Currency Pair

The pair formed by two different currencies which are traded in a Forex transaction. **Base Currency** is mentioned first and **Counter Currency** is mentioned second. Common currency pairs and their nicknames:

EUR/USD - Euro
GBP/USD - Cable. Based on old transatlantic telecommunication cable.
AUD/USD - Aussie
NZD/USD - Kiwi
USD/CHF - Swissy
USD/CAD - Loonie
USD/JPY - Dollar Yen

Pip (tick)

Percentage in Point, the smallest price change that can be seen in an exchange rate. For instance, one pip on EUR/USD pair can be, depending on broker's precision, 0.0001 tai 0.00001. On USD/JPY pip is either 0.01 or 0.001.

Bid/Ask

Bid is the price at which a trader is prepared to sell pair's Base currency. Bid is the price at which trader is prepared to sell pair's Base currency. Ask is the price at which trader accepts to buy pair's Base currency. For example, if EUR/USD is quoted 1.2935/1.2937, then 1 Euro can be sold for 1.2935 dollars and respectively 1 Euro can be bought for 1.2937 dollars.

Spread

The difference between Ask and Bid price of a currency pair. In aforementioned EUR/USD example the spread would be 2 pips. In order for position to become profitable, the currency has to go in positive direction (from position's standpoint) more than the current spread.

Lot (position size, volume)

Size of the position, which is measured as units of Base currency. Standard lot is 100 000 units, mini lot 10 000 units and micro lot is 1 000 units. When opening a position in Metatrader4 the volume values to input are 1 (standard) lot, 0.1 (mini) lot and the smallest 0.01 micro lot. All of those can be incremented by 0.01.

Leverage

Multiplier presented as a ratio. It is used to multiply the tradable capital. Leverage is, depending on the broker, between 1:1 and 1:500, and can usually be changed by trader. Use of large leverage enables taking large risk, so basically, small capital can be either increased or lost extremely fast. Small leverage, on the other hand, requires huge trading capital. When choosing the leverage, the most important thing is to understand money management and stop loss terms.

Stop loss (SL)

The maximum limit of the loss. Most important term of money management. When opening a trade, one can set a stop loss limit to e.g. 20 pips. Trade will be automatically closed, when its possible loss reaches 20 pips.

Trailing Stop loss (TS)

An alternative to a regular SL setting. With this one, SL level follows (trails) the current price at a certain pre-set distance. For instance, buy order and trailing stop loss of 25 pips. If the price goes down 25 pips right away, order gets closed normally. But if the order gets 26 pips of profit, the SL is automatically moved to +1 pips (26-25=1). So, in worst case scenario following that, trade will end up with 1 pip of profit. If the price would continue to go up, the SL limit will always follow it 25 pips behind.

Take profit (TP)

Predefined profit limit, an opposite to SL. When order reaches certain amount of profit, it gets closed automatically.

Buy/Sell or in other words **(Long/Short)**

When the value of Base currency is expected to go up, buy-order (long) is placed. Respectively, when the value of Base currency is expected to go down, sell-order (short) is placed.

Bullish/Bearish Market

Boom in economy or certain market can be described by term Bullish Market. Bearish Market means the opposite, a bust cycle or a downtrend of markets/economy. An example of analytical websites' phrasing: "It's a good opportunity to short EUR/USD since pair's outlook is extremely bearish".

Hawkish/Dovish

News agencies and Forex analysis websites often describe the tone of an important release or speech with these words. So, when talking about specific country's/currency's outlook, hawkish means taking aggressive actions (like rate hike) and it is usually followed by rise of currency's value. Dovish, on the other hand, is a passive approach, which might cause currency's value to decrease.

Support

Support level, according to technical analysis principles, is the area where the price is not supposed to go further down. In other words, strong support level acts as a floor, from which the price will bounce and will start to go up. It can also be explained as a price level at which the buying is expected to take place.

Resistance

Opposite of support. A ceiling for price's uptrend. Level at which the selling is expected to take place.