FOREX FUNDAMENTALS — MODULE 1

What Is Forex, Really?

The building blocks: currency pairs, pips, lots, spread, and leverage — explained in plain English before you touch a chart.

MODULE 1 OF 7

What Is Forex, Really?

Forex — foreign exchange — is the market where one currency is traded for another. Every time you convert money for a holiday, you're doing a tiny version of what traders do professionally: betting that one currency will strengthen or weaken against another.

It's the largest financial market in the world, trading around the clock on weekdays because it moves between financial centers as they open and close: Sydney, Tokyo, London, New York.

Currency Pairs

Currencies are always traded in pairs, because you're always exchanging one for another. EUR/USD means: how many US Dollars does one Euro buy?

Base currency	The first currency listed (EUR in EUR/USD). This is what you're buying or selling.
Quote currency	The second currency (USD in EUR/USD). This is what the price is measured in.
Example	EUR/USD = 1.0850 means 1 Euro buys 1.0850 US Dollars.

If you think the Euro will strengthen against the Dollar, you **buy** EUR/USD. If you think it will weaken, you **sell** EUR/USD.

Pips: How Price Movement Is Measured

A pip is the standard unit of movement in a currency pair — normally the 4th decimal place (2nd for pairs involving the Japanese Yen). If EUR/USD moves from 1.0850 to 1.0860, that's a 10 pip move.

Pips matter because your profit or loss on a trade is essentially: pips moved × position size.

Lots: Position Size

A lot is a standardized trade size. This is what actually determines how much money moves per pip — and it's the single biggest lever beginners misuse.

Standard lot	100,000 units of the base currency. ~$10/pip on most USD pairs.
Mini lot	10,000 units. ~$1/pip.
Micro lot	1,000 units. ~$0.10/pip.

You don't need to trade standard lots. Most beginners — and most funded traders — operate in micro or mini sizes relative to their account. Position size is a risk decision, not a confidence flex.

Spread: The Cost of Trading

The spread is the small gap between the price you can buy at (ask) and the price you can sell at (bid). It's effectively the broker's fee for executing your trade, built into the price itself. Tighter spreads on major pairs like EUR/USD, wider spreads on exotic pairs.

Leverage: The Double-Edged Tool

Leverage lets you control a large position with a small amount of capital — e.g. 1:100 leverage means $1,000 controls a $100,000 position. It amplifies gains, but it amplifies losses at exactly the same rate. Leverage is not free money — it's a magnifier applied to whatever you were already doing.

KEY TAKEAWAY

- Forex is currencies traded in pairs — you're always betting on one relative to another.
- Pips measure movement, lots measure size, spread is the cost of entry.
- Leverage magnifies both wins and losses — it's a tool for capital efficiency, not a shortcut to bigger profits.
- Understanding these mechanics is the prerequisite for everything else in this course.

Next up: Module 2 — How Orders Work: placing trades, stop loss, take profit, and position sizing math.