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Features of Forex Market; Trading in Decentralized Market Under CFD Contracts

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A daily trading volume of around \$7 trillion, a 24-hour decentralized market, high leverage, and an easy start with a demo account are some of the features that make Forex a suitable market for trading and speculation.



Forex is a highly liquid global market for trading currency pairs, driven by hedge funds and large financial institutions

Forex market is international market that operates globally; Therefore, no specific organization or entity can manipulate its prices.

What are the Features of Forex?

The currency pair market is not dependent on any specific entity; in fact, **decentralization, trading volume, liquidity**, and the provision of **high leverage** are the key **features of Forex**.



1- Trading Costs and Broker Income

Forex traders must consider the costs of **commission, swap**, and **spread** when trading with brokers:

- ⚡ **Spread:** The difference between an asset's **buy** (Ask) and **sell** (Bid) price. The **Ask** is the most attractive (lowest) price among sellers, and the **Bid** is the highest price among buyers;
- ⚡ **Swap or Overnight Interest:** The cost incurred for **holding a position** overnight. The swap is calculated based on the **interest rate difference** between the bought and sold currencies;
- ⚡ **Commission:** The fee charged by the broker for executing trades.

These are the **income sources for brokers**; however, brokers offer accounts with **different features** (such as swap-free accounts, low spreads, or no commission) for different users.

To learn about different brokers' commissions and costs, read the TradingFinder [Forex broker reviews](#).

2- Trading Volume in Forex

Forex traders trade on **currency pair fluctuations** under **CFD** contracts. In CFD trading, the trader **does not own the asset** and only trades or speculates on the **price changes** of a currency pair; CFD contracts are one of the Forex Features.

Trading volume in Forex is measured based on the number of contracts in **lots**, where **1 lot** is equivalent to **100,000** units of a **CFD** contract.

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To determine the appropriate **trade size (lot size)** based on your **account balance** and **risk management**, you can use the TradingFinder [Position Size Calculator Tool](#).



Pip Value and Profit/Loss in Forex

Profit and loss in Forex trading vary based on the **lot size** (trading volume).

In currency pairs involving the US dollar, with a trade size of 1 lot, each 1-pip movement equals a profit or loss of \$10. In this case, the pip value (Pip Value) is \$10.

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$$\text{Pip Value} = \text{Trade volume} \times \frac{\text{One Pip in the relevant Currency Pair}}{\text{Currency Pair Rate}}$$

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In this formula, the trading volume refers to the number of contracts

Position Size or Contract Size

Contract Size indicates how many contracts are included in one lot for a specific asset.

The contract size for **all currency pairs** in **1 lot** is 100,000. However, the contract size for other assets such as oil, silver, gold, etc., varies across different brokers.

3- Forex Market Trading Hours

The Forex market is open 24 hours a day, five days a week (excluding Saturdays and Sundays). The 24-hour day is divided into four sessions.

Forex Market Sessions:

- ⚡ **Sydney Session:** The market is less active during the **Australian session**, and the Australian and New Zealand dollars are mostly traded;
- ⚡ **Tokyo Session:** During the **Tokyo session**, Asian markets become active but remain less volatile, and currencies such as **AUD** and **JPY** are in focus;
- ⚡ **London Session:** With the start of the **London session**, liquidity increases, and the impact of European and global news is observed;
- ⚡ **New York Session:** With the start of the **American session**, liquidity and volatility peak, and U.S. news influences the market.

When the **London and New York sessions overlap**, the market experiences high liquidity and intense volatility.

To view the **market session** during trading hours, you can use the TradingFinder [Forex Sessions & Market Hours tool](#).

4- Decentralized and High Liquidity

The Forex market, with a daily trading volume of **approximately \$7 trillion**, is the largest financial market in the world. **Reasons for the high trading volume in Forex:**

- ⚡ **24-Hour Market:** This feature, along with market stability and reasonable volatility, attracts traders from around the world to Forex;
- ⚡ **Decentralized:** Unlike stock exchanges that operate within specific organizations, Forex trading is conducted **decentralized** through **OTC** platforms and is accessible in all countries;
- ⚡ **High Leverage:** Forex offers high leverage (up to 1:2000), which not only adds to the appeal but also increases trading volume;
- ⚡ **Participation of Banks and Financial Institutions:** Most of the Forex market volume is provided by **banks, governments, and international financial institutions** that must conduct currency transactions to manage **foreign exchange reserves** and finance international projects.

