English Glossary By Alphabetic Order

A

Accrual - The apportionment of premiums and discounts on forward exchange transactions that relate directly to deposit swap (Interest Arbitrage) deals, over the period of each deal.

Adjustment – Is normally an official action to either change the internal economic policies to correct a payment imbalance or the official currency rate.

Agent Bank – Usually bank acting for a foreign bank.

Aggregate Demand - Total demand for goods and services in the economy. It includes private and public sector demand for goods and services within the country and the demand of consumers and firms in other countries for good and services.

Aggregate Risk - Size of exposure of a bank to a single customer for both spot and forward contracts.

Aggregate Supply - Total supply of goods and services in the economy from domestic sources (including imports) available to meet aggregate demand.

American-Style Option– An option contract that may be exercised at any time before it expires.

Appreciation – The strengthening of a currency relative to another.

Arbitrage - The purchase or sale of an instrument and the simultaneous taking of an equal and opposite position in a related market, in order to take advantage of a price differential of the instrument between markets.

Aroon – A technical indicator system that can be used to determine whether or not an instrument is trending and the strength of its trend. The Aroon Oscillator signals an upward trend when it rises above zero and a downward trend when it falls below zero. The farther away the oscillator is from the zero line, the stronger the trend.

Aroon Oscillator – A technical indicator called the Aroon Oscillator can be constructed by subtracting Aroon (down) from Aroon (up). Since Aroon (up) and Aroon (down) oscillate between 0 and +100, the Aroon Oscillator oscillate between -100 and +100 with zero as the center crossover line.

Ascending Trend Channel - An ascending line that connects the bottoms of the down waves and is parallel to a trend-line. The ascending channel line and the trend-line form borders on an uptrend. This is a bullish pattern.

Ascending Triangle - A sideways price pattern between two converging trend-lines in which the lower line is rising while the upper line is flat. This is generally a bullish pattern.

Ask – The quoted price at which a customer can buy a currency pair. Also referred to as the ‘offer,’ ‘ask price,’ or ‘ask rate.’

Asset – Either a positive balance or in the context of foreign exchange the right to receive a specific currency from a counterparty (broker) as brought about from an outstanding forward or spot deal.

Asset Allocation - Dividing funds amongst different instruments in order to reduce risk.

At Best - An instruction given to a dealer to buy or sell at the best rate that can be obtained.

At or Better - An order to deal at a specific rate or better.

Aussie – Slang for the Australian Dollar.

Authorized Dealer - A financial institution that is authorized to deal in foreign exchange.

Average Directional Index (ADX) – A technical indicator and part of the Directional Movement Indicator system developed by J. Welles Wilder, the ADX line is based on the spread between the +DI and -DI lines from that same system.

Average True Range (ATR) – A technical indicator that measures an instrument's volatility. High ATR values indicate high volatility and may be an indication of panic selling or panic buying. Low ATR readings indicate sideways movement by the instrument.

B

Back Office – A financial institutions area that is responsible for settlement, administration and reporting.

Back Testing – Is a test of the performance of a trading strategy based on historical data prior to applying the strategy to live data.

Balance of Payments - A systematic record of the economic transactions during a given period for a country. (1) The term is often used to mean either: (i) balance of payments on "current account"; or (ii) the current account plus certain long term capital movements. (2) The combination of the trade balance, current balance, capital account and invisible balance, which together make up the balance of payments total. Prolonged balance of payment deficits tend to lead to restrictions in capital transfers, and or decline in currency values.

Band – Or Trading Band is the range in which a currency is permitted to move against another, according to restrictions imposed on the currency by the local Government.

Bank line - Line of credit granted by a bank to a customer, also known as a "line" or "credit line".

Bank Rate - The rate at which a central bank is prepared to lend money to its domestic banking system.

Base Currency – For foreign exchange the base currency refers to the first currency in a currency pair. For example, in a EUR/USD currency pair, the EUR is the base currency. Also may be referred to as the primary currency.

Basis - The difference between the cash price and futures price.

Basis Point – The last decimal point shown for trading. In most currency pairs this is equivalent to 1/10,000. The most popular exception to the rule is USD/JPY where the basis point is 1/100.

Basis Trading - Taking opposite positions in the cash and futures market with the anticipation of profiting from favorable movements in the basis.

Basket - A group of currencies normally used to manage the exchange rate of a currency, usually each currency in the basket is weighted to form the exchange rate.

Bear - An investor who believes that prices are going to fall.

Bear Market - A prolonged period of generally falling prices.

Bid – The quoted price where a customer can sell a currency pair. Also known as the 'bid price' or 'bid rate.'

Bid/Ask Spread – The difference in pips between the bid and the ask (offer) price.

Bollinger Bands – A technical indicator that allows users to compare volatility and relative price levels over a period of time. It consists of three bands designed to encompass the majority of a security's price action. Prices will often meet resistance at the upper band and support at the lower band.

