

Simply Put, What is Currency Trading?

Considered as the largest trading market on earth, currency trading is pegged to be trading over USD 2 trillion everyday. This figure greatly dwarfs the performance of the New York Stock Exchange, which gathers an estimated USD 50 billion each day. This comparison alone while help you imagine just how big a business currency trading is. Before anything else, you might be prompted to ask, "What is currency trading?"

Also known as Foreign Exchange, Forex, or FX, currency trading attracts a lot of investors in that it is a very liquid market to invest in. The potential for profit is huge but the risks too, are very high. Unlike the stock exchange, forex accumulates a huge volume of traders. The margins may be low, but the significantly big number of traders makes up for it. In effect, when you profit, and you invested a significant amount, you'd cash in on a very high profit. What is currency trading to some investors who can afford to lose is such a big risk to those who aren't too fluent about the business yet.

A nation's currency has a value in relation to another currency. As one buys and sells currency, one finds out that there are pairs of currencies that get traded 85% of total volume: US Dollar (USD) and Japanese Yen (JPY), Euro (EUR) and USD, USD and Swiss Franc (CHF), USD and Canadian Dollar (CAD), Australian Dollar (AUD) and USD, and British Pound (GBP) and USD.

Why do currencies fluctuate now and then?

Current values fluctuate due to its movement. Simply put, when one is in a foreign country and wishes to shop, he will have to convert his native currency to the currency of the country where he is. When he goes back home, he will then have to convert any remaining foreign currency in his pocket back to his domestic currency.

Another reason why there is constant fluctuation in currency values is speculation. Investors, who speculate about how strong or weak a currency will perform at a given time, buy or sell currencies accordingly. Drastic buying or selling has significant impact in a nation's economy.

What is currency trading against stock exchange?

Stock exchange is another business that attracts big volumes of business but forex is much larger. Aside from the volume here are some advantages of currency trading over stock exchange.

- There are no commissions to pay since you only pay the bid or ask spreads.
- Trading business is done 24 hours a day, 5 days a week so you can trade when you want to.
- There is more focus on what currencies to trade as compared to over 5000 stocks to choose from.
- Forex is now open to every one and there is no need to have so much money before one can start trading.
- Internet not allows online currency trading so forex is no longer just for large banks, or big businesses.

Now that you have some idea what is currency trading, you can start considering if this is a business you'd like to venture in soon. There are a lot more to forex so it is best that you continue doing some more research about it so you can begin trading properly.

About the Author

[What is currency trading?](#) Forex Review Insider shows you which Forex markets are the best to get into and which ones to stay out of. Visit www.ForexReviewInsider.com to learn about the most profitable Forex trading systems.

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