

What Is Traded In Forex?

The simple answer is **MONEY**. Specifically, currencies.

Because you're not buying anything physical, forex trading can be confusing so we'll use a simple (but imperfect) analogy to help explain.

Think of buying a currency as buying a *share* in a particular **country**, kinda like buying shares in a company.

The price of the currency is usually a direct reflection of the market's opinion on the current and future health of its respective economy.

In forex trading, when you buy, say, the Japanese yen, you are basically buying a "share" in the Japanese economy



You are *betting* that the Japanese economy is doing well, and will even get better as time goes.

Once you sell those “shares” back to the market, hopefully, you will end up with a profit.

In general, the exchange rate of a currency versus other currencies is a reflection of the condition of that country’s economy, compared to other economies.

By the time you graduate from this School of Pipsology, you’ll be eager to start working with currencies.

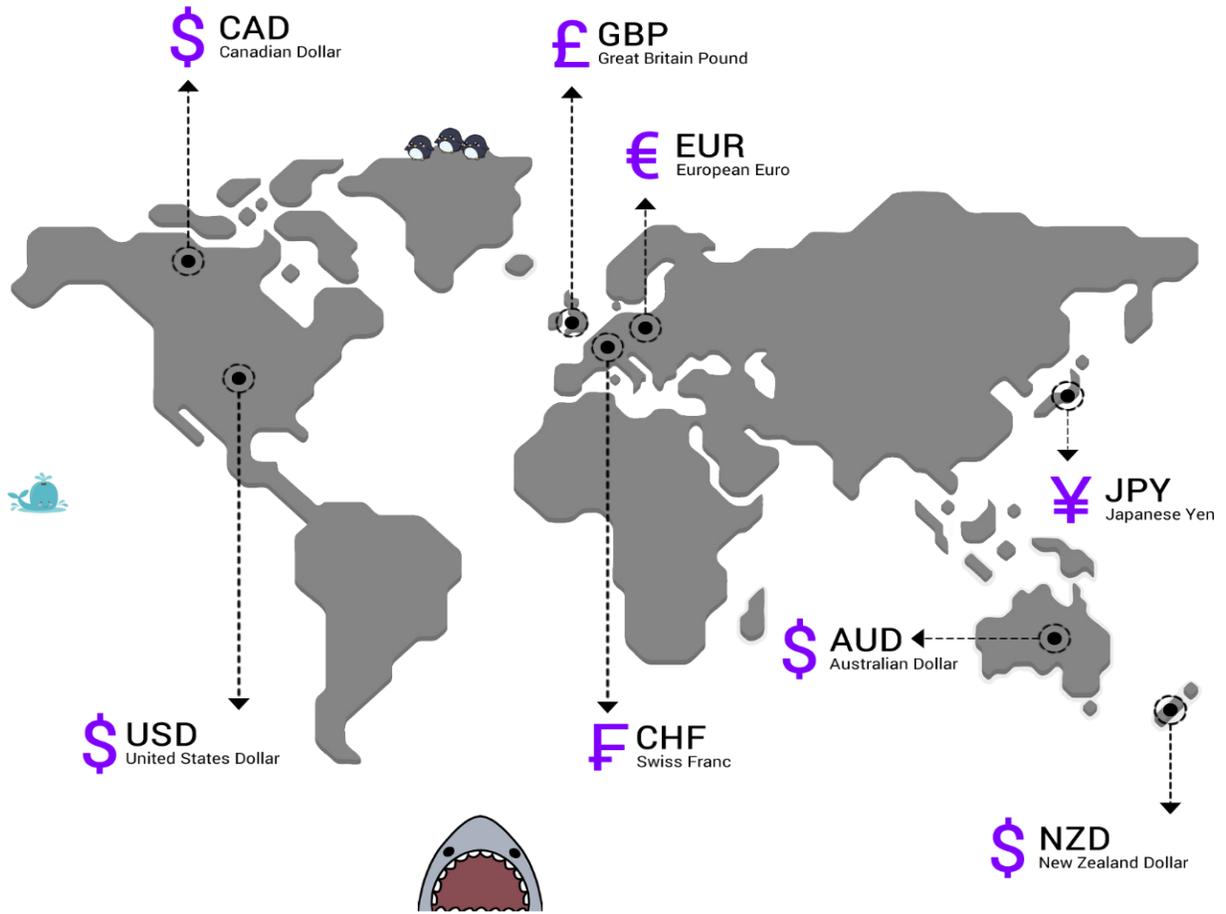
Major Currencies

While there are potentially lots of currencies you can trade, as a new forex trader, you will probably start trading with the “**major currencies**”.

