Forex Dictionary

A

ABENOMICS – Abenomics refers to the economic policy introduced by Japanese Prime Minister, Shinzo Abe. Abenomics is made up of quantitative easing, stimulus and inflation targets. Abenomics is an attempt to jumpstart the Japanese economy after several decades of minimal growth and overall deflation.

APPRECIATION – Appreciation is simply the increase in value of a position, currency or financial instrument. In forex trading, appreciation is usually used to describe a particular currency that is gaining value relative to other currencies.

ASK – The ask is the quote price at which a currency pair can be bought. The ask price is essentially the market price – that is, the price that the market is willing to sell the currency pair at.

The ask is also referred to as the ask price, the offer, the offer price and ask rate.

ATR – Average True Range (ATR) is a technical indicator that provides traders with a gauge of market volatility. ATR measures the price movement of a currency pair in terms of the distance between the highs and lows over specific periods of time.

B

BACKTESTING – Back testing is simply using all the different confluences and strategies we have taught you and applying on historical market data to see if it works. The reason we back test is to ensure and show that the strategies we use, work. If it worked in history there is a very high chance that it will work on the most recent market data. We will also be able to predict the expected outcome if/when the same situation occurs going forward.

BALANCE OF TRADE (BOT) – Balance of trade (BOT) is an economic measure of the difference between the value of exports and imports for an economy over a given period of time. If a nation imports more than the export, then the balance of trade is negative. If a nation exports more than it imports, then the balance of trade is positive. Currency traders consider the balance of trade to be an important piece of fundamental data about the health of a nation's economy.

BANK OF CANADA – The Bank of Canada is the central bank for, you guessed it, Canada. The Bank of Canada controls the lending rates between banks, the issuance of currency and publishes economic reports of interest to currency traders.

BANK OF ENGLAND – The Bank of England is the central bank for the United Kingdom. The Bank of England handles monetary policy and produces economic releases about interest rates and inflation. Traders watch the actions and policy decisions of the Bank of England to assess the impact these will have on the GBP.

The Bank of England is also referred to as "The Old Lady."

BANK OF JAPAN (BOJ) – The Bank of Japan (BOJ) is the central monetary authority for Japan. Considered one of the major central banks in the world, the Bank of Japan implements the monetary policy of the Japanese government, maintains the currency and basically monitors the entire Japanese financial system. The Bank of Japan can intervene in the yen or other aspects of the Japanese economy if the government believes it is a justified act that protects Japan's financial stability.

The Bank of Japan is headquartered in the Nihonbashi district of Tokyo.

BAR CHART – A bar chart is a graphical representation of a currency pairs price action that displays the open, high, low and close for a given period of time. Bar charts display price action during a time interval in the following way: A horizontal line on the left of the bar represents the opening price A horizontal line on the right of the bar represents the closing price the top of the vertical bar represents the high The bottom of the vertical bar represents the low A bar chart is also called an OHLC chart, referring to the fact that it displays the opening, high, low and close.

BASE CURRENCY – The base currency is the first currency to appear in a currency pair. In currency trading, all currencies are paired. The base currency appears first (on the left) and the quote currency is displayed next (on the right). This pair is then given a value that represents how many units of the quote currency are required to purchase one unit of the base currency. This value also as the exchange rate between the two currencies.

The base currency is also referred to as the primary currency in a currency pair.

BEAR MARKET – A bear market is a slang term for a financial downturn in a specific market segment, economy, security type, currency and so on. In a bear market, the attitude of market participants tends to be negative, which adds to the downward pressure on the prices within the market and encourages more selling.

BEARISH TREND – A bearish trend is a general downward movement in the value of a currency pair.

BID – The bid is the quote price at which a currency pair can be sold. Essentially, the bid price represents the price the market is willing to pay for the currency pair.

The bid is also known as the bid price or the bid rate.

BREAKOUT – A breakout refers to an increase or decrease in the value of currency pair that takes it out of its previous trading range.

BRITISH POUND STERLING (GBP) – The British pound sterling (GBP) is the official currency used in the United Kingdom. The pound sterling is considered to be one of the major currencies and is paired with all the other major currencies, including the U.S. dollar (USD), Japanese yen (JPY), Swiss franc (CHF), euro (EUR), Australian dollar (AUD) and Canadian dollar (CAD). It also acts as a base currency for many less commonly traded and exotic currencies.

