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FOREX TRADING TERMINOLOGY

FOR BEGINNERS

30 Must-Know Terms | Free Cheat Sheet | enlightrs.com

A | CORE TRADING TERMS

TERM	DEFINITION	EXAMPLE
Currency Pair	Two currencies traded against each other	*EUR/USD = Euro vs US Dollar*
Base Currency	The first currency listed in a pair	*EUR in EUR/USD*
Quote Currency	The second currency; shows the price of the base	*USD in EUR/USD*
Pip	Smallest standard price movement (4th decimal place)	*1.1050 → 1.1055 = 5 pips*
Spread	Difference between the bid and ask price	*Bid 1.1050 / Ask 1.1053 = 3-pip spread*
Lot Size	Standard unit of trade volume in forex	*Standard=100K Mini=10K Micro=1K units*
Leverage	Borrowed capital allowing larger trade control	*100:1 → $500 controls $50,000*
Margin	Collateral the broker holds to keep your trade open	*$500 margin on a $50,000 leveraged trade*
Margin Call	Broker alert when balance falls below required margin	*Add funds or positions are force-closed*
Pip Value	Dollar value of a single pip movement	*1 pip ≈ $10 on a standard USD lot*

B | ORDER TYPES

TERM	DEFINITION	EXAMPLE
Market Order	Executes instantly at the current live price	*Click Buy/Sell at the displayed price*
Limit Order	Executes only when price reaches your set level	*Buy EUR/USD only if it drops to 1.1000*
Stop-Loss	Auto-closes trade to cap your maximum loss	*Exit if price drops 30 pips against you*
Take-Profit	Auto-closes trade when your profit target is reached	*Exit when price rises 60 pips in your favour*
Slippage	Gap between expected and actual execution price	*Order at 1.1050 but filled at 1.1058*

C | MARKET CONCEPTS

TERM	DEFINITION	EXAMPLE
Bull Market	Rising prices with optimistic trader sentiment	*EUR/USD climbing steadily over several weeks*
Bear Market	Falling prices with pessimistic trader sentiment	*GBP/USD dropping after weak UK economic data*
Liquidity	Ease of entering or exiting a trade at a fair price	*EUR/USD = highest liquidity forex pair*
Volatility	Speed and magnitude of price movement	*GBP/USD spikes 100 pips on a news release*
Rollover / Swap	Overnight interest fee or credit on open positions	*+$2.50 credit for holding USD/JPY long*
Trading Session	Active market hours of a major financial centre	*London: 8AM–5PM GMT | NY: 1PM–10PM GMT*

D | ANALYSIS TYPES

TERM	DEFINITION	EXAMPLE / TOOL
Fundamental Analysis	Trading based on economic news, data & interest rates	*US rate hike → USD strengthens*
Technical Analysis	Trading based on charts, indicators & price patterns	*Moving average crossover = buy signal*
Sentiment Analysis	Gauging overall market mood (bullish or bearish)	*70% traders long → potential reversal ahead*
Support Level	Price floor where buying pressure holds the price up	*EUR/USD bounces at 1.0800 three times*
Resistance Level	Price ceiling where selling pressure pushes price down	*EUR/USD repeatedly fails to break 1.1200*
Moving Average	Indicator smoothing price data to reveal trend direction	*50-day MA crossing above 200-day MA*
Candlestick Chart	Visual bar showing open, high, low & close per period	*Green candle = price closed above the open*

E | ACCOUNT & BROKER TERMS

TERM	DEFINITION	KEY FACT
Demo Account	Practice account using virtual funds — zero financial risk	*Ideal for testing strategies before going live*
Live Account	Real trading account where profits and losses are actual	*Requires a real capital deposit to start*
Broker	Platform or intermediary that executes your forex trades	*Always choose a regulated, licensed broker*
Going Long	Buying a currency pair expecting its price to rise	*Buy EUR/USD at 1.1050 → price rises to 1.1100*
Going Short	Selling a currency pair expecting its price to fall	*Sell GBP/USD at 1.2700 → price falls to 1.2650*
Risk/Reward Ratio	Comparison of potential profit against potential loss	*1:2 ratio = risk $50 to potentially gain $100*

QUICK FORMULA REFERENCE

Pip Value (USD)	(Pip in decimal ÷ Exchange Rate) × Lot Size
Spread Cost	Ask Price – Bid Price (result in pips)
Leverage Ratio	Total Trade Size ÷ Your Margin Deposit
Risk / Reward	Potential Profit ÷ Potential Loss
Margin Required	Trade Size ÷ Leverage

THE 5 GOLDEN RULES FOR BEGINNERS

1	Always use a **stop-loss** on every trade — no exceptions.
2	Never risk more than **1–2%** of your account on a single trade.
3	Start on a **demo account** before risking real money.
4	Understand the **spread** before choosing your broker.
5	Check **swap rates** if you plan to hold trades overnight.

Ready to go deeper? Read the full beginner's guide at **enlightrs.com/forex-trading-terminology-for-beginners**