Book - The summary of currency positions held by a dealer, desk, or room. A total of the assets and liabilities. If the average maturity of the book is less than that of the assets, the bank is said to be running a short and open book. Passing the Book refers normally to transferring the trading of the Banks positions to another office at the close of the day, e.g. from London to New York.

Bretton Woods - The site of the conference which in 1944 led to the establishment of the post war foreign exchange system that remained intact until 1971. The conference resulted in the formation of the IMF. The system fixed currencies in a fixed exchange rate system with 1% fluctuations of the currency to gold or the dollar.

Broker – Often referred to as an agent, brings buyers and sellers together for a commission paid by the initiator of the transaction. Brokers do not take market positions.

Bull - An investor who believes that prices are going to rise.

Bull Market - A prolonged period of generally rising prices.

Bundesbank – Refers to the Central Bank of Germany.

Buying Rate – The rate at which the market maker is willing to buy the currency. Sometimes called bid rate.

Buy Signal - A condition that indicates a good time to buy an instrument. The exact circumstances of the signal will be determined by the indicator that an analyst is using. For example, it's considered a buy signal when the MACD crosses above its signal line.

C

Cable - A term used in the foreign exchange market for the GBP/USD rate.

Call Rate - The overnight inter-bank interest rate.

Candlestick Chart - A form of Japanese charting that has become popular in the West. A narrow line shows the day's price range. A wider body marks the area between the open and the close. If the close is above the open, the body is green or blue; if the close is below the open, the body is red.

Capital Risk - The risk arising from a bank having to pay to the counter party without knowing whether the other party will or is able to meet its side of the bargain.

Carry - The interest cost of financing securities or other financial instruments held.

Cash – (Value same day) normally refers to an exchange transaction contracted for settlement on the day the deal is struck. This term is mainly used in the North American markets.

Cash Delivery - Same day settlement.

Carry Trade – Is the strategy of buying high interest currencies against low interest currencies for a long period of time, with the intention of closing the trade at spot at a future date and taking a profit. As long as the higher interest rate currency does not depreciate against the lower interest rate currency by the i/r differential, then a profit will be made.

Cash Market - The market for the purchase and sale of physical currencies.

Cash Settlement - A procedure for settling futures contract where the cash difference between the future and the market price is paid instead of physical delivery.

Central Bank - A nation's main regulatory bank; traditionally, its primary responsibility is development and implementation of monetary policy.

Central Rate - Exchange rates against the ECU adopted for each currency within the EMS. Currencies have limited movement from the central rate according to the relevant band.

Chartist - An individual who studies graphs and charts of historic data to find trends and predict trend reversals which include the observance of certain patterns and characteristics of the charts to derive resistance levels, head and shoulders patterns, and double bottom or double top patterns which are thought to indicate trend reversals.

Clean Float - An exchange rate that is not materially affected by official intervention.

Closed Position – An original position that has since had an equal but opposite transaction entered against it. This transaction has a closed profit or loss.

Commission - The fee that a broker may charge clients for a service or trade that is performed.

Confirmation - A memo sent from the bank or broker to its client describing all the necessary details of the transaction performed.

Contract - An agreement to buy or sell a specified amount of a particular currency or option for a specified month in the future (See Futures contract).

Conversion - The process by which an asset or liability denominated in one currency is exchanged for an asset or liability denominated in another currency.

Convertible Currency - Currency which can be freely exchanged for other currencies or gold without special authorization from the appropriate central bank.

Copey – Trading slang for the Danish krone.

Correspondent Bank - The foreign banks representative who regularly performs services for a bank which has no branch in the relevant centre, e.g. to facilitate the transfer of funds

Counter Parties - The other organization or party with whom the exchange deal is being transacted.

Country Risk - The risk attached to a borrower by virtue of its location in a particular country. This involves examination of economic, political and geographical factors.

Cover - To hedge or close an existing trade.

Crawling Peg - A method of exchange rate adjustment; the rate is fixed/ pegged, but adjusted at certain intervals in line with certain economic or market indicators.

Credit Risk - Risk of loss that may arise on open positions should a counter party default on its obligations.

Cross Rate - An exchange rate between two currencies, usually constructed from the individual exchange rates of the two currencies, measured against the USD.

Currency Option – (European) Option contract which gives the right to buy or sell a currency against another currency at a specified exchange rate at a specified period.

Currency Pair – The two currencies that make up a foreign exchange rate. For example, EUR/USD is a currency pair.

Currency Risk - The risk of incurring losses resulting from an adverse change in exchange rates.

Currency Swap - Contract which commits two counter-parties to exchange streams of interest payments in different currencies for an agreed period of time and to exchange principal amounts in different currencies at a pre-agreed exchange rate at maturity.

Currency Swaption - OTC Option to enter into a currency swap contract.

Currency Warrant - OTC Option; long-dated (more than one year) currency option.

Current Account - The net balance of a country's international payment arising from exports and imports together with unilateral transfers such as aid and migrant remittances, it excludes capital flows.