BULLISH MARKET – A bull market is where price is in a nice steady uptrend.

BUY LIMIT ORDER – A buy limit order is a forex trading order that opens a new long position or adds to an existing long position when a preset price level is breached. A buy limit order is set in advance of price action – that is, above the current buy quote for a currency pair – so that a trader can ensure a trade will take place without actively watching the chart and manually entering the order.

C

CABLE – Cable is a slang term for the British Pound sterling and U.S. Dollar currency pair (GBP/USD). The term is believed to originate from the times when the exchange rate between the two currencies was communicated by deep-sea cable lines.

CANDLESTICK CHART – A candlestick chart is a chart that tracks the price range of a currency pair using a combination line and bar chart. A candlestick chart records the open, high, low and close for each specified time period. The chart is made up of figures that are referred to as candlesticks. The line, called the shadow or wick, records the range, while the thicker bar records the open and close.

CAPITAL AT RISK (CAR) – Capital at risk (CAR) is a measure of how much money is exposed to being lost in a trading account or in a specific trade. Capital at risk is not simply the capital that is used to place a trade. It includes the potential loss in a worst-case scenario where the stop loss is triggered for a specific trade or for all trades across an account.

CENTRAL BANK – A central bank is a public institution that acts as a nation's monetary authority. Central banks have a range of responsibilities, including the control of the money supply, the setting of interest rates and the formation of monetary policy. Central banks also issue economic reports that show the health of a nation's economy.

CENTRAL BANK INTERST RATES – The central bank rate is the interest rate that central banks charge domestic banks on loans. The rate that the commercial banks are charged directly affects the interest rates they offer to consumers on loans and credit vehicles.

CHASING THE MARKET – Chasing the market refers to a currency trader who reacts late to market trends. By reacting near to the end of a trend, traders lose money. Traders can lose sight of their investing strategy if they get caught up chasing the market.

CHOPPY MARKET – A choppy market is a market where the price volatility is high, but the overall direction of the market is unchanged. This means the prices go up and down a lot, but the overall price movement doesn't change much.

CLOSED POSITION – A closed position refers to a currency trade that has been settled.

COMMODITY CURRENCY – A commodity currency is the currency of a country that has lots of natural resources like oil or precious metals.

CONSOLIDATION – Consolidation refers to a period during which a currency pair's price action fluctuates in a certain range without establishing a trend either up or down. Consolidation is inevitably followed by a breakout in one direction or the other.

CONTINUATION PATTERN – A continuation pattern refers to a range of technical analysis formations that appear when the price action of a currency pair settles into a range before continuing in the direction of the primary trend.

CROSS CURRENCY PAIRS – Cross currency pairs are currency pairs that do not have the U.S. dollar as either the base or quote currency. Because of the central role the U.S. dollar played in the Bretton Woods agreement and the power of the U.S. economy, many traders understandably focus on currency pairs containing the dollar. That said, cross currency pairs are no longer considered obscure, with the EUR/JPY and EUR/GBP rounding out the most active pairs in the world.

CURRENCY INTERVENTION – A currency intervention is a situation where a nation's central bank attempts to control the price of its currency by buying or selling currency in the forex market. This buying and selling is usually done in large orders, comprised of yards, to signal the market that they are willing to commit a lot of capital to moving the market.

CURRENCY PAIR – A currency pair is the standard quotation method for a forex trade. In the forex trade, you never just buy one currency or sell short another – you have to buy one currency and sell the other.

CURRENCY TRADER – A currency trader is an individual who seeks to profit from the changes in value between two or more currencies. Currency traders generally trade currency pairs that allow them to buy one currency and sell the other through a brokerage. Currency traders are also known as forex traders.

D

DAILY CHART – A daily chart is a chart that displays the price action of a currency pair in intervals of one day. For example, a daily candlestick chart will have one candlestick to represent each calendar day for the time period selected. A daily chart allows traders to focus on longer term trends and patterns by filtering out intraday noise.