They’re called “**major currencies**” because they’re the most heavily traded currencies and represent some of the world’s largest economies.

Forex traders differ on what they consider as “major currencies”. The uptight ones who probably got straight A’s and followed all the rules as children only consider USD, EUR, JPY, GBP, and CHF as major currencies.

Then they label AUD, NZD, and CAD as “**commodity currencies**”.



For us rebels, and to keep things simple, we just consider all eight currencies as the “majors”.

Below, we list them by their symbol, country where they’re used, currency name, and cool nicknames.

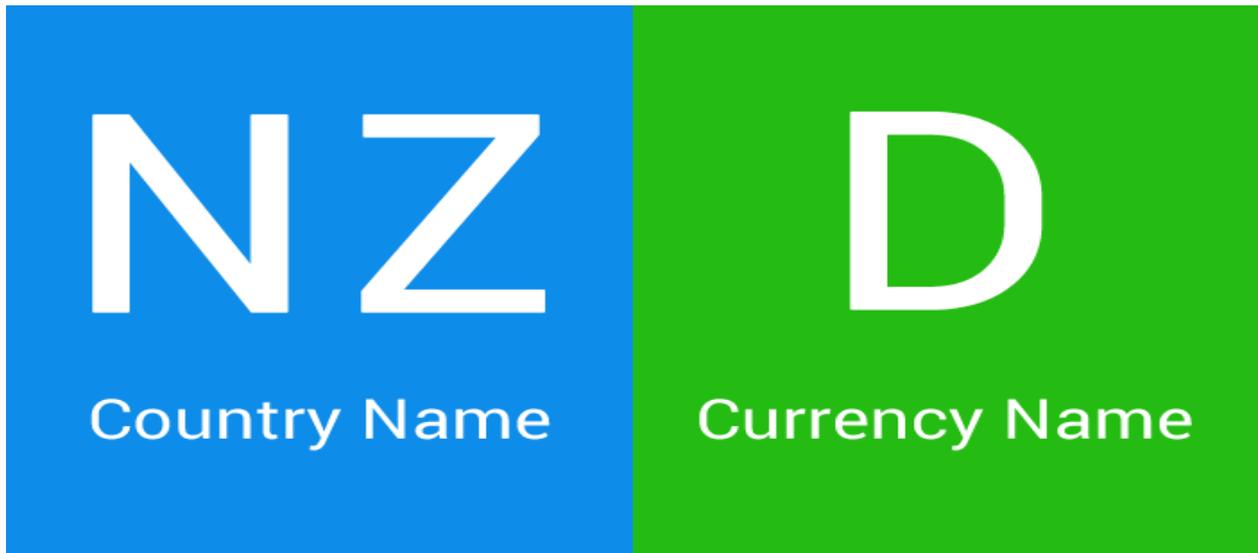
CODE	COUNTRY	CURRENCY	NICKNAME
USD	United States	Dollar	Buck
EUR	Eurozone	Euro	Fiber
JPY	Japan	Yen	Yen
GBP	Great Britain	Pound	Cable
CHF	Switzerland	Franc	Swissy
CAD	Canada	Dollar	Loonie
AUD	Australia	Dollar	Aussie
NZD	New Zealand	Dollar	Kiwi

Currency symbols always have **three letters**, where the first two letters identify the name of the country and the third letter identifies the name of that country’s currency, usually the first letter of the currency’s name.



These three letters are known as **ISO 4217 Currency Codes**.

By 1973, the **International Organization for Standardization (ISO)** established the three-letter codes for currencies that we use today.



Take **NZD** for instance... **NZ** stands for New Zealand, while **D** stands for dollar. Easy enough, right?

The currencies included in the chart above are called the “majors” because they are the most widely traded ones.

DID YOU KNOW? The British pound is the world’s oldest currency that’s still in use, dating back to the 8th century. The newest currency in the world is the South Sudanese pound, made official on July 18, 2011.

We’d also like to let you know that “buck” isn’t the only nickname for USD.