D

Day trader - Speculators who take positions in financial markets which are then liquidated prior to the close of the same trading day.

Day Trading - Refers to opening and closing the same position or positions within one day's trading.

Deal date - The date on which a transaction is agreed upon.

Deal Ticket - The primary method of recording the basic information relating to a transaction.

Dealer – A firm or professional working within the firm that is in the business of acting as a counterparty or principle to foreign currency transactions.

Deflator - Difference between real and nominal Gross National Product, which is equivalent to the overall inflation rate.

Delivery date - The date of maturity of the contract, when the exchange of the currencies is made; this date is more commonly known as the value date in the FX or Money markets.

Delivery Risk - A term to describe when a situation when a counter-party will not be able to complete his side of the deal, although willing to do so.

Depreciation - A fall in the value of a currency due to market forces rather than due to official action.

Desk - Term referring to a group dealing with a specific currency or currencies.

Details - All the information required to finalize a foreign exchange transaction, i.e. instrument, rate, dates, and point of delivery.

Devaluation - Deliberate downward adjustment of a currency against its fixed parities or bands, normally by formal announcement.

Directional Movement Indicator (DMI) – A technical indicator that plots a positive +DI line measuring buying pressure and a negative -DI line measuring selling pressure. The DMI pattern is bullish as long as the +DI line is above the -DI line. The Average Directional Index line is derived from this system and is based on the spread between the +DI and -DI lines.

Direct quotation - Quoting in fixed units of foreign currency against variable amounts of the domestic currency.

Dirty Float - Floating a currency when the rate is controlled by intervention by the monetary authorities.

Doji - A candlestick formation with a body so small that the open and close prices are equal. A Doji occurs when the open and close for that day are the same, or very close to being the same.

Double Top - A reversal chart pattern displaying two prominent peaks. The reversal is complete when the support trough is broken. The double bottom is a mirror image of the top.

E

Exponential Moving Average (EMA) - A moving average that gives greater weight to more recent data in an attempt to reduce the lag of (or "smooth") the moving average.

Easing - Modest decline in price.

Economic Indicator - Statistics which indicate current economic growth rates, trends and health of the local economy such as retail sales and employment.

EFT - Electronic Fund Transfer.

EMS - Abbreviation for European Monetary System, an agreement between member nations of the European Union to maintain an alignment between the exchange rates of their respective currencies.

Entry Limit - An order to buy or sell a foreign currency against another at a specific price. As opposed to a market order, limit orders might not be filled if the market moves away from the specified price.

Entry Stop – An instruction to the dealer to buy or sell a currency pair when it trades beyond a specified price. A buy order is at a rate that is higher than the current market rate, a sell order is at a rate that is lower than the current market rate. This type of trade is used by the trader to enter a trade.

EUR – A single European currency called the Euro, which officially replaced the national currencies of the member EU countries.

European-Style Option – An option contract that can be exercised only on the day of expiration (see American Style Option).

Exchange control - Rules used to preserve or protect the value of a countries currency.

Exotic Currency - A less broadly traded currency, lower liquidity.

Expiration – This is the last day on which an option may either be exercised.

Exposure - In foreign exchange this relates to a potential for gain or a loss because of a movement in a foreign exchange rate

F

Fast Market - Rapid movement in a market caused by strong interest by buyers and/or sellers. In such circumstances price levels may be omitted and bid and offer quotations may occur too rapidly to be fully reported, often occurs during major economic releases or serious world event.

Federal Reserve (Fed) - The Central Bank of the United States.

Fed Fund Rate - The interest rate where registered banks can borrow from the Fed. This also indicates the Feds view as to the state of the money supply.

Fibonacci Numbers - The Fibonacci number sequence (1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144,...) is constructed by adding the first two numbers to arrive at the third. The ratio of any number to the next number is 61.8 percent, which is a popular Fibonacci retracement number. The inverse of 61.8 percent is 38.2 percent, also used as a Fibonacci retracement number. It is the ratio of the Fibonacci sequence that is important and valuable, not the actual numbers in the sequence.

Fisher Effect - The relationship that exists between interest rates and exchange rate movements, so that in an ideal situation interest rate differentials would be exactly off set by exchange rate movements. See interest rate parity.

Fixed Exchange Rate - Official rate set by monetary authorities for one or more currencies. In practice, even fixed exchange rates are allowed to fluctuate between definite upper and lower bands, leading to intervention.

Flat / Square - To be neither long nor short is the same as to be flat or square. One would have a flat book if he has no positions or if all the positions cancel each other out.

Flexible exchange rate - Exchange rates with a fixed parity against one or more currencies with frequent revaluations, a form of a managed float.

Floating Rate Interest - As opposed to a fixed rate, the interest rate on this type of deal will fluctuate with market rates or benchmark rates. One example of a floating rate interest is a standard mortgage.

