CURRENCY TRADING IN THE FOREX AND FUTURES MARKETS

CARLEY GARNER

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This book is dedicated to DeCarley Trading and its wonderful clients, those by my side with every key stroke (Tracy, Maggie, and Bailey), and those with big dreams as well as the motivation to make them reality. Dream until your dream comes true!

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I'm grateful for my friends and family that exude support and positivity regardless of the circumstances or the geographical distance the pursuit of life has driven between us.

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Most of all, I am humbled by those that sacrifice so much to ensure Americans are provided freedom of expression, the opportunity to seek happiness, and the liberty to chase success without limits.

About the Author

Carley Garner is an experienced futures and options broker and co-owner of DeCarley Trading in Las Vegas, Nevada. She is also the author of *A Trader's First Book on Commodities* and *Commodity Options* published by FT Press. She has contributed to the *FT Press Delivers* line of digital products, *Insights for the Agile Investor*. Her e-newsletters, *The DeCarley Perspective*, *The Stock Index Report*, and *The Bond Bulletin* have garnered a loyal following.

Carley is a Magna Cum Laude graduate of the University of Nevada Las Vegas, where she earned dual bachelor's degrees in Finance and Accounting. She jumped into the options and futures industry with both feet in early 2004 and has become one of the most recognized names in the business.

Throughout her fast-paced career, Carley has been featured in the likes of Stocks & Commodities, Futures, Active Trader, Option Trader, Your Trading Edge, Equities, Expiring Monthly, and Pitnews magazine. Carley is often interviewed by news services, such as Reuters and Dow Jones Newswire, and has been quoted by the *Investor's Business Daily* and *The Wall Street Journal*. She has also participated in radio interviews and can be found on the speaking circuit. Carley is also proactive in providing free trading education; for details, visit www.DeCarleyTrading.com.

Introduction to the World of Currencies

The concept of currency in civilization dates back to the ancient Egyptians, but the ability for the average individual to participate in the speculation of currency is a relatively new concept. As technology improves, so does the ease of access to the markets; compliments of lower barriers to entry, popularity in currency trading has soared.

Whether or not the inflow of currency speculators to the financial markets throughout the previous decade has had a positive or negative outcome on valuation is still up for debate. Some argue the added market liquidity enables markets to "discover" pricing more efficiently(liquidity is simply the ability to easily enter and exit a market efficiently and is the result of more market participants and higher trading volume).

Others claim overzealous speculators teaming together create illogical, and often unsustainable, price moves. Two things are clear: This is a completely different game than it was 20 years ago, and volatility should be expected. Simply complaining about how things were in the "good ol' days" won't make a dime for anyone; in fact, if you are an Internet FOREX chat room groupie, you might find yourself the target of hate e-mail. A wise trader once told me, you can't control what happens in the markets but you can control how you react to them. I believe that becoming a successful trader means being nimble to changes in market conditions, including the ability to adapt to various shifts in participant psychology and behavior.

> "I didn't fail the test, I just found 100 ways to do it wrong."
> —Benjamin Franklin

As an industry insider who makes a living from retail speculation in both the currency and commodity markets, it is apparent that speculators do have the power to drive market prices beyond equilibrium. Although this has always been the case, it seems to be exaggerated now that there is widespread access to the markets by both the sophisticated and unsophisticated retail traders. That said, prior to the door being opened to retail speculation, dramatic price moves still occurred; however, the cause was likely light volume rather than a bandwagon mentality that now dominates trade. Accordingly, the financial markets will never be perfect because the primary driving force behind them, humans, will never be. Instead, we are emotional and irrational creatures with a tendency to run with the herd toward the slaughterhouse.

As you begin to navigate the currency markets, it is imperative that you understand the difficulty of the task. If using the currency markets as a personal ATM machine were easy, people would quit their day jobs and prepare for a life of luxury. In reality, the statistics suggests that most active currency traders will leave more money in the markets than they walk away with. Similarly, reading a shelf of FOREX books will lay the groundwork for successful trading but certainly doesn't guarantee it. Unfortunately, the most valuable lessons along your journey will be expensive, and will be taught to you by the markets themselves.