There's also: greenbacks, bones, benjis, benjamins, cheddar, paper, loot, scrilla, cheese, bread, moolah, dead presidents, and cash money.

So, if you wanted to say, "I have to go to work now." Instead, you could say, "Yo, I gotta bounce! Gotta make them benjis son!" **FUN FACT:** In Peru, a nickname for the U.S. dollar is Coco, which is a pet name for Jorge (George in Spanish), a reference to the portrait of George Washington on the \$1 note?

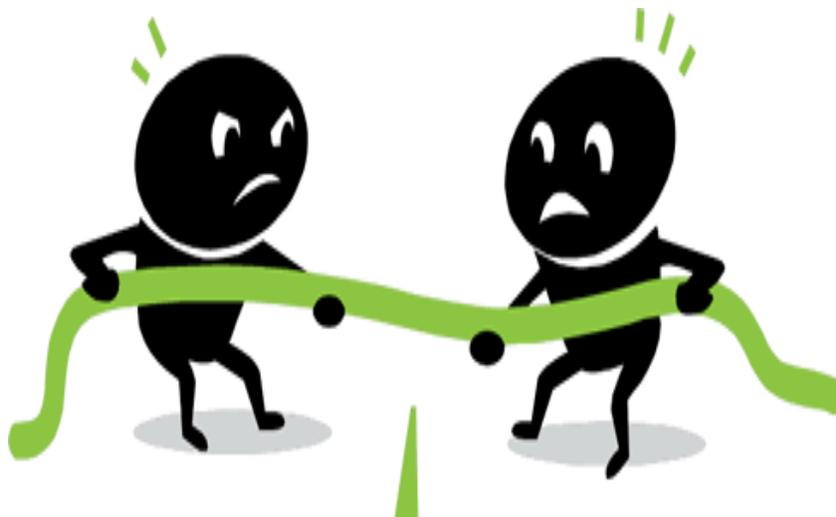
Buying And Selling Currency Pairs

Forex trading is the *simultaneous* buying of one currency and selling another.

Currencies are traded through a "forex broker" or "CFD provider" and are **traded in pairs**. Currencies are quoted in relation to *another* currency.

For example, the euro and the U.S. dollar (**EUR/USD**) or the British pound and the Japanese yen (**GBP/JPY**).

When you trade in the forex market, you buy or sell in currency pairs.



Imagine each currency pair constantly in a “tug of war” with each currency on its own side of the rope.

An exchange rate is the relative price of two currencies from two different countries.

Exchange rates fluctuate based on which currency is stronger at the moment.

There are three categories of currency pairs:

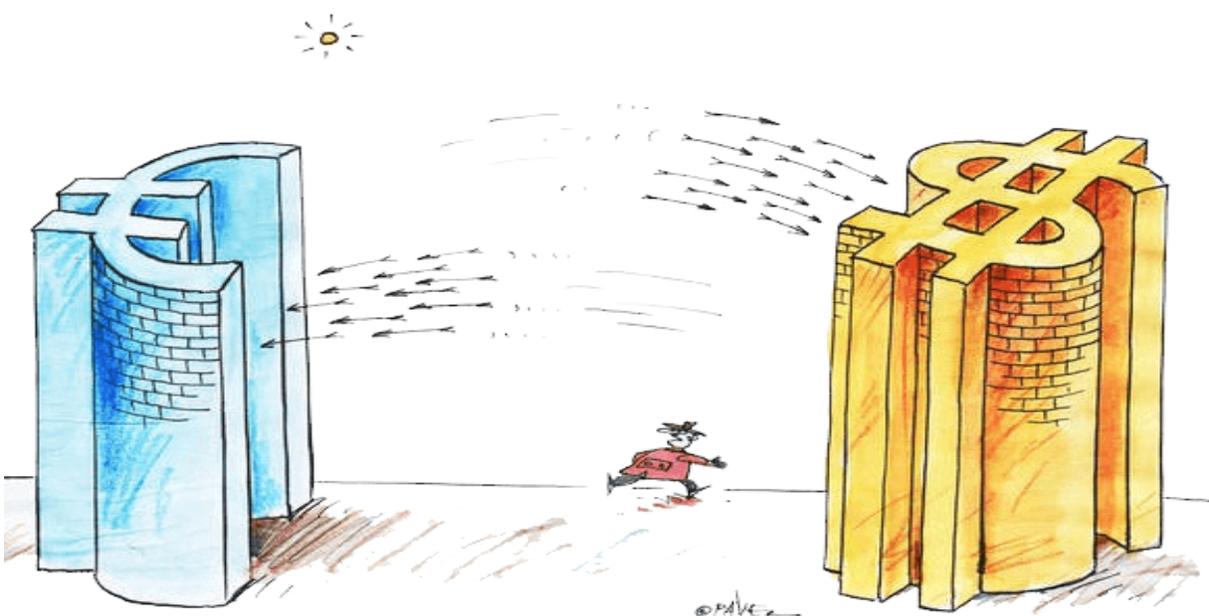
1. The “**majors**“
2. The “**crosses**“
3. The “**exotics**“