Floating exchange rate - An exchange rate where the value is determined by market forces. Even floating currencies are subject to intervention by the monetary authorities. When such activity is frequent the float is known as a dirty float.

FOMC - Federal Open Market Committee, the committee that sets money supply targets in the US which tend to be implemented through Fed Fund interest rates etc.

Foreign Exchange - The purchase or sale of a currency against sale or purchase of another.

Foreign Exchange Swap - Transaction which involves the actual exchange of two currencies (principal amount only) on a specific date at a rate agreed at the time of the conclusion of the contract (short leg), at a date further in the future at a rate agreed at the time of the contract (the long leg), in reality this is a combination of a spot and an opposite forward deal.

Forward - A deal trade that is executed today for a period longer then two working days (spot value). The forward rate is made up of the spot rate plus or minus the interest rate differentials between the two currencies over time. The interest rate differentials are often known as a premium or discount.

Forex – A term commonly used when referring to the foreign exchange market.

Forex Club - Groups formed in the major financial centers to encourage educational and social contacts between foreign exchange dealers, under the umbrella of Association Cambiste International (ACI).

Forward margins - Discounts or premiums between spot rate and the forward rate for a currency, normally quoted in points (pips).

Forward Outright - A commitment to buy or sell a currency for delivery on a specified future date or period. The price is quoted as the Spot rate minus or plus the forward points for the chosen period. (See forward).

Forward Rate – (See forward).

Free Reserves - Total reserves held by a bank less the reserves required by the authority.

Front Office - The activities carried out by the dealer, normal trading activities.

Fundamentals - The macro economic factors that are accepted as forming the foundation for the relative value of a currency, these include inflation, growth, trade balance, government deficit, and interest rates.

Fundamental Analysis - Thorough analysis of economic and political data with the goal of determining future movements in a financial market.

FX – A term commonly used when referring to the foreign exchange market or a short for foreign exchange.

G

G7 - The seven leading industrial countries, being made up of the United States, Germany, Japan, France, UK, Canada and Italy.

G10 – Includes the ten industrialized nations and in clued the G7 countries plus Belgium, Netherlands and Sweden, a group associated with IMF discussions. Switzerland is sometimes peripherally involved.

Gap - Gaps form when there is no trading in a particular series of rates. In normal market conditions price changes occur with increment movements. When the market is taken by surprise either by a major world event, lack of liquidity, major economic announcement; a gap may appear as the market is attempting to correct its view of the exchange rate immediately.

Going long - The purchase of a stock, commodity, or currency for investment or speculation.

Going short - The selling of a currency or instrument not owned by the seller.

Gold Standard - The original system for supporting the value of currency issued. When this was used the price of gold was fixed against the currency, this meant that any increase in the supply of gold did not lower the price of gold but caused prices to increase.

Grid - Fixed margin within which exchange rates are allowed to fluctuate.

Gross Domestic Product - Total value of a country's output, income or expenditure produced within the country's physical borders.

Gross National Product - Gross domestic product plus "factor income from abroad" - income earned from investment or work abroad.

GTC - "Good Till Cancelled". An order left with a Dealer to buy or sell at a fixed price. The order remains in place until it is cancelled by the client.

H

Hard currency - Any one of the major world currencies that is well traded and easily converted into other currencies.

Head and Shoulders - A pattern in price trends which chartist consider indicates a price trend reversal. The price has risen for some time, at the peak of the left shoulder; profit taking has caused the price to drop or level. The price then rises steeply again to the head before more profit taking causes the price to drop to around the same level as the shoulder. A further modest rise or level will indicate that a further major fall is imminent. The breach of the neckline is the indication to sell.

Head and Shoulders Bottom – Also known as a reverse head and shoulders, a well-known reversal pattern marked by three (or more) prominent troughs with a middle trough (the head) that is lower than the other troughs (the shoulders). When the trendline (neckline) connecting the peaks at the top of the pattern is broken, the pattern is complete.

Head and Shoulders Top - A well-known reversal pattern marked by three (or more) prominent peaks with a middle peak (the head) that is higher than the other peaks (the shoulders). When the trendline (neckline) connecting the troughs at the bottom of the pattern is broken, the pattern is complete. (See Head and Shoulders).

Hedge - The purchase or sale of options, spot, forward or futures contracts as a temporary substitute for a transaction to be made at a later date. Usually it involves opposite positions in the cash or futures or options market.

Hedged position - One open buy position and one open sell position in the same currency.

Hedging - The practice of undertaking one investment activity in order to protect against loss in another, e.g. selling short to nullify a previous purchase, or buying long to offset a previous short sale. While hedges reduce potential losses, they also tend to reduce potential profits.

High/Low - Usually the highest traded price and the lowest traded price for the underlying instrument for the current trading day.

Hit the bid - Selling at the bid by the trader.

I

If Done Order - (I/D) A conditional order usually based on an existing limit order.