DAY TRADING – Day trading is a style of forex trading where all of a trader's positions are opened and closed on the same trading day. Traders following a day trading strategy are referred to as day traders.

DIVERGENCE – Divergence refers to a situation where the price action of a currency pair separates from an indicator it was previously correlated with. Divergence usually points to a weakening in the trend and a possible reversal.

DOLLAR BEAR – A dollar bear is a currency trader or investor who is very pessimistic about the future value of the U.S. dollar (USD) compared to other currencies. If a dollar bear follows through on his beliefs, he will take up short positions against the USD.

DOLLAR BULL – A dollar bull is a currency trader or investor who is very optimistic about the future value of the U.S. dollar (USD) compared to other currencies. If a dollar bull follows his instincts, he will tend to take up long positions in the USD.

DOLLAR INDEX – The U.S. dollar index is a market index that tracks the value of the U.S. dollar relative to a group of widely traded currencies. The currencies were selected based on their significance and include the euro, the pound, the yen, the Canadian dollar, the Swiss franc and the Swedish krona.

DOW JONES – The Dow Jones Industrial Average (DJIA) is a stock market index that was created by Charles Dow in 1896. It tracks 30 of the largest publicly traded stocks in the U.S. market. The DJIA is often seen as a real-time measure of the health and strength of the American economy.

E

EUROPEAN CENTRAL BANK (ECB) – The European Central Bank is the central bank for the European Union member states. It controls the monetary policy for the euro and seeks to keep prices stable across the Eurozone. Each member state owns part of the ECB and participates in the decisions of the bank, but their influence is not necessarily equal. The ECB is the only body that can sanction the creation and issuance of euros.

ECONOMIC REPORTS – Economic reports refer to the public release of important data that reflects on the health of a nation's economy. Economic reports contain many hard numbers that are used as indicators in the forex market. The release of these indicators helps to confirm (or disprove) the hypothesis of fundamental traders and creates price action that creates trends for technical traders to work with.
Some closely watched economic reports include:
Gross domestic product (GDP) numbers
Trade balance
Consumer confidence index
Beige Book (U.S. dollar)
Tankan survey (Japanese yen)
Economic reports are also known as economic releases.

EURO (EUR) – The euro (EUR) is the official currency of the majority of the member nations in the European Union (EU). The European Union was formed in order to unify European nations into a single economic block. The creation and adoption of the euro as the main or one of the main currencies in each member nation was one step towards unification.

EXCHANGE RATE – An exchange rate is the market price at which one unit of currency can be traded for a unit of currency of a different country. Using the market exchange rate, a person can calculate how much of one currency they can buy with a specific amount of their domestic currency.

EXIT STRATEGY – An exit strategy refers to a trader's predetermined method of closing an open trade. A trader's exit strategy includes exit points that vary according to the trading strategy being used. An exit strategy is usually expressed as steps or rules that a trader follows to close out a trade. A trader should always have a plan for both entering and exiting a trade.

EXOTIC CURRENCY – An exotic currency is a currency that falls outside of the major currencies that make up the bulk of world forex trades.

F

FEDERAL RESERVE – The Federal Reserve is the central banking system for the United States. The Federal Reserve was created in 1923 as a way for the U.S. to avoid widespread financial panic. Over the years, the Federal Reserve has grown, but its stated objectives are still maximum employment, stable prices and moderate long-term interest rates. Like many central banks, the Federal Reserve uses monetary policy tools such as interest and inflation rate targets to influence the economy.

FIGHTING THE TREND – Fighting the trend refers to a currency trader placing trades that go against the established trend. Many forex traders believe that fighting the trend is a huge mistake that inevitably ends in losses. Most traders identify and trade with the trend to make their profits.

FILL PRICE – The fill price is the actual price at which a trader's order is completed.

FLAT POSITION – A flat position refers to a trade where the currency pair being traded hasn't moved strongly up or down.

FOREIGN EXCHANGE MARKET – The foreign exchange market is a decentralized market where national currencies are traded for one another. The buying and selling of currencies on the forex market establishes the values of those currencies, which impacts the exchange rate offered for those currencies by traditional retail outlets like banks and moneychangers.

FOREX BROKER – A forex broker is a firm or individual who offers trading services to people who want to buy and sell currencies. A forex broker generally provides a trading platform to execute trades online, and may include customized trading software for the client to use.