As we will cover in detail, low barriers of entry into the currency markets are relatively new; as a result, this particular trading arena has experienced lagging levels of regulation. Consequently, the FX markets have been a hotbed for money laundering, Ponzi schemes, and other types of investor fraud. Whether it is promised trading profits, highly priced educational software that isn't worth the disc it is recorded on, or platforms with flashing green (go) and red (stop) lights indicating "easy" profits from buying or selling currencies, there are plenty of landmines that the average retail currency trader will be forced to tiptoe around. Those who aren't proficient and alert enough to separate truth from fiction could discover the misery aspect of trading before finding success.

The best advice I can offer is to conduct due diligence on each and every trading system, platform, educational course, account manager, and brokerage firm you are considering. Although U.S. regulators have cracked down on what was once the "Wild West" of the financial markets, there are still plenty of traps to fall into.

In addition, traders must have realistic expectations of profit and loss. Many speculators come to the currency markets with dreams of windfall profits, but the reality is much different. In fact, some of the best FX traders in the world struggle to make 20% to 30% per year…and many would be happy with much less. Don't forget, *most* people lose money!

To add perspective to the situation, some of the wealthiest members of our country were begging to be a part of Bernie Madoff's trading program, which was later discovered to be nothing more than a Ponzi scheme. The "expected" return on investment for accounts managed by Madoff was approximately 13% annually.

In other words, if one of the most coveted account managers in the world is only netting 13% for his clients through illegal means, why would the average retail trader approach the market with expectations of double-digit monthly returns? More so, how could FX system and software vendors be promising double-digit *monthly* returns? The reality is, freedom of speech and failing to leave out the entire truth enables FX salesmen to stretch the truth…a lot.

If you are thumbing through a magazine and see claims that are too good to be true, keep flipping because they probably are. Likewise, if you are speaking to a salesperson, whether it is a broker or a software/system representative, and she promises spectacular performance, I suggest hanging up the phone and saving the heartache of discovering the truth the expensive way. If 13% annually was enough to get the uber-rich excited, it should be enough to intrigue all of us, so forget about the triple-digit gains. Even if you are able to make 100% or more in a single year, it is likely you are taking on too much risk and leverage—if so, the fun probably won't last.

My goal isn't to deter anybody from trading FOREX, nor am I insinuating that there isn't money to be made in currency trading. In fact, it is the opposite; however, I also want traders to be realistic in their expectations of risk and reward by acknowledging the difficulty of the task. Without this basic concession, the door is left open for an unpleasant experience. As Charlie Sheen would say, I'm simply delivering "torpedoes of truth."

In reality, the markets can be anything a trader wants them to be. For those looking to substitute a pull at a high-dollar slot machine, there is plenty of leverage available in the currency markets to do just that. On the other hand, the opportunity is there for those seeking the possibility of slow and steady trading profits—assuming enough time is dedicated toward market education, sufficient skin is left in the game to gain experience the only way possible (the hard way), and the trader finds a way to successfully manage emotions and risk.

> "If people knew how hard I had to work to gain my mastery, it would not seem so wonderful at all."
> —Michelangelo

The currency markets are complex, and adding to the confusion of entry-level speculators is the choice of trading arenas. The most renowned venue to trade currencies is FOREX, or simply FX, but the oldest is currency futures on the Chicago Mercantile Exchange (CME). The new kid on the block, and perhaps the least efficient method of placing wagers on currency fluctuations, is the Exchange Traded Fund (ETF).

Each of these trading arenas has advantages and disadvantages; the purpose of this book is to provide readers with an objective and informative point of view to enable educated decision-making. After all, speculation isn't a "one size fits all" game. What is comfortable and familiar for one trader might be the opposite experience for another. As a trader, it is up to you to determine which avenue of speculation fits your needs and, most importantly, your personality. My hope is that readers are able to walk away with the ability to do just that.

> "Calling someone who trades actively in the market an investor is like calling someone who repeatedly engages in one-night stands a romantic."
> —Warren Buffet

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What Is FOREX?

The commonly used term FOREX is simply an abbreviation for "foreign exchange." You might also hear this referred to as FX or, as U.S. regulatory bodies refer to it, "retail off-exchange currency market." The FOREX market is a worldwide, decentralized, over-the-counter financial market in which counterparties can facilitate the trading of currencies. The *true* FX market is composed of several electronic communication networks (ECNs) between banks, institutions, and speculators. As you will later learn, not all FOREX brokers provide their clients with access to an actual ECN marketplace; instead, their clients trade in a synthetic environment that merely appears to be a free market.

