ANZO Capital

FOREX TRADING

A BEGINNER'S GUIDE

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FOREIGN EXCHANGE

Forex or FX stands for Foreign Exchange. It is the world's largest financial market with governments, banks, corporations and individual investors all taking part in exchanging currencies.

In Forex trading, there are always two currencies involved. They are referred to as a pair, for example Euro/US Dollar (EUR/USD) or British Pound/Japanese Yen (GBP/JPY). The pricing of a currency pair values the first currency against the other. Therefore, investors can find opportunities from coming price movements by forecasting the currency pair directions.

Euro/US Dollar

EUR/USD

Base Currency Quote Currency

For example:
After your own analysis, you predicted that British Pound (GBP) will gain strength as compared to Japanese Yen (JPY). Therefore, you will buy British Pound and sell Japanese Yen at the same time.

If you predicted that Japanese Yen (JPY) is gaining strength versus British Pound, you will buy Japanese Yen and sell British Pound simultaneously.

Currencies pairs are traded in a certain hierarchy order. Hence, you will use the pair GBP/JPY for the two different trading scenarios mentioned. If the trader wishes to buy Japanese Yen for GBP/JPY, he/she would sell British Pound for GBP/JPY. Buying is usually referred to as "**going long**" and selling is usually referred to as "**going short**".

WHAT IS FOREX?

Unlike other financial markets like the New York Stock Exchange, the forex market has neither a physical location nor a central exchange. The forex market is considered an Over-the-Counter (OTC), or “Interbank” market due to the fact that the entire market is run electronically, within a network of banks, continuously over a 24/5 period. The FX exchange rates are driven by supply and demand.

8 Major Central Banks

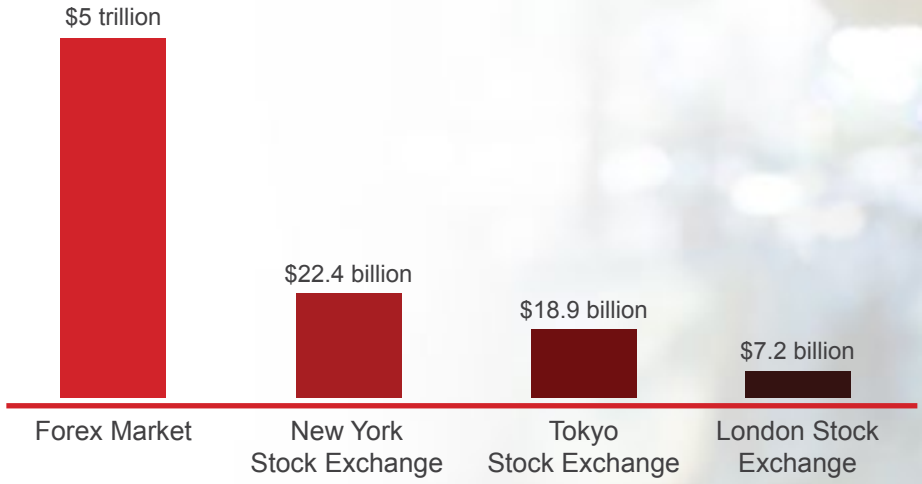
1. U.S. Federal Reserve System (The Fed)
2. European Central Bank (ECB)
3. Bank of England (BoE)
4. Bank of Japan (BoJ)
5. Swiss National Bank (SNB)
6. Bank of Canada (BoC)
7. Reserve Bank of Australia (RBA)
8. Reserve Bank of New Zealand (RBNZ)

1. Ability to Trade 24/5

Transactions in the Forex market begin at 5 o'clock local Sydney time, and end on Friday at 17:00 local NY time (EST).

2. Market Size and Liquidity

The currency market is the largest financial market in the world. The liquidity that comes from a market that trades nearly $5 trillion every day enables you as an investor to enter and exit you positions easily. This is an advantage because it means that under normal market conditions, with a click of a mouse you can instantaneously buy and sell at will as there will usually be someone in the market willing to take the other side of your trade.



3. Ability to Take Advantage of Ascending or Descending Markets

An investor can make a profit in both rising and falling markets, as Forex is always traded in pairs.

4. No commissions

You never have to pay any clearing fees, exchange fees, government fees nor brokerage fees. You simply pay the difference between the bid and the ask prices, which is called the "bid/ask spread".