FOREX DEMO ACCOUNT – A forex demo account is a training tool that beginner traders can use to practice trading forex with virtual money and current market data. Forex demo accounts are offered by many brokerages and forex websites so that traders can get used to the trading platform and market activity before risking real money.

FOREX INDICATOR – A forex indicator is a statistical tool that currency traders use to make judgements about the direction of a currency pair's price action. Forex indicators come in many types, including leading indicators, lagging indicators, confirming indicators and so on.

FOREX TRADING PLATFORM – A forex trading platform is the basic program or online interface that allows a trader to manually enter and exit positions. A forex trading platform is usually provided by the brokerage when a trader signs up for an account.

FOOTSIE (FTSE 100) – Footsie is a slang term for the FTSE 100 index. It consists of 100 blue chip stocks that trade on the London Stock Exchange. These 100 are selected according to their market capitalization and thus represent the biggest companies on the exchange. Footsie is a data point to consider when evaluating the strength of the British economy.

FUNDAMENTAL ANALYSIS – Fundamental analysis is the study of the economic situation of a nation in order to make accurate valuations of the nation's currency. Fundamental analysis depends heavily on economic indicators, news reports, speeches and other public data.

FUNDAMENTAL TRADER – A fundamental trader is a currency trader who looks for economic factors that will influence market trends. Unlike day traders, fundamental traders tend to take long-term positions.

G

GBP – The British pound sterling (GBP) is the official currency used in the United Kingdom. The pound sterling is considered to be one of the major currencies and is paired with all the other major currencies.

GROSS DOMESTIC PRODUCT (GDP) – Gross domestic product (GDP) is an economic measure that adds up the value of all the goods and services produced in a country over a specific time period. GDP figures are traditionally released on an annual basis, but some countries provide updates on a quarterly or monthly basis.

GOLD STANDARD – A gold standard is a monetary system where each unit of currency is exchangeable for a set amount of gold. The U.S. and many other nations used a gold standard until the first World War. The economic pressures of the war and the Great Depression forced most nations to abandon their gold standards.

H

HARD CURRENCY – Hard currency refers to a currency that is perceived as being stable by a majority of market participants. Generally speaking, a hard currency is wholly or partially backed by some durable good as in a gold standard or issued by a nation that is seen as having a strong economy and stable political system. Hard currency is also referred to as hard money.

HAWKISH – Hawkish is a comment on the attitude of a central bank towards inflation within the domestic currency. A hawkish central bank has an anti-inflation stance that is likely to be backed by tight fiscal policies. Nations that carefully control inflation generally have less price volatility compared to other currencies with looser monetary policy.

HEADLINE EFFECT – The headline effect refers to the impact of bad news from the popular press on an economy and its currency. When negative financial news is carried in the newspapers of TV news shows, it reaches a wider audience and consequently the public reaction is more extreme. When negative news breaks, the headline effect can create an opportunity for forex traders.

HYPERINFLATION – Hyperinflation refers to a period of rapid inflation in a nation's currency. Hyperinflation can quickly erode the purchasing power of a nation's currency, thereby forcing the citizens to look for alternative currencies. Hyperinflation can be extremely damaging to a nation's economy and may result in a currency replacement.

I

INFLATION – Inflation is an economic condition where the prices for goods and services in a country see a prolonged and general rise. Inflation may also be expressed as a reduction in the purchasing power of each unit of currency compared to its historical value.

INTREST RATES – Interest rates refer to the extra money a borrower must pay above the principal amount of a debt. Interest rates function on multiple levels, as individuals pay interest on money they borrow from banks and banks pay interest on money they borrow from investors and each other, and governments pay interest on the money they borrow from banks and the public. In forex, the interest rates that matter most to traders are the rates that a central bank demands from commercial banks. The rate set by central banks will influence every other rate being offered across the economy.

INTRADAY – Intraday is a trading term that means within the day. Because of the time sensitive nature of forex trading, intraday is used to refer to anything that happens exclusively within one trading session as dictated by a trader's home time zone.

J

JAPANESE YEN (JPY) – The Japanese yen (JPY) is the official currency of Japan. It is considered to be one of the major currencies in the world and is paired with all other major currencies.