> The FOREX market is actually a collection of several freestanding markets on completely separate networks and various counterparties.

Unlike equities, or even most futures and options, FX trading does not occur on an exchange floor, nor are trades executed through a common exchange (such as the Chicago Mercantile Exchange or the New York Stock Exchange). Instead, buyers and sellers are facilitating electronic contractual agreements in regard to the exchange of underlying currencies with assorted counterparties and under various arrangements. Accordingly, currency contracts traded in FX are said to be "off-exchange" products.

According to Wikipedia, a **counterparty** is a financial term identifying a party to a contract or agreement. In FOREX, counterparty holds the same definition and is used to refer to any party that executes a buy or sell in the foreign exchange market. This might be a bank, a central bank, a corporation, a speculator, or even *the brokerage firm executing the transaction.*

Although a counterparty can be on either side of the trade, it is most commonly used as a description of the party taking the other side of a retail trader's order. If a trader buys 100,000 worth of the USD/JPY, somebody else has to sell it to her and that somebody is known as the counterparty.

Trades executed in the FX market are known as "spot" transactions. The term **spot** typically refers to an immediate exchange of assets, but in the case of FOREX it is actually a two-day delivery. Therefore, the concept of trading in FOREX is similar to that of futures trading, in which delivery of the underlying asset takes place at a specified time in the future. Nonetheless, the time frames are much different. Whereas FX contracts are deliverable within a few days, futures are often deliverable months in advance.

Also similar to trading futures contracts, a currency trader in FOREX is buying and selling agreements to make or take delivery of the underlying asset at a specific time and date. Nonetheless, speculators are rarely interested in being part of the delivery process and therefore repetitively roll their obligation out into the future until they are ready to exit the position by offsetting their liability with their counterparty. We will later discover that FX brokers automatically roll client positions to avoid the hassles of delivery. Perhaps this is why you don't hear tall tales about FX traders being forced to accept 100,000 Euro like you do about the infamous corn trader who had to store 5,000 bushels on the front lawn.

A **counterparty** is any person or entity that takes the other side of an agreement. In FOREX, the counterparty might be a bank, institution, broker, or retail trader.

Beginning traders are often overwhelmed by the concept of selling something before buying it. Because FX traders are exchanging agreements with each other, rather than the actual underlying assets, there is no need to "own" anything before selling. FOREX traders can buy and sell in any order, depending on the direction they believe prices will move. We will discuss the mechanics later, but traders who expect the value of the Euro to depreciate relative to the U.S. Dollar might "go short" (sell) the Euro against the Dollar. A different trader might "go long" (buy) the Euro against the Dollar if she expects the Euro to appreciate; these trades can be made in any order and without regard to any ownership. Whether a trader buys or sells an instrument to enter a speculative position, the exit of the trade can only be accomplished by performing the opposite action in the same quantity of currency.

> FOREX traders are exchanging liabilities, not assets.

FX Swung the Door Open to Currency Volatility

Global ECN markets, collectively referred to as FX, were created to simplify the transfer of assets between businesses, banks, and countries worldwide. Nonetheless, improvements in technology throughout the years and lower barriers to entry have opened the door to a hotbed of speculation. In the beginning, trading was only available to relatively high-net-worth individuals with a certain degree of clout. Today, it is possible to open a micro FX brokerage account in a matter of hours by completing an electronic application; minimum funding requirements for micro FX accounts are as low as a Dollar. Yes, that's right…I said a Dollar. But don't expect to get much done with this—you are likely better off buying a lottery ticket with the money.

> When it comes to the markets, street-smarts trump book-smarts.

I'm not here to judge whether or not the additional liquidity brought by speculators has been a positive for the market place, but in the end, the FOREX market and all of its participants determine the relative value of various currencies in relation to others. With so many opinions being expressed through buying and selling of currency pairs, there are bound to be some intense price moves.

Counterparty Risk

Because there is no official exchange overseeing transactions and clearing FOREX trades, there is also no exchange guarantee. As a result, traders in the FOREX market are exposed to counterparty risk, which is not necessarily the case in stock or futures trading.

In essence, traders exposed to counterparty risk could find themselves in a situation in which they are not entitled to the profits earned on a particular trade should the market maker on the other side of the transaction fail to live up to his end of the bargain. Although, this scenario is extremely rare, it must be acknowledged as a potential risk and considered when choosing a currency trading arena.

