



FOREX GLOSSARY

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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.

Actualize - The underlying assets or instruments, which are traded in the cash market.

Adjustable Peg - Term for an exchange rate regime where a country's exchange rate is "pegged" (i.e. fixed) in relation to another currency, often the dollar or French Franc, but where the rate may be changed from time to time. This was the basis of the Bretton Woods system.

Adjustment - Official action normally by either change in the internal economic policies to correct a payment imbalance or in the official currency rate or.

ADX - Average Directional Movement Index - The average directional movement index (ADX) is designed to measure trend strength, regardless of direction. The higher the ADX value, the stronger the trend, whether the market is going up or down. The indicator can be applied to any time frame, although it is typically used on daily charts.

The most basic ADX characteristics are:

1. Rising ADX (especially when above the threshold level) = increasing trend strength.
2. Declining ADX (especially when below the threshold level) = declining trend strength.
3. The higher the ADX, the stronger the trend.
4. The lower the ADX, the weaker the trend.

When it is rising, upward directional movement is overwhelming downward directional movement, and vice versa. Because ADX is a true index, it varies between zero and 100. When the ADX rises above 15 from a flat spot (a "basing pattern"), a trend is being built. The ADX usually rises to no more than about 70, whereupon the slope of the index starts flattening out or falling and you consider

the trend has stopped accelerating. (This doesn't necessarily mean you automatically exit, but it does mean you should raise your stop closer to the last close, since deceleration of the trend may foreshadow a reversal of the trend.) When the ADX is flat, you have no directional movement, either up or down. Higher highs are being washed out by lower lows in the moving average period. It's no coincidence a flat ADX is seen when the average high/low range is contracting. For example, if in a trending period the average high-low range is 100 points and then contracts to 30 to 50 points, trend is decelerating. Conversely, when the average daily high-low range is rising from 35 to 50 points to 100 points, trend is accelerating. A flat ADX under 15 represents one of those times to stay out of the market.

Agent Bank - (1) A bank acting for a foreign bank. (2) In the Euro market - the agent bank is the one appointed by the other banks in the syndicate to handle the administration of the loan.

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.

Agio - Difference in the value between currencies. Also used to describe percentage charges for conversion from paper money into cash, or from a weak into a strong currency.

Appreciation - A currency is said to 'appreciate ' when it strengthens in price in response to market demand.

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

Arbitrage channel - The range of prices within which there will be no possibility to arbitrage between the cash and futures market.

Around - Dealer jargon used in quoting when the forward premium/discount is near parity. For example, "two-two around" would translate into 2 points to either side of the present spot.

Ask Rate - The rate at which a financial instrument is offered for sale (as in bid/ask spread).

Ascending Triangle - A triangle continuation formation with a flat upper trendline and a bottom sloping upward trendline.

Ascending Triple Top - A bullish point-and-figure chart formation that suggests that the currency is likely to break a resistance line the third time it reaches it. Each new top is higher than the previous one.

Asset - In the context of foreign exchange is the right to receive from a counterparty an amount of currency either in respect of a balance sheet asset (e.g. a loan) or at a specified future date in respect of an unmatched forward or spot deal.

Asset Allocation - Investment practice that divides funds among different markets to achieve diversification for risk management purposes and/or expected returns consistent with an investor's objectives.

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.

ATR or Average True Range – shows the volatility of the market by calculating the range, distance from the high to the low, of a specified period.

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Audit Trail - The record of trading information identifying, for example, the brokers participating in each transaction, the firms clearing the trade, the terms and time of the trade, and, ultimately, and when applicable, the customers involved.

Authorized Dealer - A financial institution or bank authorized to deal in foreign exchange.

Back Office - The departments and processes related to the settlement of financial transactions.

Backwardation - Term referring to the amount that the spot price exceeds the forward price.

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.

Balance of Trade - The value of a country's exports minus its imports.

Band - The range in which a currency is permitted to move. A system used in the ERM.

Banker's Acceptance - A draft or bill of exchange accepted by a bank where the accepting institution guarantees payment. Used extensively in foreign trade transactions.

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

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

Bar Chart - A type of chart that consists of four significant points: the high and the low prices, which form the vertical bar; the opening price, which is marked with a little horizontal line to the left of the bar; and the closing price, which is marked with a little horizontal line to the right of the bar. See sample:



Base Currency - In general terms, the base currency is the currency in which an investor or issuer maintains its book of accounts. In the FX markets, it is the currency named on the left side of any pair, so USD/JPY, the base currency is the USD, in EUR/USD, the base currency is the EUR, in the GBP/JPY, the base currency is the GBP.