The major currency pairs *always* include the U.S. dollar.

Cross-currency pairs do NOT include the U.S. dollar. Crosses that involve any of the major currencies are also known as “minors”.

Exotic currency pairs consist of one major currency and one currency from an emerging market (EM).

Major Currency Pairs



The currency pairs listed below are considered the “**majors.**”

These pairs all contain the U.S. dollar (**USD**) on one side and are the most frequently traded.

Compared to the crosses and exotics, price moves more frequently with the majors, which provides more trading opportunities.

The majors are the most **liquid** in the world.

CURRENCY PAIR	COUNTRIES	FX GEEK SPEAKS
EUR/USD	Eurozone / United States	“euro dollar”
USD/JPY	United States / Japan	“dollar yen”
GBP/USD	United Kingdom / United States	“pound dollar”
USD/CHF	United States/ Switzerland	“dollar swissy”
USD/CAD	United States / Canada	“dollar loonie”
AUD/USD	Australia / United States	“aussie dollar”
NZD/USD	New Zealand / United States	“kiwi dollar”

[Liquidity](#) is used to describe the level of activity in the financial market.

In forex, it’s based on the number of active traders buying and selling a specific currency pair and the [volume](#) being traded.

The more frequently traded something is the higher its liquidity.

For example, more people trade the EUR/USD currency pair and at higher volumes than the AUD/USD currency pair.

This means that EUR/USD is more liquid than AUD/USD.

Major Cross-Currency Pairs or Minor Currency Pairs

Currency pairs that don't contain the U.S. dollar (USD) are known as **cross-currency pairs** or simply as the “**crosses.**”

Major crosses are also known as “minors.”

While not as frequently traded as the majors, the crosses are still pretty liquid and still provide plenty of trading opportunities.

The most actively traded crosses are derived from the three major non-USD currencies: **EUR**, **JPY**, and **GBP**.

Euro Crosses

CURRENCY PAIR	COUNTRIES	FX GEEK SPEAK
EUR/CHF	Eurozone / Switzerland	“euro swissy”
EUR/GBP	Eurozone / United Kingdom	“euro pound”
EUR/CAD	Eurozone / Canada	“euro loonie”
EUR/AUD	Eurozone / Australia	“euro aussie”
EUR/NZD	Eurozone / New Zealand	“euro kiwi”
EUR/SEK	Eurozone / Sweden	“euro stockie”
EUR/NOK	Eurozone / Norway	“euro nockie”

Yen Crosses

CURRENCY PAIR	COUNTRIES	FX GEEK SPEAK
EUR/JPY	Eurozone / Japan	“euro yen” or “yuppy”
GBP/JPY	United Kingdom / Japan	“pound yen” or “guppy”
CHF/JPY	Switzerland / Japan	“swissy yen”
CAD/JPY	Canada / Japan	“loonie yen”
AUD/JPY	Australia / Japan	“aussie yen”
NZD/JPY	New Zealand / Japan	“kiwi yen”

Pound Crosses

PAIR	COUNTRIES	FX GEEK SPEAK
GBP/CHF	United Kingdom / Switzerland	“pound swissy”
GBP/AUD	United Kingdom / Australia	“pound aussie”
GBP/CAD	United Kingdom / Canada	“pound loonie”
GBP/NZD	United Kingdom / New Zealand	“pound kiwi”

Other Crosses

PAIR	COUNTRIES	FX GEEK SPEAK
<u>AUD/CHF</u>	Australia / Switzerland	“aussie swissy”
<u>AUD/CAD</u>	Australia / Canada	“aussie loonie”
<u>AUD/NZD</u>	Australia / New Zealand	“aussie kiwi”
<u>CAD/CHF</u>	Canada / Switzerland	“loonie swissy”
<u>NZD/CHF</u>	New Zealand / Switzerland	“kiwi swissy”
<u>NZD/CAD</u>	New Zealand / Canada	“kiwi loonie”

Exotic Currency Pairs



No, exotic pairs are not exotic belly dancers who happen to be twins.