IMF - International Monetary Fund, established in 1946 to provide international liquidity on a short and medium term and encourage liberalization of exchange rates. The IMF supports countries with balance of payments problems with the provision of loans.

IMM - International Monetary Market part of the Chicago Mercantile Exchange that lists a number of currency and financial futures implied volatility; this is a measurement of the market's expected price range of the underlying currency futures based on the traded option premiums.

Implied Rates - The interest rate determined by calculating the difference between spot and forward rates.

Indicative quote - A market-maker's price which is not firm.

Inflation – (CPI) Continued rise in the general price level in conjunction with a related drop in purchasing power. Sometimes referred to as an excessive movement in such price levels.

Initial Margin - The required initial deposit of collateral to enter into a position as a guarantee on future performance.

Inter-bank Market – A loose network of currency transactions negotiated between financial institutions and other large companies.

Inter-bank Rates - The foreign exchange rates at which large international banks quote other large international banks.

Interest Arbitrage - Switching into another currency by buying spot and selling forward, and investing proceeds in order to obtain a higher interest yield. Interest arbitrage can be inward, i.e. from foreign currency into the local one or outward, i.e. from the local currency to the foreign one. Sometimes better results can be obtained by not selling the forward interest amount. In that case some treat it as no longer being a complete arbitrage, as if the exchange rate moved against the arbitrageur, the profit on the transaction may create a loss.

Interest Parity - One currency is in interest parity with another when the difference in the interest rates is equalized by the forward exchange margins. For instance, if the operative interest rate in Europe is 3% and in the US is 5%, a forward premium of 2% for the Euro against the United States would bring about interest parity.

Interest Rate Swaps - An agreement to swap interest rate exposures from floating to fixed or vice versa. There is no swap of the principal. It is the interest cash flows be they payments or receipts that are exchanged.

Internationalization - Referring to a currency that is widely used to denominate trade and credit transactions by non-residents of the country of issue. US dollar and Swiss Franc are examples.

Intervention - Action by a central bank to affect the value of its currency by entering the market. Concerted intervention refers to action by a number of central banks to control exchange rates.

K

Kiwi - Slang for the New Zealand dollar.

L

Leading Indicators – A statistic that is considered to precede changes in economic growth rates and total business activity, e.g. factory orders.

Leverage – (Gearing) The usage of a margin to trade on a larger capital base. In foreign exchange a trader's leverage is often represented as a percentage of margin requirements. For example a 1% margin will give a 100:1 leverage, and so a trader with a deposit of $10,000 will be able to hold open positions of $1,000,000 being 100 times his net equity.

Liability - In terms of foreign exchange , the obligation to deliver to a counterparty an amount of currency either in respect of a balance sheet holding at a specified future date or in respect of an un-matured forward or spot transaction.

Limit Order - An order to buy or sell a foreign currency against another at a specific price. As opposed to a market order, limit orders might not be filled if the market moves away from the specified price.

Line Chart - Price charts that connect periodical prices of a given market over a span of time that form a curving line on the chart. This type of chart is most useful with overlay or comparison charts that are commonly employed in intermarket analysis. It is also used for visual trend analysis of open-end mutual funds.

Liquidation - Any transaction that offsets or closes out a previously established position.

Liquidity - The ability of a market to accept large transactions.

Long - A market position where the client has bought a currency he previously did not hold. Normally expressed in base currency terms.

Looney – Slang for the Canadian Dollar.

M

MACD (Moving Average Convergence/Divergence) – A technical indicator developed by Gerald Appel that is calculated by subtracting the 26-period exponential moving average of a given security from its 12-period exponential moving average. By comparing moving averages, MACD displays trend following characteristics, and by plotting the difference of the moving averages as an oscillator, MACD displays momentum characteristics.

MACD Histogram – A technical indicator shows a visual representation of the difference between the MACD line and the MACD signal line. The plot of this difference is presented as a histogram, making the centerline crossovers and divergences easily identifiable.

Maintenance Margin - The minimum margin which an investor must keep on deposit in a margin account at all times in respect of each open contract. (See margin).

Make a Market - A dealer is said to make a market when he or she quotes bid and offer prices at which he or she stands ready to buy and sell.

Managed float - When the monetary authorities intervene regularly in the market to stabilize the rates or to aim the exchange rate in a required direction.

Margin - The amount of money or collateral that must be, in the first instance, provided or thereafter, maintained, to ensure against losses on open contracts. Initial must be placed before a trade is entered into. Maintenance or Variation margin must be added to initial to maintain against losses on open positions. Sometimes herein the amount that needs to be present to establish or thereafter maintained is sometimes herein referred to as necessary margin.

Margin Call - A demand for additional funds by a clearing house, broker, dealer, bank or another financial institution from a client to provide sufficient minimum collateral against positions held. A client that does not produce the required margin call runs the risk of having his positions closed either in part or in full by the dealer as per his discretion for insufficient funds.