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

Basis Point - For most currencies, denotes the fourth decimal place in exchange rate and represents 1/100 of one percent (.01%). For such currencies as the Japanese Yen, a basis point is the second decimal place when quoted in currency terms or the sixth and seventh decimal places, respectively, when quoted in reciprocal terms.

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

Basket - A group of currencies normally used to manage the exchange rate of a currency. Sometimes referred to as a unit of account.

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

Bear Market - A market distinguished by declining prices and an index that is going down.

Beige Book - An economic report prepared by the Federal Reserve for FOMC meetings.

Bid/Ask Spread - The difference between the bid and offer price, and the most widely used measure of market liquidity.

Big Figure - Dealer expression referring to the first few digits of an exchange rate. These digits rarely change in normal market fluctuations, and therefore are omitted in dealer quotes, especially in times of high market activity. For example, a USD/Yen rate might be 107.30/107.35, but would be quoted verbally without the first three digits i.e. "30/35".

Board of Trade - Any exchange or association, whether incorporated or unincorporated, of persons who are engaged in the business of buying or selling any commodity or receiving the same for sale on consignment.

Boiler Room - An enterprise which often is operated out of inexpensive, low-rent quarters (hence the term "boiler room") that uses high pressure sales tactics (generally over the telephone) and possibly false or misleading information to solicit generally unsophisticated investors.

Bollinger Bands - The basic interpretation of Bollinger Bands is that prices tend to stay within the upper and lower bands. The distinctive characteristic of Bollinger Bands is that the spacing between the bands varies based on the volatility of the prices. During periods of extreme currency price changes (i.e., high volatility), the bands widen to become more forgiving. During periods of low volatility, the bands narrow to contain currency prices. The bands are plotted two standard deviations above and below a simple moving average.

They indicate a "sell" when above the moving average (or close to the upper band) and a "buy" when below it (or close to the lower band). The bands are used by some forex traders in conjunction with other analyses, including RSI, MACD, CCI, and Rate of Change.

Book - In a professional trading environment, a 'book' is the summary of a trader's or desk's total positions. 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.

Book Transfer - A series of accounting or bookkeeping entries used to settle a series of cash market transactions.

Break - A rapid and sharp price decline.

Breakaway Gap - A price gap that occurs in the beginning of a new trend, many times at the end of a long consolidation period. It may also appear after the completion of major chart formations.

Breakout of a Spread Triple Bottom - A bearish point-and-figure chart

formation that suggests that the currency is likely to break a support line the third time it reaches it. The currency failed to reach the support line once.

Breakout of a Spread Triple Top - A bullish point-and-figure chart formation that suggests that the currency is likely to break a resistance line the third time it reaches it. The currency failed to reach the resistance line once.

Breakout of a Triple Bottom - A bearish point-and-figure chart formation that suggests that the currency is likely to break a support line the third time it reaches it.

Breakout of a Triple Top – A bullish point-and-figure chart formation that suggests that the currency is likely to break a resistance line the third time it reaches it.

Broker - An individual or firm that acts as an intermediary, putting together buyers and sellers for a fee or commission. In contrast, a 'dealer' commits capital and takes one side of a position, hoping to earn a spread (profit) by closing out the position in a subsequent trade with another party.

Bretton Woods Agreement of 1944 - An agreement that established fixed foreign exchange rates for major currencies, provided for central bank intervention in the currency markets, and pegged the price of gold at US \$35 per ounce. The agreement lasted until 1971, when President Nixon overturned the Bretton Woods agreement and established a floating exchange rate for the major currencies.

Bucketing - Directly or indirectly taking the opposite side of a customer's order into a broker's own account or into an account in which a broker has an interest, without open and competitive execution of the order on an exchange.

Bucket Shop - A brokerage enterprise which "books" (i.e., takes the opposite side of) a customer's order without actually having it executed on an exchange.

Bulge - A rapid advance in prices.

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

Bullion - Bars or ingots of precious metals, usually cast in standardized sizes.

Bull Market - A market distinguished by rising prices and an index that is going up.

Bundesbank - Germany's Central Bank.

Buoyant - A market in which prices have a tendency to rise easily with a considerable show of strength.

Business Inventories - An economic indicator that consists of the items produced and held for future sale.

Buy – a Long Position. A position that appreciates in value if market prices increase.

Buyer's Market - A condition of the market in which there is an abundance of goods available and hence buyers can afford to be selective and may be able to buy at less than the price that previously prevailed. See Seller's Market.

Buy (or Sell) On Close - To buy (or sell) at the end of the trading session within the closing price range.