JUNK CURRENCY – Junk currency is a slang term for the money of a nation that is seen to be inflating or otherwise destroying the purchasing power of that money. The term junk currency implies that the currency is losing value rapidly and will soon be worthless. Some people believe this term applies to all fiat currencies because of the fact that they are not backed by hard assets like gold.

L

LAGGING INDICATOR – A lagging indicator is a data point, formation or piece of information that follows after an event has occurred. Lagging indicators are of little use in predicting future price action in a currency pair, but they can confirm a trend or a trading thesis. Many fundamental economic indicators are lagging indicators in that they are summaries of historical data.

LENDER OF LAST RESORT – The lender of last resort is the safety net for economies following the central banking model. In the United States, the Federal Reserve operates as the lender of last resort for banks and other large institutions that are flirting with disaster. These institutions are considered to be invaluable to the economy because their collapse due to a lack of available credit would have dire consequences for the economy as a whole. The Fed uses its own funds as well as that of member banks to provide capital to the struggling institution in hopes of preventing more widespread damage in the form of lost deposits and general panic.

LEVERAGE – Leverage is the ability of a forex trader to control large sums of a currency without posting an equivalent amount of capital. Essentially, a trader puts a small amount of capital down (margin) and borrows the rest to control the position. Leverage in the forex market is among the highest in the investing world, with 200:1 not uncommon. This means a trader can control 200 currency units for every unit of capital posted.

LIMIT ORDER – A limit order is a forex trading order that is executed when a preset level is reached.

LONG POSITION – A long position refers to a trade that will profit if a specific currency appreciates relative to another currency.

LONG TERM TRADERS – A long term trader is a forex trader who holds a position in a currency pair for weeks or months. Long term traders are at the opposite end of the spectrum from short term traders who keep positions for less than a day.

M

MARGIN – Margin is the amount of money a trader needs to deposit in a trading account to open a position or maintain an existing position. Margin is similar to money down to secure a loan or credit card. By putting down a set amount of money, a trader can borrow many times more that amount to trade currency.

MARGIN CALL – A margin call is a notice from a forex broker to an account holder that tells the account holder that he must put more money into the account or his position will be automatically closed out. A margin call is issued as the losses on a position approaches the total amount of margin deposited in the account.

MARKET REACTION – A market reaction is a sustained period of volatility or a strong directional movement that follows a news event or a relevant economic release.

MARKET SENTIMENT – Market sentiment refers to the overall mood of the market as a whole or towards a particular currency. Market sentiment can be bullish (positive), bearish (negative) or uncertain.

MONETARY EASING – Monetary easing is a type of currency intervention where a nations central bank either keeps interest rates artificially low or expands the money supply by making open market purchases of its own sovereign debt.

MONETARY POLICY – Monetary policy refers to all of the strategies used by a central bank to control the amount of money in the economy and the value of that money. Monetary policy is usually aimed at creating an economic situation where growth is balanced by stability. Monetary policy usually depends on changes to the supply of money in order to influence interest rates and the economy.

MOVING AVERAGE – A moving average (MA) is a technical charting tool that helps traders view the general trend of price action.

N

NEW ZEALAND DOLLAR (NZD) – The New Zealand dollar is the official currency of New Zealand. The New Zealand dollar, although popular to trade, it is not generally considered a major currency.

NOISE – Noise refers to price and volume fluctuations resulting from events unrelated to the prevailing market sentiment.

O

ONE CANCELS THE OTHER ORDER (OCO ORDER) – A one cancels the other order (OCO order) is a combination of two pending market orders for the same currency pair. The execution of one of the orders results in the cancellation of the other. An OCO order can be used to enter a trade where a strong move is expected, but the direction is unclear.

OFFSETTING POSITION – An offsetting position refers to a trade where equal amounts of the same currency are bought and sold in two different trades. For example, a trader may go long the USD/JPY and then short the EUR/USD. As long as the positions are the same size, the purchase of the USD in the first trade is offset by the sale of the USD in the second. Offsetting positions can help traders create currency pairs that are not generally available by using an intermediary currency.