Market Order - An order to buy or sell a security at the prevailing market price. Sometimes referred to as "at the market", these orders are usually filled immediately by the market maker. A sell order placed at the market will be filled at the bid price and a buy order will be filled at the ask price.

Market Maker - A dealer who supplies prices and is prepared to buy or sell at those stated bid and ask prices. A market maker runs a trading book.

Mark to Market - The daily adjustment of an account to reflect accrued profits and losses often required to calculate variations of margins.

Micro Economics - The study of economic activity as it applies to individual firms or well defined small groups of individuals or economic sectors.

Mid-Price or Middle Rate - The price half-way between the two prices, or the average of both buying and selling prices offered by the market makers.

Minimum Price Fluctuation - The smallest increment of market price movement possible in a given financial market instrument.

Momentum - A technical indicator measuring a security's rate-of-change. The ongoing plot forms an oscillator that moves above and below 100. Bullish and bearish interpretations are found by looking for divergences, centerline crossovers and extreme readings.

Momentum can also refer to a particular investing or trading style. The rational is that the hot get hotter and the cold get colder. Bullish momentum players buy securities that are popular or that they believe will become popular. As the word spreads and popularity grows, the advance will accelerate. Price acceleration is the same as an increase in momentum.

Monetary Base - Currency in circulation plus banks' required and excess deposits at the central bank.

Moving Average (MA) – A technical indicator showing an average of data for a certain number of time periods. It "moves" because for each calculation, we use the latest x number of time periods' data. By definition, a moving average lags the market. An exponentially smoothed moving average (EMA) gives greater weight to the more recent data, in an attempt to reduce the lag.

N

Net Position - The difference between the total long position against the total short position in any currency.

O

Odd Lot - A non standard amount for a transaction.

Offer - The price, or rate, that a willing seller is prepared to sell at, it is also the best price available to a trader to buy at.

Offset - The closing-out or liquidation of an open position.

One Cancels the Other Order (O.C.O. Order) - A contingent order where the execution of one part of the order automatically cancels the other part.

Open Position - Any deal which has not been settled by physical payment or reversed by an equal and opposite deal for the same value date.

Order – See Market Order.

Oscillator - An technical indicator that determines when a market is in an overbought or oversold condition. When the oscillator reaches an upper extreme, the market is overbought. When the oscillator line reaches a lower extreme, the market is oversold.

Overbought - A technical condition that occurs when prices are considered too high and susceptible to a decline. Overbought conditions can be classified by analyzing the chart pattern or with indicators such as the Stochastic Oscillator and Relative Strength Index (RSI). A sharp advance from 1.2700 to 1.3200 in 2 weeks might lead a technician to believe that an instrument is overbought. Or an instrument is sometimes considered overbought when the Stochastic Oscillator exceeds 80 and when the Relative Strength Index (RSI) exceeds 70. It is important to keep in mind that overbought is not necessarily the same as being bearish. It merely infers that the instrument has risen too far too fast and might be due for a pullback.

Overnight limit - Net long or short position in one or more currencies that a dealer can carry over into the next dealing day. Passing the book to other bank dealing rooms in the next trading time zone reduces the need for dealers to maintain these unmonitored exposures.

Overnight - A deal from today until the next business day.

Oversold - A technical condition that occurs when prices are considered too low and ripe for a rally. Oversold conditions can be classified by analyzing the chart pattern or with indicators such as the Stochastic Oscillator and Relative Strength Index (RSI). A sharp decline from 1.3200 to 1.2700 in 2 weeks might lead a technician to believe that an instrument is oversold. Or an instrument is sometimes considered oversold when the Stochastic Oscillator is less than 20 and when the Relative Strength Index (RSI) is less than 30. It is important to keep in mind that oversold is not necessarily the same as being bullish. It merely infers that the security has fallen too far too fast and may be due for a reaction rally.

Over The Counter (OTC) - Used to describe any transaction that is not conducted over an exchange.

P

Parities - The value of one currency in terms of another.

Pegged - A system where a currency moves in line with another currency, some pegs are strict while others have bands of movement.

Pip (or Points) - The term used in currency market to represent the smallest incremental move an exchange rate can make. Depending on context, normally one basis point (0.0001 in the case of EUR/USD, GBD/USD, USD/CHF and .01 in the case of USD/JPY).

Political Risk - The uncertainty in return on an investment due to the possibility that a government might take actions which are detrimental to the investor's interests.

Position - The netted total commitments in a given currency. A position can be either flat or square (no exposure), long, (more currency bought than sold), or short (more currency sold than bought).

Profit Taking - The unwinding of a position to realize profits.

Q

Quote - An indicative market price, depending on the market may be either an indicative price not for trading or a tradable price.

Quote currency – The second currency in a currency pair is referred to as the quote currency. For example, in a USD/JPY currency pair, the Japanese yen is the quote currency. Also referred to as the secondary currency or the counter currency.

R

Rally - A recovery in price after a period of decline.