Buy (or Sell) On Opening - To buy (or sell) at the beginning of a trading session within the open price range.

Buying Rate - Rate at which the market and a market maker in particular is willing to buy the currency. Sometimes called bid rate.

Cable - Trader jargon referring to the Sterling/US Dollar exchange rate. So called because the rate was originally transmitted via a transatlantic cable beginning in the mid 1800's.

Candlestick Chart - A chart that indicates the trading range for the day as well as the opening and closing price. If the open price is higher than the close price, the rectangle (body) between the open and close price is shaded. If the close price is higher than the open price, that is a Bullish candle signaling upward movement. If the close price is lower than the open price, that is a Bearish candle signaling downward movement. Bullish and Bearish candles are usually difference colors such as Green for Bullish and Red for Bearish. See sample:



Capacity Utilization - An economic indicator that consists of total industrial output divided by total production capability. The term refers to the maximum level of output a plant can generate under normal business conditions.

Capital Risk - The risk arising from a bank having to pay to the counter party with out knowing whether the other party will or is able to meet its side of the bargain.

Cardinal Square - A Gann technique for forecasting future significant chart points by counting from the all-time low price of the currency. It consists of a square divided by a cross into four quadrants. The all-time low price is housed in the center of the cross. All of the following higher prices are entered in clockwise order. The numbers positioned in the cardinal cross are the most significant chart points.

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

Cash - 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 and those countries which rely for foreign exchange services on these markets because of time zone preference i.e. Latin America. In Europe and Asia, cash transactions are often referred to as value same day deals.

Cash and Carry - The buying of an asset today and selling a future contract on the asset. A reverse cash and carry is possible by selling an asset and buying a future.

Cash Delivery - Same day settlement.

Cash Market - The market in the actual financial instrument on which a futures or options contract is based.

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 government or quasi-governmental organization that manages a country's monetary policy. For example, the US central bank is the Federal Reserve, and the German central bank is the Bundesbank.

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.

CFO - Cancel Former Order.

Charting - The use of graphs and charts in the technical analysis of futures markets to plot trends of price movements, average movements of price, volume of trading and open interest. See Technical Analysis.

Channel Line - A parallel line that can be traced against the trendline, connecting the significant peaks in an uptrend, and the significant troughs in a downtrend.

Chaos Theory - A theory that holds that statistically noisy behavior may occur randomly, even in simple environments. This seemingly random behavior may be predicted with decreasing accuracy if the source is known.

Chartist - An individual who uses charts and graphs and interprets historical data to find trends and predict future movements. Also referred to as Technical Trader.

CHIPS (Clearing House Interbank Payments System) - A computerized system used for foreign exchange dollar settlements.

Churning - Excessive trading of an account by a broker with control of the account for the purpose of generating commissions while disregarding the interests of the customer.

Circuit Breakers - A system of trading halts and price limits on equities and derivative markets designed to provide a cooling-off period during large, intraday market movements. The first known use of the term circuit breaker in this context was in the Report of the Presidential Task Force on Market Mechanisms (January 1988), which recommended that circuit breakers be adopted following the market break of October 1987.

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

Clearing - The process of settling a trade.

Clearing House - An adjunct to, or division of, a commodity exchange through which transactions executed on the floor of the exchange are settled. Also charged with assuring the proper conduct of the exchange's delivery procedures and the adequate financing of the trading.

Clearing Member - A member of the Clearing House or Association. All trades of a non-clearing member must be registered and eventually settled through a clearing member.

Clearing Price - See Settlement Price.

Close, The - The period at the end of the trading session, officially designated by the exchange, during which all transactions are considered made “at the close.”

Closed position - A transaction which leaves the trade with a zero net commitment to the market with respect to a particular currency.

Closing Price (or Range) - The price (or price range) recorded during trading that takes place in the final moments of a day’s activity that is officially designated as the “close.”

Commission - A transaction fee charged by a broker.

Commodity Channel Index (CCI) - An oscillator that consists of the difference between the mean price of the currency and the average of the mean price over a predetermined period of time. A buying signal is generated when the price exceeds the upper (+100) line, and a selling signal occurs when the price dips under the lower (-100) line.

Commodity Futures Trading Commission (CFTC) - An independent agency created by Congress in 1974 with a mandate to regulate commodity futures and options markets in the United States. The CFTC's responsibilities are to ensure the economic utility of futures markets, via competitiveness and efficiency; ensure the integrity of these markets; and protect the participants against manipulation, fraud, and abusive practices. The Commission, based in Washington, D.C., regulates the activities of 285 commodity brokerage firms; 48,211 salespeople; 8017 floor brokers; 1325 commodity pool operators (CPOs); 2733 commodity trading advisers (CTAs); and 1486 introducing brokers (IBs).