OPEN POSITION – An open position is a currency trade that has not been settled. An open position will have a value that is estimated based on current market values, but this value will not be realized until the position is closed and settled. The value of an open position may fluctuate between losses and gains many times before the position is closed.

ORDER – An order is a set of instructions sent by a trader to a broker. An order will tell the broker how much of what currency pair a trader wishes to buy or sell, as well as any special conditions related to the execution of the order.

OVERHEATED ECONOMY – An overheated economy is an economic condition that is usually caused by loose monetary policy over an extended period of times. The most common type of overheated economy occurs when a nation has kept interest rates extremely low for months or years, leading to a glut of credit and a rapid expansion of the money supply.

OVERTRADING – Overtrading occurs when a forex trader deviates from the trading plan and begins to open and close positions based on emotions. Overtrading is usually caused by information overload or loss aversion. The best solution for overtrading is to stop the trading session and get away from the computer.

P

PENDING ORDERS – A pending order is an order that has been entered into the trading platform, but will not be executed unless certain conditions are met. Pending orders allow forex traders to leave positions open with a relative amount of security knowing that, should the trade hit the triggering condition, the order will be executed.

The most common types of pending orders are:

Buy Limit

Sell Limit

Buy Stop

Sell Stop

Stop Loss

Take Profit

PIP – The price interest point (PIP) is a basic unit in forex trading that is used to measure the change in value in a currency pair.

PRICE ACTION – Price action refers to the change in the value of a currency pair over a period of time.

PRIMARY TREND – The primary trend refers to the overall market direction of a currency pair over a long period of time.

PROFESSIONAL FOREX TRADER – A professional forex trader is an individual who earns the majority of their income from currency trading.

PROFIT TAKING – Profit taking refers to an interruption in a strong trend that represents some traders cashing out on winning positions.

Q

QUOTE CURRENCY – The quote currency is the second currency to appear in a currency pair. In currency trading, all currencies are paired.

R

RANGING MARKET – A ranging market is the opposite of a trending market that maintains a consistent direction. A ranging market moves sideways between support and resistance.

RBA – The Reserve Bank of Australia (RBA) is the central bank for Australia.

RECESSION – A recession is a prolonged decline in the economic health of a nation. The general criteria for recession is declining or negative GDP growth for two or more consecutive quarters.

RESERVE CURRENCY – A reserve currency refers to foreign funds that financial institutions and central banks hold for the purposes of trade and currency intervention.

RETAIL FOREX MARKET – The retail forex market refers to the currency trading activities of all the non-institutional traders, businesses, investors and other organizations.

REVERSAL PATTERN – A reversal pattern is a chart formation that precedes a change in the trend.

RISK CAPITAL – Risk capital is money that a person is prepared to trade for a financial gain.

RISK MANAGEMENT – Risk management refers to the process a forex trader goes through to control overall losses in a trade or account.

S

SAFE HAVEN CURRENCY – A safe haven currency is a currency that investors and traders believe is stable enough to keep its value compared to other currencies in times of economic uncertainty, inflation and other forms of crisis.

SCALPING – Scalping is a method of forex trading where the trader tries to capture profits from small fluctuations in the value of a currency pair. Scalping usually requires the trader to place many trades, most of which will only be open for a short period of time.

SECONDARY TREND – A secondary trend refers to short term market movements that deviate from the primary trend, temporarily taking a currency pair in the opposite direction.

SELL LIMIT ORDER – A sell limit order is a forex trading order that opens a new short position or adds to an existing short position when a preset price level is breached.

SENTIMENT ANALYSIS – Sentiment analysis is a type of forex analysis that focuses on identifying and measuring the overall psychological state of all participants in the market.

SHORT POSITION – A short position refers to a trade that will profit if a specific currency declines in value relative to another currency.

SHORT TERM TRADER – A short term trader is a currency trader who enters and exit trades within the day. There are two types of short term trader:

Day traders: This type of trader may hold a position for minutes or hours, but less than a day. Scalpers: This type of trader will usually hold a position for less than an hour, and often less than 5 minutes.

SIMPLE MOVING AVERAGE (SMA) – A simple moving average (SMA) is a technical analysis tool used by forex traders to summarize the price action of currency pair over a specific period of time. The simple moving average is calculated by adding up the closing prices and dividing by the number of periods.