Range - The distance between the high price and the low price for a given time period. For example, the daily range is equal to the day's high minus the same day's low.

Rate - The price of one currency in terms of another.

Reaction - A decline in prices following an advance.

Reciprocal currency - A currency that is normally quoted as dollars per unit of currency rather than the normal quote method of units of currency per dollar. Euro is the most common example.

Relative Strength Index (RSI) - A popular oscillator developed by Welles Wilder, Jr. and described in his self-published 1978 book "New Concepts in Technical Trading Systems". RSI is plotted on a vertical scale from 0 to 100. Values above 70 are considered overbought and values below 30, oversold. When prices are over 70 or below 30 and diverge from price action, a warning is given of a possible trend reversal.

Resistance - A price level at which you would expect selling to take place.

Reversal Pattern - A chart pattern that occurs before an existing trend reverses direction. For example, a Head and Shoulders reversal pattern marks a change in trend. A break below neckline support indicates that the H&S pattern is complete and the prior uptrend has reversed.

Resistance Point or Level - A price recognized by technical analysts as a price which is likely to result in a rebound but if broken through is likely to result in a significant price movement.

Revaluation - Increase in the exchange rate of a currency as a result of official action.

Revaluation Rate - The rate for any period or currency which is used to revalue a position or book.

RFQ (Request For Quote) – When a trader will asks for a live quote from a dealer, as opposed to streaming prices.

Risk Capital - The amount of money that an individual can afford to invest, which, if lost should not affect their lifestyle.

Risk Management - The identification of a potential loss and the handling of the risk usually under strict guidelines.

Risk Position - An asset or liability, which is exposed to fluctuations in value through changes in exchange rates or interest rates.

Risk-to-Reward Ratio - A calculation equal to the potential reward divided by the potential risk of a position. A long position entered at 100 with potential reward estimated at 120 and potential risk of 90 would have a reward-to-risk ratio of 20:10, or 2 to 1. Generally, a higher reward-to-risk ratio is a more appealing trade. For a long position, potential reward might be based on breakout projections, resistance levels or retracement estimates. Potential risk might be based on support levels, stop or loss requirements.

Rollover - Where the settlement of a deal is rolled forward to another value date based on the interest rate differential of the two currencies, the swap is also called Tomorrow Next, Tom-Next or T/N.

Round trip - Buying and selling of a specified amount of currency.

S

Same Day Transaction - A transaction that matures on the day the transaction takes place.

Security Deposit – The amount of money needed to open or maintain a position. Also known as 'margin.'

Sell Signal - A condition that indicates a good time to sell An instrument. The exact circumstances of the signal will be determined by the indicator that an analyst is using. For example, it's often considered a sell signal when the RSI crosses down through the 50 level.

Selling rate - Rate at which a financial institution or dealer is willing to sell foreign currency, also known as "ask" or "offer".

Settlement – The actual delivery of currencies made on the maturity date of a trade.

Settlement date - The date upon which foreign exchange contracts settle.

Settlement Risk - Where a payment is made to a counter party before the counter value payment has been made. The risk is that the counter party's payment will not be received.

Short - To go 'short' is to have sold an instrument without actually owning it, and to hold a short position with expectations that the price will decline so it can be bought back in the future at a profit.

Short-term Interest Rates - Normally the 90 day rate.

Sidelined - A major currency that is lightly traded due to major market interest being in another currency pair.

Signal Line - Also known as a "trigger line", it is a moving average of another indicator that is used to generate simple buy and sell signals. Probably the most used signal line is the one that is built into the MACD Indicator display. The signal line is the exponential moving average of the MACD line. A buy signal is generated when the MACD line crosses above the signal line and a sell signal is generated when the MACD line crosses below the signal line.

Simple Average - A moving average that gives equal weight to each day's price data.

Slippage - Refers to the negative (or depreciating) pip value between where a stop loss order becomes a market order and where that market order may be filled.

Soft Market - More potential sellers than buyers, which creates an environment where rapid price falls are likely.

Spot - A transaction for the exchange of one currency against another that occurs immediately and the settlement takes place two business days after execution.

Spot Next - The overnight swap from the spot date to the next business day.

Spread - The difference between the bid and the ask. Generally speaking, more liquid (heavy volume) currency pairs usually have smaller bid/ask spreads. Less liquid currency pairs (light volume) usually have larger spreads.

Square - Purchase and sales are in balance and thus the trader or dealer has no open position.

Squawk Box - A speaker connected to a phone often used in broker trading desks.

Squeeze - Action by a central bank to reduce supply in order to increase the price of money.

Stable market - An active market which can absorb large sale or purchases of currency without major moves.

Standard - A term referring to certain normal amounts and maturities for dealing.

Sterilization - Central Bank activity in the domestic money market to reduce the impact on money supply of its intervention activities in the FX market.

Sterling - British pound, also known as cable.