Common Gap - A price gap that occurs in relatively quiet periods or in illiquid markets. It has limited technical significance.

Consumer Price Index (CPI) - The Consumer Price Index (CPI) is a measure of the average price level paid by urban consumers (80% of population) for a fixed basket of goods and services. It reports price changes in over 200 categories. The CPI also includes various user fees and taxes directly associated with the prices of specific goods and services.

Consumer Sentiment - A survey of households designed to gauge the individual propensity for spending. There are two studies conducted in this area, one survey by the University of Michigan, and the other by the National Family Opinion for the Conference Board. The confidence index measured by the Conference Board is sensitive to the job market, whereas the index generated by the University of Michigan is not.

Contagion - The tendency of an economic crisis to spread from one market to another. In 1997, political instability in Indonesia caused high volatility in their domestic currency, the Rupiah. From there, the contagion spread to other Asian emerging currencies, and then to Latin America, and is now referred to as the 'Asian Contagion'.

Confirmation - A document exchanged by counterparts to a transaction that states the terms of said transaction.

Continuation Patterns - Technical signals that reinforce the current trends.

Contract - The standard unit of trading or an agreement to buy or sell a specified amount of a particular currency or option for a specified month in the future.

Conversion Account - A general ledger account representing the uncovered position in a particular currency. Such accounts are referred to as Position Accounts.

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

Conversion arbitrage - A transaction where the asset is purchased and buys a put option and sells a call option on the asset purchased, each option having the same exercise price and expiry.

Convertible Currency - A currency that can be freely exchanged for another currency (and or gold) without special authorization from the central bank.

Copey - 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. In the US this often occurs domestically due to inter state banking restrictions.

Cost of Carry - The interest rate parity, whereby the forward price is determined by the cost of borrowing money in order to hold the position.

Council of Ministers - The legislative body of the European Economic Community in charge of making the major policy decisions. It is *X. On-line* composed of ministers from all the 12 member nations. The presidency rotates every six months by all the 12 members, in alphabetical order. The meetings take place in Brussels or in the capital of the nation holding the presidency.

Counterparty - One of the participants in a financial transaction.

Counter-Trend Trading - In technical analysis, the method by which a trader takes a position contrary to the current market direction in anticipation of a change in that direction.

See Samples of Counter-Trend Trading on the Links Below:

[Sample 1](#)

[Sample 2](#)

Countervalue - Where a person buys a currency against the dollar it is the dollar value of the transaction.

Country (Sovereign) Risk - Risk associated with a cross-border transaction, including but not limited to legal and political conditions.

Cover - (1) To take out a forward foreign exchange contract. (2) To close out a short position by buying currency or securities which have been sold.

Covered Arbitrage - Arbitrage between financial instruments denominated in different currencies, using forward cover to eliminate exchange risk.

Covered Margin - The interest rate margin between two instruments denominated in different currencies after taking account of the cost of forward cover.

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 outstanding contracts should a counter party default on its obligations.

Cross Deal - A foreign exchange deal entered into involving two currencies, neither of which is the base currency.

Cross Rate - The exchange rate between any two currencies that are considered non-standard in the country where the currency pair is quoted. For example, in the US, a GBP/JPY quote would be considered a cross rate, whereas in UK or Japan it would be one of the primary currency pairs traded.

Currency - Any form of money issued by a government or central bank and used as legal tender and a basis for trade.

Currency Fixings - An open auction executed in Europe on a daily basis in which all players, regardless of size, are welcome to participate with any amount.

Currency Futures - A specific type of forward outright deal with standardized expiration date and size of the amount.

Currency Option - A contract between a buyer and a seller, also known as writer, that gives the buyer the right, but not the obligation, to trade a specific quantity of a currency at a predetermined price and within a predetermined period of time, regardless of the market price of the currency; and gives the seller the obligation to deliver or buy the currency under the predetermined terms, if and when the buyer wants to exercise the option.

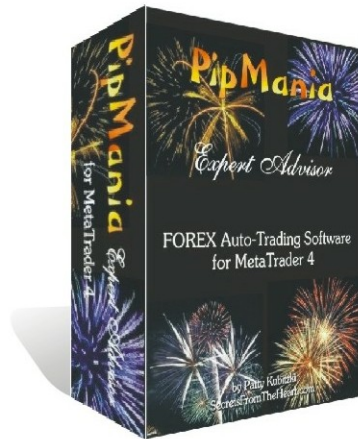
Currency Risk - the probability of an adverse change in exchange rates.