Exotic currency pairs are made up of one major currency paired with the currency of an emerging economy, such as Brazil, Mexico, Chile, Turkey, or Hungary.

The chart below contains a few examples of exotic currency pairs. Wanna take a shot at guessing what those other currency symbols stand for?

Depending on your forex broker, you may see the following exotic currency pairs so it's good to know what they are.

Keep in mind that these pairs aren't as heavily traded as the "majors" or "crosses," so the transaction costs associated with trading these pairs are usually bigger.

CURRENCY PAIR	COUNTRIES	FX GEEK SPEAK
USD/BRL	United States / Brazil	“dollar real”
USD/HKD	United States / Hong Kong	
USD/SAR	United States / Saudi Arabia	“dollar riyal”
USD/SGD	United States / Singapore	“dollar sing”
USD/ZAR	United States / South Africa	“dollar rand”
USD/THB	United States / Thailand	“dollar baht”
USD/MXN	United States / Mexico	“dollar mex”
USD/RUB	United States / Russia	“dollar ruble” or “Barney”
USD/PLN	United States / Poland	“dollar zloty”
USD/CLP	United States/ Chile	

It’s not unusual to see spreads that are two or three times bigger than that of EUR/USD or USD/JPY.

Due to the overall lower degree of liquidity, exotic currency pairs tend to be far more sensitive to economic and geopolitical events.

For example, a political scandal or unexpected election results can cause an exotic pair’s exchange rate to swing violently.

So if you want to trade exotics currency pairs, remember to factor this in your decision.

For those of y’all who are really mesmerized by exotics, here’s a more comprehensive list.

CURRENCY CODE	COUNTRY	CURRENCY CODE	COUNTRY
AED	UAE Dirham	ARS	Argentinean Peso
AFN	Afghanistan Afghani	GEL	Georgian Lari
MYR	Malaysian Ringgit	AMD	Armenian Dram
GYD	Guyanese Dollar	MZN	Mozambique new Metical
AWG	Aruban Florin	IDR	Indonesian Rupiah
OMR	Omani Rial	AZN	Azerbaijan New Manat
IQD	Iraqi Dinar	QAR	Qatari Rial
BHD	Bahraini Dinar	IRR	Iranian Rial
SLL	Sierra Leone Leone	BWP	Botswana Pula
JOD	Jordanian Dinar	TJS	Tajikistani Somoni
BYR	Belarusian Ruble	KGS	Kyrgyzstani Som
TMT	Turkmenistan new Manat	CDF	Congolese Franc
LBP	Lebanese Pound	TZS	Tanzanian Schilling
DZD	Algerian Dinar	LRD	Liberian Dollar
UZS	Uzbekistan Som	EGP	Egyptian Pound
MAD	Moroccan Dirham	WST	Samoan Tala
EEK	Estonian Kroon	MNT	Mongolian Tugrik
MWK	Malawi Kwacha	ETB	Ethiopian Birr
THB	Thai Baht	TRY	New Turkish Lira
ZAR	South African Rand	ZWD	Zimbabwe Dollar
BRL	Brazilian Real	CLP	Chilean Peso
CNY	Chinese Yuan Renminbi	CZK	Czech Koruna
HKD	Hong Kong Dollar	HUF	Hungarian Forint
ILS	Israeli Shekel	INR	Indian Rupee
ISK	Icelandic Krona	KRW	South Korean Won
KWD	Kuwaiti Dinar	MXN	Mexican Peso
PHP	Philippine Peso	PKR	Pakistani Rupee

PLN	Polish Zloty	RUB	Russian Ruble
SAR	Saudi Arabian Riyal	SGD	Singaporean Dollar
TWD	Taiwanese Dollar		

Aside from the three main categories of currency pairs, there are other “groups” of currencies that are thrown around in the FX world which you should be aware of.

G10 Currencies

The G10 currencies are ten of the most heavily traded currencies in the world, which are also ten of the world’s most liquid currencies.