FOREX Hours

The very same characteristics of FOREX that make it a unique alternative for speculators also create a complicated and treacherous marketplace for those who aren't fully prepared. For example, the FX markets are available to traders continuously, 24 hours per day, five and a half days a week. Specifically, trading begins at 20:15 GMT on Sunday and ends at 22:00 GMT on Friday. The lack of downtime is convenient and enables traders to react to world events in real time, unlike stock traders, who have to wait for the morning open of the U.S. trading session. Yet, day and night market access also encourages poor sleeping habits by die-hard FX traders, and this could promote unfortunate decision-making and large losses. On a social note, it is also probably the root of many failed marriages.

Although FX is open for trade 24 hours per day, there are certain times at which more trading activity occurs, thus providing favorable market conditions for speculators. Liquidity in the FOREX market travels across the globe with the time zones.

From the perspective of a trader located in the United States, the trading day actually begins the night before in Sydney, Australia at 5:00 p.m. Eastern Standard Time (EST); however, liquidity doesn't tend to show up until the Tokyo open a few hours later. At 3:00 a.m. EST, the London markets open, and finally the U.S. market officially opens at 8:00 a.m. local time in New York City. As you can see in Table 1-1, there is plenty of action around the clock, but that doesn't necessarily mean you should always try to take advantage of it. The most liquidity can be found during the overlapped time between the London and the New York sessions, or approximately 8:00 a.m. to 12:00 p.m. Eastern Standard Time.

Table 1-1 Trading Day Begins with Sydney at 5 p.m. EST and Ends at the New York Close at 5 p.m. EST

FX Trading Hours (Eastern Standard Time)																							
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	1	2	3	4	5	6	7	8	9	10	11	12
				Sydney																			
						Tokyo																	
														London									
																			New York				

Sydney is open from 5:00 p.m. to 2:00 a.m. EST.

Tokyo is open from 7:00 p.m. to 4:00 a.m. EST.

London is open from 3:00 a.m. to 12:00 EST.

New York is open from 8:00 a.m. to 5:00 p.m. EST.

FOREX Regulation

Once again, FOREX is a comparatively new trading venue for the average retail currency trader, and with new comes a lack of regulation. In recent years, the NFA (National Futures Association) has begun pulling the reins in on FOREX brokerage firms and their practices, but the jurisdiction of U.S. regulators can't, and doesn't, extend beyond domestic borders. Accordingly, as U.S. regulators were scrambling to write, implement, and enforce new rules aimed at protecting the public from misleading or fraudulent activity, traders reacted by opening trading accounts with brokerage firms operating overseas. The jury is still out on whether this global competition is in the best interest of traders; nonetheless, despite a lack of jurisdiction, U.S. authorities are working hard to prevent U.S. traders from using foreign-operated brokerage houses that don't comply with U.S. regulations. In fact, at the time of this writing, it seemed as though most foreign FX brokers were honoring the wishes of U.S. regulators by either refraining from accepting U.S. citizens as clients or operating a branch of their business according to U.S. rules to accommodate U.S. clients.

> U.S. regulators prohibit brokerage firms from granting U.S. clients leverage in excess of 50 to 1, regardless of which country the broker is headquartered.

The Basics of FOREX Margin

Beginning traders often fail to realize that **margin** isn't a cost; instead, it is simply a good-faith deposit required by brokerage firms as collateral to ensure the ability to cover losses suffered in speculative trades. In other words, despite sometimes being called a "margin charge," it isn't a charge at all. You can look at it similar to the down payment banks (should) require for a mortgage loan to cover any possible drawdowns in the value of the home. If a homeowner is required to provide $20,000 as a down payment to qualify for a loan, the balance goes toward equity in the home to be recouped when the home is later sold (assuming it is sold for a higher price than the loan balance). The down payment, similar to FX margin, isn't an expense; instead, it is a buffer against the possibility of lower home values and borrower default. FX margin should be looked at in the same manner.

The popularity of FX exploded once retail traders caught wind of the excessive leverage built into the marketplace, and this didn't take long given the aggressive advertising techniques of the first FOREX brokers on the scene. New regulations put in place by the NFA limit the leverage U.S. brokerage firms can offer to 50 to 1; the original regulatory leverage cap established in 2010 was 100 to 1, but it was quickly restricted even further. In the simplest view, assuming a 50-to-1 leverage ratio, for every Dollar in margin collateral on deposit, a trader can enjoy or suffer from the profits or losses of $50 worth of currency.