5. Ease of Entry

You can get started in the currency market with an account as small as $100 with Anzo Capital. Anyone can take advantage of the benefits of the currency market.

6. Low Required Margin – High Leverage

With Anzo Capital you can trade on up to 500 times leverage.

7. No Middlemen

Spot currency trading eliminates the middlemen and allows you to trade directly with the market responsible for the pricing on a particular currency pair.

CURRENCY PAIRS CATEGORIES

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Currency Pairs	Countries
EUR/USD	Euro Zone / United States
USD/JPY	United States / Japan
GBP/USD	United Kingdom / United States
USD/CHF	United States / Switzerland
USD/CAD	United States / Canada
AUD/USD	Australia / United States
NZD/USD	New Zealand / United States

Major Currency Pairs

The currency pairs on the left are referred to as the majors and each contains U.S. dollar (USD) on one side. The majors are the most liquid and widely traded currency pairs in the world.

Currency Pairs	Countries
USD/HKD	United States / Hong Kong
USD/SGD	United States / Singapore
USD/ZAR	United States / South Africa
USD/THB	United States / Thailand
USD/MXN	United States / Mexico

Exotic Currency Pairs

Exotic currency pairs, or the exotics, include currency pairs from emerging markets, such as Brazil, Mexico, Hungary. On the left are some examples.

Euro Crosses

Currency Pairs	Countries
EUR/CHF	Euro Zone / Switzerland
EUR/GBP	Euro Zone / United Kingdom
EUR/CAD	Euro Zone / Canada
EUR/AUD	Euro Zone / Australia
EUR/NZD	Euro Zone / New Zealand

Yen Crosses

Currency Pairs	Countries
EUR/JPY	Euro Zone / Japan
GBP/JPY	United Kingdom / Japan
CHF/JPY	Switzerland / Japan
CAD/JPY	Canada / Japan
AUD/JPY	Australia / Japan
NZD/JPY	New Zealand / Japan