Traders regularly buy and sell them in an open market with minimal impact on their own international exchange rates.

COUNTRY	CURRENCY NAME	CURRENCY CODE
United States	dollar	USD
European Union	euro	EUR
United Kingdom	pound	GBP
Japan	yen	JPY
Australia	dollar	AUD
New Zealand	dollar	NZD
Canada	dollar	CAD
Switzerland	franc	CHF

Norway	krone	NOK
Sweden	krona	SEK
Denmark	krone	DKK

The Scandies

Scandinavia is a subregion in Northern Europe, with strong historical, cultural, and linguistic ties.

The term “**Scandinavia**” in local usage covers the three kingdoms of **Denmark, Norway, and Sweden**.

Together, their currencies are known as the “**Scandies**”. Back in the day, Denmark and Sweden established the Scandinavian Monetary Union to merge their currencies to a gold standard. Norway joined later.

This meant that these countries now had one currency, with the same monetary value, with the exception that each of these countries minted their own coins.

But then World War I happened, and the gold standard was abandoned and the Scandinavian Monetary Union disbanded. These countries decided to keep the currency, even if the values were separate from one another. And this remains the state of things.

If you notice their currency names, they all look similar. That’s because the word “krone or krona” literally means “crown”, and the differences in spelling of the name represent the differences between the North Germanic languages.

Crown currencies. What a cool name huh?

I don't know about you, but saying "Hook me up with some crowns yo." sounds way cooler than "Hook me up with some dollahs yo."

COUNTRY	CURRENCY NAME	CURRENCY CODE
Denmark	krone	DKK
Sweden	krona	SEK
Norway	krone	NOK

SEK and NOK also have cool nicknames, "**Stockie**" and "**Nokie**".

So when paired with the U.S. dollar, USD/SEK is read "dollar stockie" and USD/NOK is read "dollar nockie".

CEE Currencies

"**CEE**" stands for **Central and Eastern Europe**.

Central and Eastern Europe is a term encompassing the countries in **Central Europe**, the **Baltics**, **Eastern Europe**, and **Southeast Europe** (the Balkans), usually meaning former communist states from the **Eastern Bloc** (Warsaw Pact) in Europe.

Central and Eastern European Countries (CEECs) is an OECD term for the group of countries comprising Albania, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic, Slovenia, and the three Baltic States: Estonia, Latvia, and Lithuania.

Regarding the FX market, there are four main CEE currencies to be aware of.

COUNTRY	CURRENCY NAME	CURRENCY CODE
Hungary	forint	HUF
Czech Republic	koruna	CZK
Poland	zloty	PLN
Romania	leu	RON

BRIICS

BRIICS is the acronym coined for the association of six major emerging national economies: Brazil, Russia, India, Indonesia, China, and South Africa.

Originally the first four were grouped as “**BRIC**” (or “the BRICs”). BRICs was a term created by Goldman Sachs to name today’s new high-growth emerging economies.

BRIICS is the term created by the OECD, when it added Indonesia and South Africa.

COUNTRY	CURRENCY NAME	CURRENCY CODE
Brazil	real	BRL
Russia	ruble	RUB
India	rupee	INR
Indonesia	rupiah	IDR
China	yuan	CNY
South Africa	rand	ZAR

Summary

Whew! That was a lot of information on currencies but you just raised your FX IQ points! □

Let's summarize what you've learned in a series of questions:

What is a currency pair in forex?

A currency pair is a pairing of currencies where the value of one is relative to the other. For example, GBP/USD is the value of the British pound relative to the U.S. dollar.

What are the major currency pairs?

Major currency pairs ("majors") are those that include the U.S. dollar and the most frequently traded. There are seven of them: EUR/USD, USD/JPY, GBP/USD, USD/CAD, USD/CHF, AUD/USD, and NZD/USD.

What are the currency crosses?

Currency crosses ("crosses") are the more frequently traded currencies that do NOT include the U.S. dollar in their pairing. Crosses include EUR/GBP, EUR/CAD, GBP/JPY, EUR/CHF, EUR/JPY, etc.

How many currency pairs exist?

There are HUNDREDS of currency pairs in existence but not all can be traded in the FX market. The United Nations currently recognizes 180 currencies. If you were to pair each currency up with another, it's a lot.