SLIPPAGE – Slippage is the difference between the price a trader expected a trade to go through at and the actual transaction price.

SOCIAL TRADING – Social trading is when a group of traders share their live account trades in real time, usually over a web-based platform.

SPECULATOR – A speculator is an individual who takes on higher than average risks in hopes of collecting higher than average rewards.

SPIKE – A spike refers to a larger than normal movement in a currency pair's price action. A spike can be upwards or downwards in direction.

SPREAD – The spread is the difference between the bid price and the ask price. The spread is represented in terms of pips.

SPREADBETTING – Spread betting is a type of speculation that involves betting on the price movement of a currency pair without actually purchasing or selling lots.

STOP LOSS ORDER – A stop loss order is a forex market order that is designed to automatically close out a trade once it has fallen below a certain limit.

SWING TRADER – A swing trader is a type of forex trader who attempts to profit from short to medium term trends in a currency pair's price action. A swing trader generally works on a longer timeframe than short-term traders.

SWISSY – Swissy is a slang term for the Swiss franc (CHF). In regular usage it, it actually refers to the U.S. dollar and Swiss franc currency pair (USD/CHF). The Swissy is often seen as a stable currency compared to other nations' currency.

T

TAKE PROFIT ORDER – A take profit (T/P) order is a forex trading order that is closed when a preset level is reached. The take profit order is usually entered as a specific number of pips or price level. If the currency pair reaches that level, the order is terminated and the position is closed out at a profit.

TECHNICAL ANALYSIS – Technical analysis is the study of historical changes in price action in order to recognize predictable patterns that occur. Technical analysis is heavily dependent on charting and identifying chart formations.

THIN MARKET – A thin market refers to situation where a currency pair is receiving a relatively low number of bid and ask offers.

TIME FRAME – Time frame refers to the period that a forex trader chooses to operate in. The time frames in forex can encompass seconds, minutes, hours, days or months.

TRADING DESK – A trading desk is a division within a financial institution that is dedicated to buying and selling a particular type of investment. The forex trading desk at a financial institution is sometimes called a currency trading desk.

TRADING INDICATOR – A trading indicator is any data or series of data points that helps a trader to predict the future movement of a currency or currency pair.

TRADING JOURNAL – A trading journal is a record of all the trades a currency trader makes. Entries in a trading journal usually describe the position (short or long), the position size and the result of the trade once closed (gain or loss).

TRADING PLAN – A trading plan is a formal document that outlines a forex trader's strategy, including the trading system, risk management, trade rules, money management and many other details.

TRADING PSYCHOLOGY – Trading psychology refers to all the human impulses that have an effect on the forex market.

TRADING STRATEGY – A trading strategy is a set of defined rules that tell a trader how to enter and exit a trading position. A forex trading strategy is usually based around a particular style

TREND – A trend is a continued directional movement in the price of a currency pair.

U

U.S PRIME RATE – The U.S. prime rate is the benchmark interest rate for loans issued by banks in the United States.

U.S TREASURY – The U.S. Treasury is the department within the United States Government that is responsible for the creation of U.S. currency.

UNEMPLOYMENT REPORT – The unemployment report is a basic economic release that states a countries unemployment rate in the last time period and its change from previous periods.

V

VOLATILITY – Volatility is a measure of the degree of change in the value of a currency, currency pair or the forex market as a whole. Volatility is most commonly referenced when a currency has seen sharp changes in value compared to many of the other currencies in the market.

VOLUME – Volume is a measure of the total value of a market move. Volume is used to gauge the strength or weakness of a particular trend.

W

WEEKLY CHART – A weekly chart is a chart that displays the price action of a currency pair in one week intervals.

WHIPSAW – Whipsaw is a slang term for any sharp move in price action that is quickly followed by an equal or greater movement in the opposite direction.

Z

ZOMBIE CURRENCY – A zombie currency is a legal currency that is no longer used as the main currency of trade. Zombie currencies are created when severe inflation or hyperinflation occurs and the people begin to use the currencies of other nations or certain goods as the basis of trade. A zombie currency is called so because it is already dead in the minds of the people who are supposed to use it, but has not yet been replaced or revalued.