> Margins should be looked at as a down payment against possible losses—not as an expense.

Although the NFA limits leverage provided to U.S. FX traders to 50 to 1, some overseas brokerage firms offer much more. In fact, I've seen firms offer leverage to the tune of 400 to 1! On the other hand, the NFA does not stipulate the minimum leverage an FX trader can utilize. This might seem obvious, but traders typically overlook its implication.

Although traders might be free to utilize high amounts of leverage, they can always choose not to by executing trades in smaller volume relative to account size. Leverage can be eliminated altogether by simply funding the account with the entire contract value; also known as the nominal value. In most FX currency pairs (currency futures will be slightly different), this is approximately $100,000 per standard contract, $10,000 per mini contract, and $1,000 per micro. It might appear unproductive to eliminate the leverage, but some of the most successful derivatives traders have done it this way. Realistically, I believe the optimal balance to be somewhere in the middle.

> Good traders know when to take their winnings and run!

For instance, a trader buying or selling a contract valued at $100,000 would need to have $2,000 in a trading account to meet the minimum margin requirement as stated by NFA's 50 to 1 leverage regulation ($100,000/50, or (1/50) × $100,000). The same trader could reduce her leverage, and thus exposure to risk, by either funding the account with much more than the required $2,000 or simply trading a smaller contract size. As we will later discuss, mini FX contracts can be bought and sold in increments of $10,000; accordingly, this trader could opt to trade $10,000 instead of $100,000 with an account size of $2,000. By doing this, she would adjust her leverage ratio to a more comfortable 5 to 1.

Although more government regulation in the financial markets isn't always the best remedy, I was a supporter of the NFA's original leverage cap. 100 to 1 is more than enough for speculators; in my opinion, anything more is the equivalent to the Shards O' Glass popsicles in the "Truth" ads speaking out against tobacco. Further, I believe aggressive marketing of high leverage is unethical in that it promotes low-probability trading and breeds anguish, for the sake of generating massive brokerage revenue. Unfortunately, higher rates of leverage are easy to sell to novice traders because newcomers tend to look at trading with a glass-half-full mentality; they have a propensity to focus on the positive and block out the negative. I rarely hear a beginning trader ask how to calculate the amount of money he might lose if the market goes from point A to point B. Instead, I'm routinely asked how much one will *make* if….

It is certainly true that more access to free leverage might translate into faster and larger profits, but the reality of the situation is that it will probably lead to nearly immediately devastating results. In essence, the more leverage a trader uses, the less room for error he is giving himself. When it comes to trading, or anything else in life, the further from perfect you have to be, the better the odds of success you will face.

FX margin fluctuates with the notional value (total value) of the contract traded and currency valuations if the USD is not the quote currency.

Unfortunately, nothing in FOREX is simple; despite the leverage ratio being stated and constant, the actual margin charge quoted in U.S. Dollars is not. Simply put, margin rates on each currency pair constantly fluctuate in real time with market prices. This differs greatly from trading in the futures markets, where a stated margin rate is relatively stable and standard.

The exact amount brokerage firms expect to be on deposit to hold positions in the FOREX markets is based on the stated leverage ratio (typically the NFA's 50 to 1), the notional value of the holdings (total value of the currency contracts traded), and possibly the exchange rate of the greenback. This is because FOREX traders stand to benefit or suffer from price movements based on the entire value of the trade, the notional value, and not the margin on deposit. Once again, this can be compared to the way home owners are exposed to the price risk of their *entire* property value rather than the down payment and accumulated equity.

Stock traders wishing to trade on leverage, or sell shares short, must first borrow shares from their brokerage firm and pay interest on the loan. Conversely, FOREX traders are buying and selling an agreement to deliver the underlying asset, rather than the asset itself. Therefore, there is no borrowing of currency to initiate a position valued at as much as 50 times the required margin deposit. As mentioned, a FOREX trader is simply required to deposit a down payment on future losses known as margin.

> FX and futures traders can trade long or short on leverage without paying interest to their brokerage. This is because, unlike trading stocks, they are trading agreements, not assets.