Stochastic Oscillator - A technical momentum indicator developed by George Lane that measures the price of a security relative to the high/low range over a set period of time. The indicator oscillates between 0 and 100, with readings below 20 considered oversold and readings above 80 considered overbought. A 14-period Stochastic Oscillator reading of 30 would indicate that the current price was 30% above the lowest low of the last 14 days and 70% below the highest high. The Stochastic Oscillator can be used like any other oscillator by looking for overbought/oversold readings, positive/negative divergences and centerline crossovers.

StochRSI - An oscillator used to identify overbought and oversold readings in RSI. Because RSI can go for extended periods without becoming overbought (above 70) or oversold (below 30), StochRSI provides an alternative means to identify these extremities. StochRSI is found by applying the Stochastics formula to RSI readings -- hence its name. As an indicator of RSI, it measures the value of RSI relative to its high/low range over a set number of periods. When RSI records a new low for the set period, StochRSI will be at 0. When RSI records a new high for the set period, StochRSI will be at 100.

Stocky - Market slang for Swedish Krona.

Stop Loss Order – An instruction to the trader to exit an existing trade at a price that is worse than the current market. A buy order is at a rate that is higher than the current market rate, a sell order is at a rate that is lower than the current market rate. They serve to either protect a trader's profits or limit your losses.

Support - A price level at which there is an expectation of buying to take place, a break in the support often leads to lower prices. See resistance.

Swap Price - A price as a differential between two dates of the swap.

Swap - The simultaneous purchase and sale of the same amount of a given currency for two different dates, against the sale and purchase of another. A swap can be a swap against a forward. In essence, swapping is somewhat similar to borrowing one currency and lending another for the same period. However, any rate of return or cost of funds is expressed in the price differential between the two sides of the transaction. It is essentially made up of a spot deal and an opposite forward deal.

Swissy - Market slang for Swiss Franc.

Symmetrical Triangle - A sideways chart pattern between two converging trendlines in which the upper trendline is declining and the lower trendline is rising. This pattern represents an even balance between buyers and sellers, although the prior trend is usually resumed. The breakout through either trendline signals the direction of the price trend.

T

Technical Analysis - An effort to forecast future market activity by analyzing market data such as charts, price trends, and volume.

Technical Correction - An adjustment to price not based on market sentiment but technical factors such as volume and charting.

Thin market - A market in which trading volume is low and in which consequently bid and ask quotes are wide and the liquidity of the instrument traded is low.

Tick - A minimum change in price, up or down.

Tomorrow to Next – A swap, simultaneous buying and selling of a currency for delivery the following day and selling for the next day or vice versa. Also see 'rolling'.

Trade date - The date on which a trade occurs.

Tradeable Amount - Smallest transaction size acceptable.

Trader – An individual who is on the other side of the trade with the dealer and whose objective is to profit from price movements.

Trailing Stop - A stop-loss level set above or below the current price that adjusts as the price fluctuates. For a long position, a trailing stop would be set below the current price and would rise as the price advances. Should the price decline and reach the trailing stop, then a stop-loss would be triggered and the position closed. As long as the price remains above the trailing stop, the position is held. Indicators such as the Parabolic SAR or moving averages can be used to set trailing stops.

Transaction date - The date on which a trade occurs.

Transaction - The buying or selling of currencies resulting from the execution of an order.

Trend - Refers to the direction of prices. Rising peaks and troughs constitute an uptrend; falling peaks and troughs constitute a downtrend. A trading range is characterized by horizontal peaks and troughs. Trends are generally classified into major (longer than a year), intermediate (one to six months), or minor (less than a month).

Trendlines - Straight lines drawn on a chart below reaction lows (in an uptrend) or above rally peaks (in a downtrend) that determine the steepness of the current trend. The breaking of a trendline usually signals a trend reversal.

Two-Way Price - Rates for which both a bid and offer are quoted.

U

Uncovered - Another term for an open position.

Up tick - A transaction executed at a price greater than the previous transaction.

US Prime Rate - The interest rate at which US banks will lend to their prime corporate customers.

V

Value Date - Settlement date of a spot or forward deal.

Value Spot - Normally settlement for two working days from today.

Variation Margin - An additional margin requirement that a broker will need from a client due to market fluctuation.

Volatility - A statistical measure of a market or a security's price movements over time and is calculated by using standard deviation. Associated with high volatility is a high degree of risk.

Vostro Account - A local currency account maintained with a bank by another bank. The term is normally applied to the counterparty's account from which funds may be paid into or withdrawn, as a result of a transaction.

W

Wash trade - A matched deal which produces neither a gain nor a loss.

Weighted Average - A moving average that uses a selected time span, but gives greater weight to the more recent price data.

Whipsaw - slang for a condition of a highly volatile market where a sharp price movement is quickly followed by a sharp reversal.

Working day - A day on which the banks in a currency's principal financial centre are open for business. For FX transactions, a working day only occurs if the bank in both financial center's are open for business (all relevant currency centers in the case of a cross are open).

Y

Yard - Slang for a billion.