread

EUR/USD	
1.24 58	1.24 60
SELL	BUY
1.2460 - 1.2458 = 0.0002 or <u>2 pips</u>	

“Wide” Spread

EUR/USD	
1.24 48	1.24 68
SELL	BUY
1.2468 - 1.2448 = 0.0020 or <u>20 pips</u>	



• The major Forex pairs and their nicknames:

USD = US Dollar
EUR = Euro
JPY = Japanese Yen
GBP = British Pound
CHF = Swiss Franc
CAD = Canadian Dollar
AUD = Australian Dollar
NZD = New Zealand Dollar

EUR/USD = "Euro"
USD/JPY = "Dollar Yen"
GBP/USD = "Cable" or "Sterling"
USD/CHF = "Swissy"
USD/CAD = "Dollar Canada" (CAD referred to as the "Loonie")
AUD/USD = "Aussie Dollar"
NZD/USD = "Kiwi"

OKAY, I'm done! See you chaps in the next one!