The practice of holding margin, in lieu of the freedom to buy or sell contracts in any order and on leverage, is similar to trading in the futures market but is in stark contrast to the policy of stock brokerage firms. However, in futures it is primarily the exchange that sets margin requirements; the broker plays a secondary role in doing so, and the NFA has yet to establish leverage rules in the futures arena. In Chapter 2, "Making 'Cents' of Currency Pairs," we discuss how FOREX margin is calculated, and in Chapter 6, "What Are Currency Futures?," we cover the details of margin on futures contracts.

Despite interest-free leverage provided by brokerage firms, FX traders are subject to the interest rate differential between the currencies in any pair held overnight (beyond the NY close). A position will either earn, or incur, interest depending on the money market rates backing the corresponding currencies. This is unique to currency speculation in FOREX and does not apply to currency futures or ETFs. We will revisit this concept in more detail, but it is important that traders are aware of all the risks, rewards, and liabilities that come with trading spot market currencies.

Market Liquidity: Myths Versus Truths

The appeal of trading liquid markets is the ease with which contracts can be bought and sold, but traders aren't always getting what they expect. You have probably read, or heard, that the foreign currency market is the deepest and most liquid marketplace in the world. Daily FX volume is estimated to be approximately $4 trillion, dwarfing all other speculative vehicles and essentially doubling in size over the last decade. However, the headline figures are a bit misleading. For instance, the daily volume isn't entirely composed of spot transactions by retail speculators, hedge funds, or even banks. Most of it is occurring in forward contracts and foreign exchange swaps; a smaller percentage of the daily volume occurs in options and other peripheral products. Swaps are actions taken by FX traders to avoid delivery of the underlying asset.

> Any product in any market has two prices: one at which it can be bought and one at which it can be sold. The **bid** is the price at which a trader can sell, and the **ask** is the price at which a trader can buy. There will always be a spread between these prices, known as the **bid/ask spread**, or **pip spread**.

Specifically, an **FX swap** is the simultaneous purchase and sale of identical amounts of one currency for another with two different value dates. In a nutshell, it is the process of rolling from a deliverable currency position into a nondeliverable contract; later, we will touch on the concept of rolling over again in more detail. A **forward contract** is an individually negotiated agreement to buy or sell a particular currency at an agreed-upon price and on an agreed-upon date. Neither swaps, nor forwards, add to the liquidity of intraday speculative currency trading. As a result, although they add to the impressiveness of liquidity stats, the stats are a bit misleading.

Even more disingenuous is the assumption that trading FOREX under any brokerage firm, or arrangement, entails enjoying deeply liquid currency markets. Depending on the brokerage firm chosen, trades might not be taking place in a liquid FX market, known as an ECN (Electronic Currency Network). Brokers that provide clients with direct access to an ECN market are known as **non-dealing desk brokers.** On the other side of the coin, brokers that are not routing client orders to an ECN are essentially executing orders in a synthetically created (replica) market. This type of brokerage arrangement is known as a **dealing-desk broker**, and in this environment the broker's "dealing desk" is taking the other side of their client's transactions. We will discuss the details and disadvantages of this later on, but it is important to realize that those trading through a dealing desk aren't directly benefiting from the liquidity in the true FX markets (ECNs). Even those trading in an ECN environment should know that volume is split among several networks rather than a single market. In my view, reporting an aggregate daily FX volume figure as is commonly done can be compared to combining all the volume incurred in each stock exchange around the globe and then claiming the "stock market" is exceptionally liquid.

> We don't compile all the volume executed worldwide and claim the "stock market" is the deepest market in the world, so why do we do it in FOREX? True liquidity can only be measured in each of the individual FX networks.

Each FX pair is quoted in two prices: The bid is the price traders can sell and the ask is the price traders can buy. Unfortunately, the spread between the two is always at the disadvantage of the retail trader. The more liquid the market is, the less distance between the best available bid and the best available ask, which results in better fill quality. Those trading against their brokerage firm are operating in an arrangement where the spreads between the bid (the best price at which you can sell) and the ask (the best price at which you can buy) are fixed. In the case of fixed spreads, it really doesn't matter how liquid or illiquid the FX market is because these traders won't reap any of the benefits!

Nonetheless, even in light of these clarifications on FX market volume, FOREX traders typically enjoy ample liquidity for normal speculation. That said, I believe knowing the big picture will enable traders to make better decisions when choosing a trading arena or environment (that is, a broker).

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