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.

Daylight Position Limit - The maximum amount of a certain currency a trader is allowed to carry at any single time, between the regular trading hours.

Day Trading - Refers to Speculators who take positions which are opened and closed on the same trading day.

SecretsFromTheHeart.com offers an Expert Advisor for Day Trading.
See below for more information; image is a hyperlink.



PipMania EA - Awesome Consistent Profits with Low Risk

Dead Cross -An intersection of two consecutive moving averages that move in opposite directions and should technically be disregarded.

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

Dealing Systems - On-line computers that link the contributing banks around the world on a one-on-one basis.

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

Dealer - An individual who acts as a principal or counterpart to a transaction. Principals take one side of a position, hoping to earn a spread (profit) by closing out the position in a subsequent trade with another party. In contrast, a broker is an individual or firm that acts as an intermediary, putting together buyers and sellers for a fee or commission.

Deficit - A negative balance of trade or payments.

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

Delivery - An FX trade where both sides make and take actual delivery of the currencies traded.

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

Demo Account – A practice account offered by some Brokers to enable traders to learn trading and test their trading methods.

Depreciation - A fall in the value of a currency due to market forces.

Derivative - A contract that changes in value in relation to the price movements of a related or underlying security, future or other physical instrument. An Option is the most common derivative instrument.

Descending Triangle - A triangle continuation formation with a flat lower trendline and a downward-sloping upper trendline. (See Triangle.)

Descending Triple Bottom - Bearish point-and-figure chart formation that suggests that the currency is likely to break a support line the third time it reaches it. Each new bottom is lower than the previous one.

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. name, rate, dates, and point of delivery.

Devaluation - The deliberate downward adjustment of a currency's price, normally by official announcement.

Diamond - A minor reversal pattern that resembles a diamond shape.

Direct Dealing - An aggressive approach in which banks contact each other outside the brokers' market.

Directional Movement Index - A signal of trend presence in the market. The line simply rates the price directional movement on a scale of 0 to 100. The higher the number, the better the trend potential of a movement, and vice versa.

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.

Discount Forward Spread - A forward price that is deducted from a spot price to calculate a forward price. It reflects the fact that the foreign interest rate is lower than the U.S. interest rate for that particular period.

Discount Rate - The interest rate at which eligible depository institutions may borrow funds directly from the Federal Reserve Banks. The rate is controlled by the Federal Reserve and is not subject to trading.

Double Bottoms - A bullish reversal pattern that consists of two bottoms of approximately equal heights. A parallel (resistance) line is drawn against a line that connects the two bottoms. The break of the resistance line generates a move equal in size to the price difference between the average height of the bottoms and the resistance line.

Double Tops - A bearish reversal pattern that consists of two tops of approximately equal heights. A parallel (support) line is drawn against a resistance line that connects the two tops. The break of the support line generates a move equal in size to the price difference between the average height of the tops and the support line.

Downward breakout of a bearish support line - A bearish point and figure chart formation that confirms the currency's breakout of a support line the third time it reaches it.

Downward breakout of a bullish support line - A bearish point and figure chart formation that confirms the currency's breakout of a support line the third time it reaches it. The support line is sloped upward.

Downward breakout from a consolidation formation - A bearish point and figure chart formation that resembles the inverse flag formation. A valid downside breakout from the consolidation formation has a price target equal in size to the length of the previous downtrend.

Durable Goods - Durable Goods Orders measures new orders placed with domestic manufacturers for immediate and future delivery of factory hard goods.

A durable good is defined as a good that lasts an extended period of time (over three years) during which its services are extended.

EA - Expert Advisor, an auto- trading program, sometimes referred to as a robot that runs on the MetaTrade 4 platform, which is available for free from numerous Forex Brokers.

Easing or Ease Off - Modest decline in price.

Economic Exposure - Reflects the impact of foreign exchange changes on the future competitive position of a company.

Economic Indicator - A government issued statistic that indicates current economic growth and stability. Common indicators include employment rates, Gross Domestic Product (GDP), inflation, retail sales, etc.

ECU - European Currency Unit.

EDI - Electronic Data Interchange.

Effective Exchange Rate - An attempt to summarize the effects on a country's trade balance of its currency's changes against other currencies.

EFT - Electronic Fund Transfer.

Elliot Wave - (1) A theory named after Ralph Elliot, who contended that the stock market tends to move in discernible and predictable patterns reflecting the basic harmony of nature; (2) in technical analysis, a charting method based on the belief that all prices act as wavers, rising and falling rhythmically.

