



CAPITAL  
STREET|FX

## **WHAT IS FOREX**

Capademy Tutorial Series



## Forex Trading

Let's start understanding foreign currency trading with a basic definition. To buy foreign currency, we need to give domestic money, and this activity is foreign currency trading. In other words, Foreign Currency trading or Forex trading is simply buying and selling of currencies.

The Forex market has a daily turnover of about \$5.09 trillion and undoubtedly, is the world's largest financial market. In it, we trade 'currency pairs' since we always buy one currency while using another currency. The foreign currency we get in return depends on the on-going exchange rate.

Value of a Currency change based on supply and demand in the market. A shortage of supply or high demand for a currency will lead to an increase in its price and vice-versa.

### How can you profit from the exchange rate?

The exchange rate is very volatile and changes in microseconds due to various factors such as supply and demand, intraday traders attempt to profit from these fluctuations. Let's understand this with an example.

Suppose V is travelling abroad, so he went to exchange and used his \$500 to buy pounds. After two days he returned (without spending a single pound) and exchanges his pounds back to dollars- he notices that he received \$510. The value of the dollar increased due to a change in the exchange rate. Hence V made a profit of 10 dollars.

Nowadays you don't even have to leave your home to take the benefits of changing the exchange rate. Thanks to development in technology that have made trading Forex so easy and convenient. Today all you need is an account with a broker and you good to go.

### Which currencies can you trade?

The currency market is huge, and Capital Street provides you with more than 45 pairs to choose from. Let's see some of the options the capital street provides to its customers.

The currency pairs are classified into 3 broader categories.

1. **Major currency pairs** – these are those currencies which constitute around 85% of the entire foreign exchange market. These currencies have high demand.  
currency example: EUR/USD, GBP/USD, USD/CHF, USD/JPY

1. **Minor currency pairs** – these currency pairs are also known as cross currency pairs, and these pairs do not include the US dollar. Some common example is GBP/JPY, JPY/CAD.

2. **Exotic currency pairs** – these currency pairs is a combination of currency of a developed economy and a currency of an emerging economy. Some examples of exotic currency pairs are USD/ZAR, USD/HKD.

### How to trade currency?

Are you excited for your first currency trade? Awesome!

We can trade currency in these following steps:

**Step 1** – Select a currency pair

Suppose V wants to trade in EUR/USD, the current price of one euro is \$1.1100, so V with a 100 euro can buy 111 dollars, without leverage.**Step 2** – Choose your amount

## Capital Street FX

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Capital Street provides leverage up to 200 times of your capital so that you can open a larger position and maximize your profit. For example, if V have 100 euro as capital, then he can open a position as big as 20,000 euro worth.

**Step 3** – Choose to go Long or Short

Capital Street provides an opportunity to profit even if the market is falling. A trader can apply his strategy and can decide whether to go long or short.

**Step 4** – close your position and collect the profit

Let's understand it with an example: assume V opens a position in EUR/USD at a rate of 1.1100 after which prices rose by 0.01, and he closes the position.

Open rate = 1.1100

Closing rate = 1.1110

Difference = 0.01 20000

V made a profit of 200 dollars, with an investment of 100 euros.

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