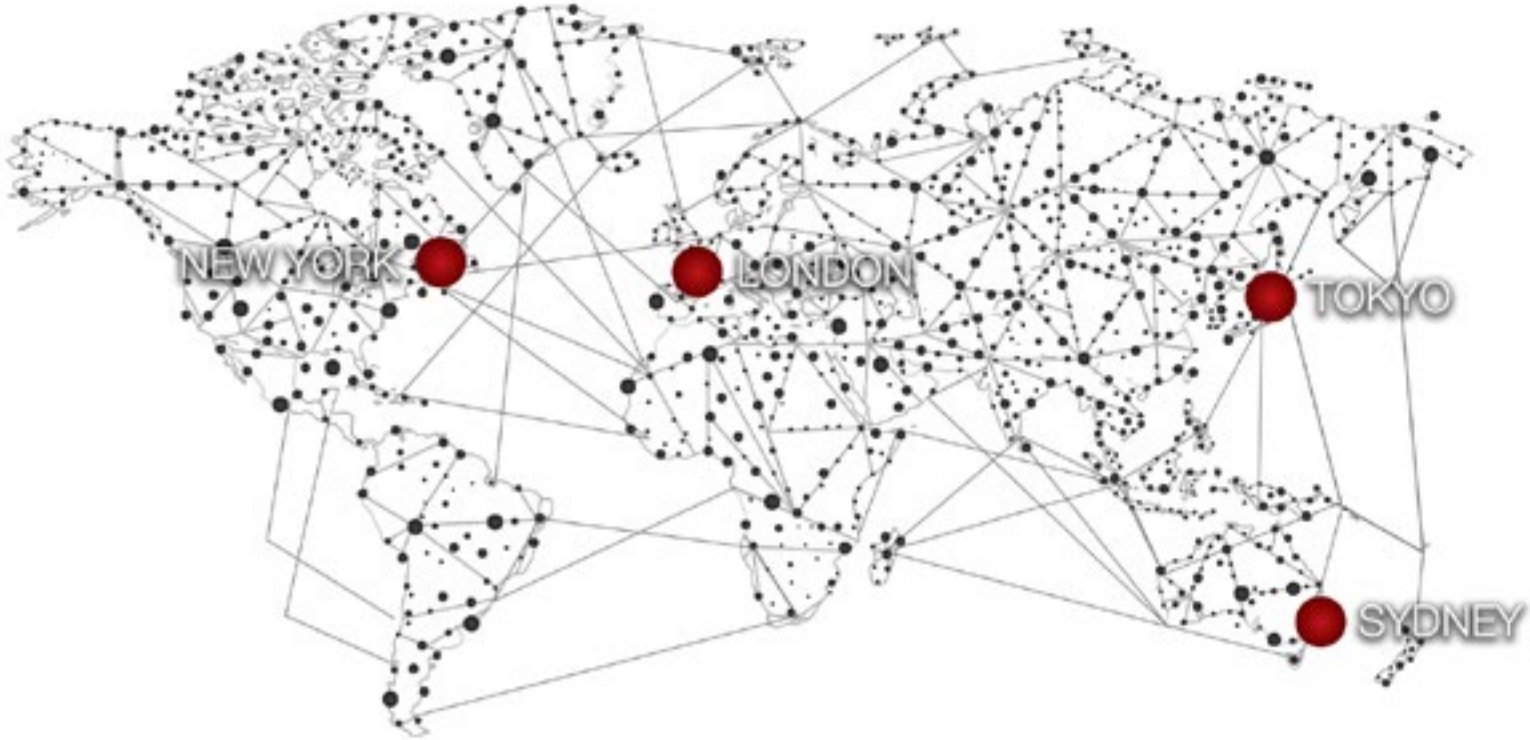
Pound Crosses

Currency Pairs	Countries
GBP/CHF	United Kingdom / Switzerland
GBP/AUD	United Kingdom / Australia
GBP/CAD	United Kingdom / Canada
GBP/NZD	United Kingdom / New Zealand

Major Cross-Currency Pairs or Minor Currency Pairs

Cross-currency pairs/Crosses are currency pairs that do not contain the U.S dollar. Major crosses are also known as “minors.” The most actively traded crosses are derived from the three major non-USD currencies: EUR, JPY, and GBP.

FOREX TRADING SESSIONS



Forex market is open 24 hours a day, but it is not always active the whole day. There are trading opportunities when the market is moving up or down. However, it will be difficult if the market does not move at all.

The forex market is sectioned into four major trading sessions: **Sydney**, **Tokyo**, **London** and **New York**. Below are tables on the open and close hours. The hours are based on local business hours. This varies during October and April as some countries shift to/from daylight savings time (DST). The day within each month that a country may shift to/from DST also varies.

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Summer (approx. April – October)

Time Zone	EDT	GMT
Sydney Open Sydney Close	6:00 PM 3:00 AM	10:00 PM 7:00 AM
Tokyo Open Tokyo Close	7:00 PM 4:00 AM	11:00 PM 8:00 AM
London Open London Close	3:00 AM 12:00 PM	7:00 AM 4:00 PM
New York Open New York Close	8:00 AM 5:00 PM	12:00 PM 9:00 PM

Winter (approx. October-April)

Time Zone	EDT	GMT
Sydney Open Sydney Close	4:00 PM 1:00 AM	9:00 PM 6:00 AM
Tokyo Open Tokyo Close	6:00 PM 3:00 AM	11:00 PM 8:00 AM
Tokyo Open Tokyo Close	3:00 AM 12:00 PM	8:00 AM 5:00 PM
New York Open New York Close	8:00 AM 5:00 PM	1:00 PM 10:00 PM

As shown on the left, in between each forex trading session, there is a period of time where two sessions are open at the same time. Tokyo and London sessions overlap during summer from 3:00 – 4:00 am EDT. The London and New York sessions overlap on both summer and winter from 8:00 am – 12:00 pm ET.

Certainly, these are the busiest times during the trading day as there is more volume when two markets are open at the same time.

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Currencies are quoted in pairs, for example EUR/USD or USD/JPY. The first currency on the left is called the base currency (EUR in this example), and the second currency on the right is called the quote or variable currency (USD in this example).

Euro/US Dollar

EUR/USD = 1.12738

Base Currency Quote Currency

From the price of a currency pair, it tells you how many of the quote currency it would take to buy, or sell, one unit of the base currency.
For example:
EUR/USD trading at 1.12738 means:
EUR 1 = USD 1.12738

You will buy (long) EUR/USD if your analysis forecasts the base currency (EUR) will appreciate relative to the quote currency (USD). However, you will sell the pair if your analysis forecasts the base currency (EUR) will depreciate relative to the quote currency.

