

# FOREIGN EXCHANGE TRADING

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## ABSTRACT

*The trade of one currency for another is known as foreign exchange (forex or FX). One can, for example, exchange the US dollar for the euro. The foreign exchange market, often known as the forex market, is where foreign exchange transactions can be made.*

**Keywords:** Foreign Exchange Market, Transact Business, OTC Trading.

## INTRODUCTION

For the trading of currencies, the foreign exchange market is a global decentralised or over-the-counter (OTC) market. Every currency's foreign exchange rate is determined by this market. It encompasses all aspects of purchasing, selling, and exchanging currencies at current or fixed prices. It is by far the largest market in the world in terms of trade volume, followed by the credit market. There are two levels to this worldwide market. The interbank market is the first. It's a place where the world's largest banks trade currency. The trades are massive, despite the fact that there are only a few members. As a result, currency values are determined by it. The over-the-counter market is the second rung. It is here that businesses and individuals transact business. OTC trading has grown in popularity as a result of the increasing number of companies that provide internet trading platforms. New traders need to learn more about forex trading because they are starting with a little amount of money. It's hazardous because the FX market isn't well-regulated and offers a lot of leverage. A contract between two parties is the basis of foreign exchange trading. There are three different kinds of trades. The spot market deals with the price of a currency at the time of the trade. The forward market is a contract to exchange currencies at a pre-determined price at a later period.

### Interbank Market

The interbank market is a system of banks trading currencies with one another. Each has a dealing desk, which is a currency trading desk. They are constantly in contact with one another. This mechanism ensures that currency rates are consistent all around the world. A million of the currency being traded is the minimum trade size. The majority of trades are substantially greater, ranging in value from \$10 million to \$100 million. As a result, the interbank market determines exchange rates.

The three deals stated above are included in the interbank market. The SWIFT market is also used by banks. It enables them to send and receive foreign currency. SWIFT stands for Society for Worldwide Interbank Financial Telecommunications.

1. The foreign exchange market is an over-the-counter (OTC) market where worldwide currencies' exchange rates are determined.
2. It is the world's largest financial market, and it is made up of a global network of financial hubs that trade 24 hours a day, seven days a week.
3. Because currencies are always traded in pairs, the "worth" of one of the currencies in the pair is always relative to the other currencies in the pair.

Because the trading between specific currencies—for example, the euro and the US dollar—each represents a market, foreign exchange markets are actually made up of many separate markets. The foreign currency markets are the first and oldest financial markets, and they continue to serve as the foundation for the rest of the financial system: International

liquidity is provided by foreign exchange markets. A foreign exchange market is an over-the-counter (OTC) and dealers' market that operates 24 hours a day, seven days a week. Transactions are executed between two parties using telecommunications technology. The currency markets are further separated into spot markets, which are for two-day settlements, and forward, swap, interbank futures, and options markets, which are for longer settlements. London, New York, and Tokyo are the global leaders in foreign exchange trading.

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