Equity - The residual dollar value of a futures, option, or leverage trading account, assuming it was liquidated at current prices.

Employment Cost Index (ECI) - Payroll employment is a measure of the number of jobs in more than 500 industries in all states and 255 metropolitan areas. The employment estimates are based on a survey of larger businesses and counts the number of paid employees working part-time or full-time in the nation's business and government establishments.

EMS - European Monetary System.

Envelope Model - A band created by two winding parallel lines above and below a short-term moving average that borders most price fluctuations. When the upper band is penetrated, a selling signal occurs; when the lower band is penetrated, a buying signal is generated. Because the signals generated by the

envelope model are very short-term and occur many times against the ongoing direction of the market, speed of execution is paramount.

EURO - the currency of the European Monetary Union (EMU). A replacement for the European Currency Unit (ECU).

European Central Bank (ECB) - the Central Bank for the new European Monetary Union.

Eurodollar - U.S. dollar deposits placed with banks outside the U.S. Holders may include individuals, companies, banks and central banks.

European Monetary System - A system designed to stabilize if not eliminate exchange risk between member states of the EMS as part of the economic convergence policy of the EU. It permits currencies to move in a measured fashion (divergence indicator) within agreed bands (the parity grid) with respect to the ECU and consequently with each other.

European Monetary Union (EMU) - The principal goal of the EMU is to establish a single European currency called the Euro, which will officially replace the national currencies of the member EU countries in 2002. On January 1st, 1999 the transitional phase to introduce the Euro began. The Euro now exists as a banking currency and paper financial transactions and foreign exchange are made in Euros. This transition period will last for three years, at which time Euro notes and coins will enter circulation. On July 1, 2002, only Euros will be legal tender for EMU participants, the national currencies of the member countries will cease to exist. The current members of the EMU are Germany, France, Belgium, Luxembourg, Austria, Finland, Ireland, the Netherlands, Italy, Spain and Portugal.

European Parliament - The European Economic Community body in charge of reviewing and amending legislative proposals. It has the power to reject the budget proposals. It consists of 518 members who are elected. It is based in Luxembourg, but the sessions take place in Strasbourg or Brussels.

European Payment Union - European entity instituted in 1950 to facilitate the inter-European settlements of international trade transactions.

Exchange control - Rules used to preserve or protect the value of a country's currency.

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

Exchange Rate Risk - (1) Foreign exchange risk that is the effect of the continuous shift in the worldwide market supply and demand balance on an

outstanding foreign exchange position. (2) Trading risk pertinent to market fluctuation.

Exercise (strike) Price - The price at which the underlying currency will be delivered upon exercise.

Exhaustion Gap - Price gap that occurs at the top or the bottom of a reversal formation. The trend changes direction in a rather uncharacteristically quick manner.

Exotic - A less broadly traded currency.

Expanding (broadening) Triangle - A triangle continuation formation that looks like a horizontal mirror image of a triangle; the tip of the triangle is next to the original trend, rather than its base. (See Triangle.)

Expert Advisor – An auto-trading program, sometimes referred to as a robot or an EA that runs on the MetaTrader 4 platform. The MetaTrader 4 platform is available for free from numerous Forex Brokers.

SecretsFromTheHeart.com offers Several Profitable Expert Advisors with a variety of Trading Styles in which Clients can choose from. Click [HERE](#) to Learn More.

Expiration Date - The delivery date.

Exponentially Smoothed Moving Average - A moving average that also takes into account the previous price information of the underlying currency.

Exposure - In foreign exchange, a potential for gain or loss because of movement in foreign exchange rate.

There are three primary types of exposure:

Economic: The change in future earning power and cash flow arising from a change in exchange rates. In effect, it represents a change in the value of a company holding foreign currency.

Transnational: A potential gain or loss arising from transactions that will definitely occur in the future, are currently in progress, or could have already been completed. A signed but not shipped sales contract, a receivable or foreign currency payment collected but not converted to local currency would all be examples of transaction exposure.

Translation: The potential for change in reported earnings and/or the book value of the consolidated company equity accounts, as the result of a change in foreign

exchange rates used to translate the foreign currency statements of subsidiaries and affiliates known as accounting exposure.

Factory Orders - An economic indicator that refers to total orders for durable and non-durable goods. The non-durable goods orders consist of food, clothing, light industrial products, and products designed for the maintenance of the durable goods.

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.

