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Trading Terminology Cheat Sheet

04

Ten words you'll see on every forex platform, explained simply — with a real-style quote to show where they live.

Reading a forex quote

ILLUSTRATIVE EXAMPLE

1

EUR / USD

EUR = base currency (what you buy or sell)
USD = quote currency (what the price is in)
1 euro costs about 1.085 US dollars

Spread = 1.2 pips 3

SELL · BID	BUY · ASK
1.08 48 ⁸	1.08 50 ⁰

2 **Big digits** are the 3rd and 4th decimals. The **4th decimal is the pip** (0.0001). The small digit is the 5th decimal, a **pipette** (one-tenth of a pip).

Spread = ask - bid = 1.08500 - 1.08488 = 0.00012 = **1.2 pips**. You pay it on every trade.

Order entry

DEMO

6 SELL / SHORT	5 BUY / LONG
1.08488	1.08500

4 Volume: 0.10 lot (10,000 units)

7 Stop-loss: 1.08300

8 Take-profit: 1.08900

9 Leverage (example) 30 : 1

10 **Margin needed ≈ US$361.67**

Margin = position value ÷ leverage: US$10,850 ÷ 30. Leverage limits vary by country and broker; higher leverage means bigger swings in your account.

1 Forex pair

Two currencies priced against each other: base / quote. EUR/USD 1.08500 means 1 euro = 1.08500 US dollars.

2 Pip

Standard unit of price change: 0.0001 for most pairs, 0.01 for JPY pairs. A move from 1.08500 to 1.08510 is 1 pip.

3 Spread

The gap between the ask (buy) and bid (sell) price. It is a cost: here 1.2 pips.

4 Lot size

Trade size. Standard = 100,000 units, mini = 10,000, micro = 1,000. On EUR/USD, 0.10 lot ≈ US$1 per pip.

5 Buy / Long

Open at the ask, hoping price rises. You close it by selling at the bid.

6 Sell / Short

Open at the bid, hoping price falls. You close it by buying back at the ask.

7 Stop-loss

An order that closes the trade at a set price to limit a loss. Fast markets can fill it at a worse price (slippage).

8 Take-profit

An order that closes the trade at a set price to lock in a gain if price reaches it.

9 Leverage

Controls a position larger than your deposit (e.g. 30:1). It magnifies losses exactly as much as gains.

10 Margin

Deposit held to open a leveraged trade: 10,000 EUR × 1.08500 = US$10,850 ÷ 30 ≈ US$361.67.

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