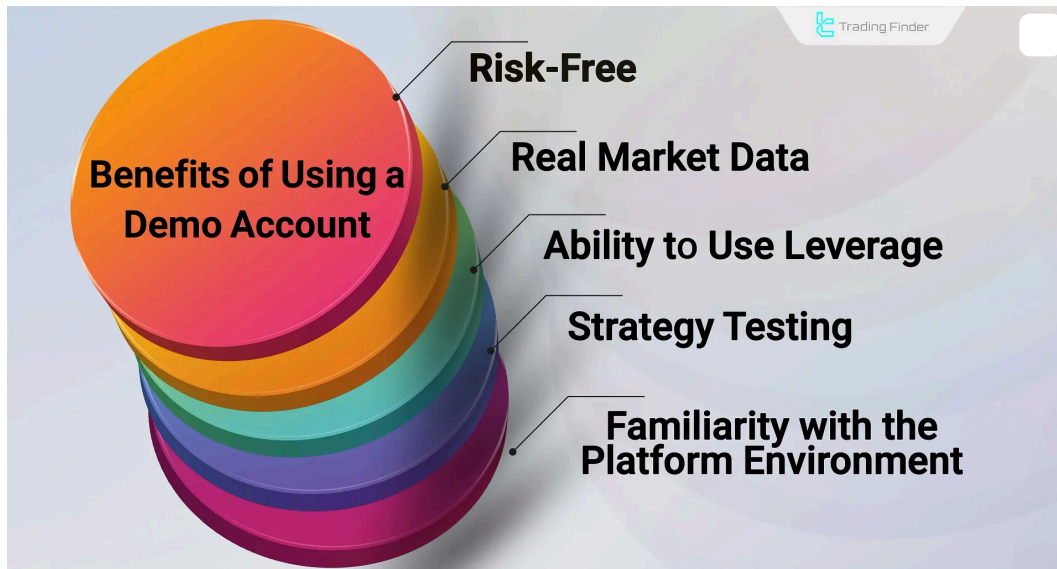
5- Leverage

High leverage in Forex is an advantage compared to other markets; however, this also increases the risk of trading. **Comparison of leverage in different financial markets:**

Market	Leverage (Typically)
Stocks	1:2 to 1:10
Forex	1:50 to 1:2000
Crypto	1:2 to 1:1000+
Futures	1:10 to 1:100
Commodities	1:10 to 1:20
Bonds	1:2 to 1:5
Commodity Exchange	1:2 to 1:4

6- Easy Start Without Initial Capital

In Forex, it is possible to start trading with a **demo account** and **trade without real money**, which is ideal for beginner traders. **Advantages of a Forex demo account:**



The ability to execute trades without the risk of loss is the main advantage of using a demo account

Option to Use a Cent Account

In a **cent account**, the balance is displayed in cents. For example, if you deposit \$10, your balance will be 1000 cents. This account is suitable for individuals with little trading experience or those who want to trade with small capital.

Conclusion

The **deep market** and **high liquidity** make Forex a **manipulation-resistant** market with relatively reasonable volatility.

Forex offers attractive features such as **high leverage**, **24-hour trading**, and **decentralized** (OTC) transactions, which encourage traders to participate.

FAQs

What are the income sources for brokers and the costs for a Forex trader? ▼

Brokers earn income from spreads, swaps, and commissions, which are the costs for a Forex trader.

What type of account is recommended for swing traders in Forex? ▼

Given that swing traders hold positions for a more extended period (e.g., several weeks), it is better to use a swap-free broker account.

What is Pip Value? ▼

Pip Value refers to the profit or loss that a one-pip change in the price of a currency pair can bring to a trader; This amount depends on the trading volume and the base currency.



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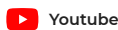
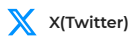


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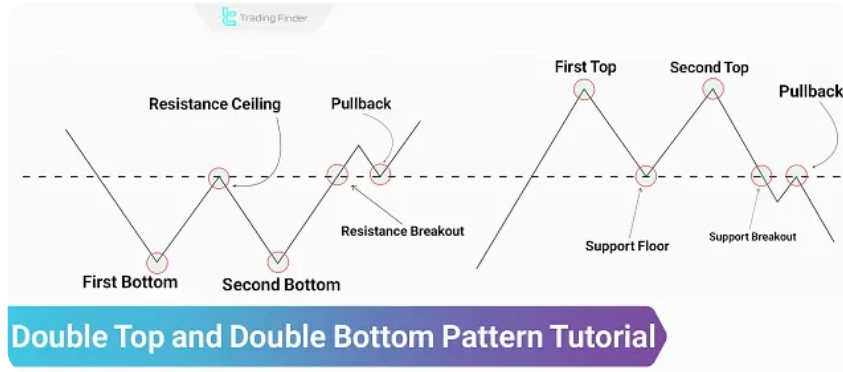
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