Federal Deposit Insurance Corporation (FDIC) - The regulatory agency responsible for administering bank depository insurance in the US. Federal funds (Fed funds) Immediately available reserve balances at the federal reserves. The Fed funds are widely used by commercial banks or large corporations to lend to each other on an overnight basis. Although their level is established by the Fed, the prices fluctuate because they are traded in the market.

Federal Open Market Committee (FOMC) - A committee established in 1935, through the Banking Act, to replace the Open Market Policy Conference (OMPC.) Currently active.

Federal Reserve (Fed) - The Central Bank for the United States. . It was established in 1913 when Congress passed the Federal Reserve Act. The Act held that role of the Federal Reserve was "to furnish an elastic currency, to afford the means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes."

Fed Fund Rate - The interest rate on Fed funds. This is a closely watched short term interest rate as it signals the Feds view as to the state of the money supply. Federal Reserve Board The board consists of a Governor and four other regular members. The Secretary of the Treasury and the Comptroller of the Currency are closely consulted. The 12 regional Federal Reserve Banks around the country have sufficient autonomy to manage financial conditions in their districts. They are also managed by governors.

Federal Reserve System - The central banking system in the United States. Fedwire An automated communications and settlement system linking the Federal Reserve banks with other banks and with depository institutions.

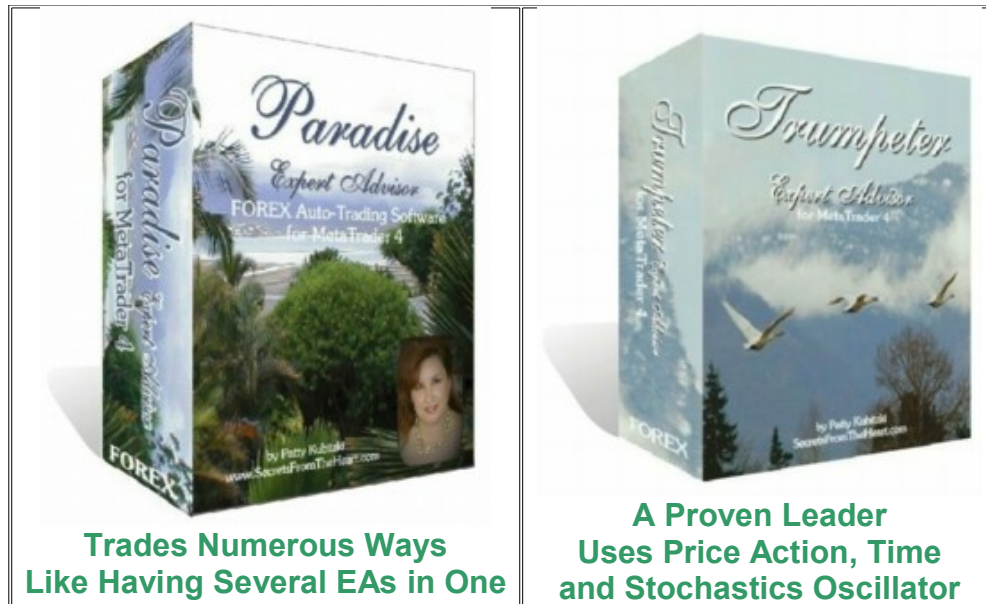
Fibo Money Management Strategy – In this method, trades are placed against the trend and are increased at a size based on the Fibonacci numbering series: 1, 2, 3, 5, 8, 13, 21, 34, 55 and so on. This series of numbers is derived by starting with 1 followed by 2 and then adding 1 + 2 to get 3. Each subsequent number is derived by adding the previous two numbers. If you divide any

Fibonacci number by the preceding number, after 2, the number is always 1.6, rounded down to one decimal place.

SecretsFromTheHeart.com offers **2 Fibo Money Management Strategies (Expert Advisors for the MetaTrader platform) which incorporate numerous safeties to limit the trading and to protect the trader's account from too great a loss.**

The User can choose from several features to increase or decrease the trading and risk.

See below for more information; images are hyperlinks.



Fibonacci, Leonardo - Leonardo Fibonacci was a great Italian mathematician who lived in the thirteenth century who first observed certain ratios of a number series that are regarded as describing the natural proportions of things in the universe, including price data.

Fibonacci Retracements - Involves anticipating changes in trends as prices near the lines created by the Fibonacci studies. After a significant price move (either up or down), prices will often retrace a significant portion (if not all) of the original move. As prices retrace, support and resistance levels often occur at or near the Fibonacci Retracement levels.