SPREAD, PIPS AND LOT

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Spread

Forex quotes are quoted with 2 prices, the bid and ask(offer).

The difference between the bid and the ask price is known as the spread.

The spread is the primary cost of trading between currencies. The amount of the spread is based on many factors, such as market volatility, currency liquidity, etc.

Pip

The unit FX movements are measured in is call a Pip. If EUR/USD moves from 1.1278 to 1.1279, the 0.0001 USD rise in value is 1 Pip. A pip is usually the fourth decimal place of a quotation, but there are few currency pairs where a pip refers to other decimal places. For example USD/JPY. If USD/JPY moves from 113.68 to 113.69, i.e. 0.01, the pair has moved 1 Pip.

The price of a pip depends on the pair.

- In EUR/USD for a position of 100,000, an increase or decrease of the currency by one pip means an increase or decrease of EUR 100,000*0.0001= USD 10

- In USD/JPY for a position of 100,000, an increase or decrease of the currency by one pip means an increase or decrease of USD 100.000*0.01= JPY 1000

Lot

Forex is traded in specific amounts called lots. The standard size for a lot is 100,000 units. However, there are different lot sizes as shown on the below table.

Lot	Number of Units
Standard	100,000
Mini	10,000
Micro	1,000
Nano	100

Margin and Leverage

Forex, as a financial product provides the ability to leverage capital. Leverage is a ratio of the required deposit to the amount used in a transaction. At Anzo Capital, we provide a leverage of up to 1:1000.

With a leverage of 1:100, an investor can open a position with a value of USD 100,000 with only USD 1,000. This USD 1,000 is at 1% margin. A margin is an amount that is being held on the account as a guarantee in order for the investor to open a position larger than the account value.

Below is a table on the Margin Required based on the leverage.

Margin Required	Maximum Leverage
1.00%	100:1
0.50%	200:1
0.25%	400:1
0.20%	500:1
0.10%	1000:1

Rollover

If you hold your positions open after the end of a trading day, there is a daily rollover interest rate that a trader either pays or earns, depending on your established margin and position in the market. At Anzo Capital, it is calculated automatically at the end of every trading day. The rollover process starts at 23:59 server time. Our server time is set at GMT+2.

CALCULATING PROFIT AND LOSS

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Our online trading platform will automatically calculate the P&L of your open positions. However, it is useful to understand how this calculation is made to understand your profit and loss potential on each trade.

To illustrate a Forex trade, consider the following two examples.

Let's say that the current bid/ask for EUR/USD is 1.1273/76, meaning you can buy 1 euro for 1.1276 or sell 1 euro for 1.1273.

Suppose you decide that the Euro will appreciate against the US dollar. To execute this strategy, you would buy EUR/USD, and then wait for the exchange rate to rise.

Ask (Buy) Price	EUR/USD 1.1276
Position Size	EUR 100,000
Dollar amount to be paid	EUR 100, 000 * 1.1276 = $112,760
Margin required at 1%	$112,760 * 1% = $1,127.6

With a 1:100 leverage, your initial margin deposit would be approximately $1,127.6 to open this position.

As you expected, Euro strengthens to 1.1285/88 from 1.1273/76. Now, to realize your profits, you sell 100,000 Euros at the current rate of 1.1285, and receive $112,850.

You bought 100k Euros at **1.1276**, paying **$112,760**.

Then you sold 100k Euros at **1.1285**, receiving **$112,850**.

That's a difference of **9** pips, or in dollar terms
$112,850 - $112,760= $90

Total profit = US $90

Now in the example, let's say that we once again buy EUR/USD when trading at 1.1273/76. You buy 100,000 Euros and you pay 112,760 dollars (100,000 x 1.1276).

However, Euro weakens to 1.1265/68. Now, to minimize your losses you sell 100,000 Euros at 1.1265 and receive $112,650.

You bought 100k Euros at **1.1276**, paying **$112,760**.

You sold 100k Euros at **1.1265**, receiving **$112,650**.

That's a difference of **11** pips, or in dollar terms
$112,760 - $112,650 = $110

Total loss = US $110

A PREMIER DESTINATION FOR TRADERS

Anzo Capital (SVG) LLC is registered by St Vincent & The Grenadines Financial Services Authority (SVGFSA), Company Number 308 LLC 2020.