In the currency markets, the commonly used sequence of ratios is 23.6 %, 38.2%, 50% and 61.8%. Fibonacci retracement levels can easily be displayed by connecting a trend line from a perceived high point to a perceived low point. By taking the difference between the high and low, the user can apply the % ratios to achieve the desired pullbacks.

Fibonacci Sequence - Takes a sequence of numbers that begins with 1

and adds 1 to it, then takes the sum of this operation (2) and adds it to the previous term in the sequence (1). Next it takes the sum of the second operation (3) and adds it to the previous term in the sequence (the sum of the first operation, i.e., 2). The Fibonacci sequence continues iterating in this manner, adding the most recent sum to the previous term, which is itself the sum of the two previous terms, etc. This yields the following series of numbers: 1 1 2 3 5 8 13 21 34 55 89 144 233 377 610 987 1597 2584 4181 (etc.).

Fictitious Trading - Wash trading, bucketing, cross trading, or other schemes which give the appearance of trading. Actually, no bona fide, competitive trade has occurred.

Fill or Kill - An order which must be entered for trading, normally in a pit three times, if not filled is immediately canceled.

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.

Fixed Exchange Rate - Official rate set by monetary authorities. Often the fixed exchange rate permits fluctuation within a band.

Flag - A continuation formation that resembles the outline of a flag. It consists of a brief consolidation period within a solid and steep upward trend or downward trend. The consolidation itself tends to be sloped in the opposite direction from the slope of the original trend, or simply flat. The consolidation is bordered by a support line and a resistance line, which are parallel to each other or very mildly converging, making it look like a flag (parallelogram). The previous sharp trend is known as the flagpole. When the currency resumes its original trend by breaking out of the consolidation, the price objective is the total length of the flagpole, measured from the breakout price level.

Flat/Square - Dealer jargon used to describe a position that has been completely reversed, e.g. you bought \$500,000 then sold \$500,000, thereby creating a neutral (flat) position.

Flexible Exchange Rate - Exchange rates with a fixed parity against one or more currencies with frequent revaluation's. A form of managed float.

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 - (Forex, FX) - the simultaneous buying of one currency and selling of another.

Foreign Exchange Brokers - Intermediaries among banks who bring together buyers and sellers to the market, optimize the prices they show to their customers, and do not take positions for themselves.

Foreign Exchange Exposure - The potential effect of currency fluctuations on shareholders' equity.

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

Forex - 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.

Forex Signals - A software or service designed to broadcast buy/sell recommendations to a subscriber base.

Forward - The pre-specified exchange rate for a foreign exchange contract settling at some agreed future date, based upon the interest rate differential between the two currencies involved.

Forward Margins - Discounts or premiums between spot rate and the forward rate for a currency. Normally quoted in points.

Forward Operations - Foreign exchange transactions, on which the fulfillment of the mutual delivery obligations is made on a date later than the second business day after the transaction was concluded.

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.

Forward Points - The pips added to or subtracted from the current exchange rate to calculate a forward price.

Forward Rate - Forward rates are quoted in terms of forward points, which represents the difference between the forward and spot rates. In order to obtain the forward rate from the actual exchange rate the forward points are either

added or subtracted from the exchange rate. The decision to subtract or add points is determined by the differential between the deposit rates for both currencies concerned in the transaction. The base currency with the higher interest rate is said to be at a discount to the lower interest rate quoted currency in the forward market. Therefore the forward points are subtracted from the spot rate. Similarly, the lower interest rate base currency is said to be at a premium, and the forward points are added to the spot rate to obtain the forward rate.

Forward Spread (forward points or forward pips) - Forward price used to adjust a spot price to calculate a forward price. It is based on the current spot exchange rate, the interest rate differential, and the number of days to delivery.

Fractal Geometry - Geometry theory that refers to the fact that certain irregular objects have a fractal number of dimensions. In other words, an object cannot fill an integer number of dimensions.

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.

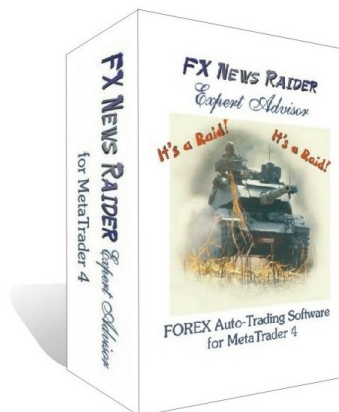
Fundamentals - The macro economic factors that are accepted as forming the foundation for the relative value of a currency, these include inflation, growth, trade balance, government deficit, and interest rates (news events).

At [SecretsFromTheHeart.com](http://www.secretsfromtheheart.com) we log many of the major news events in an XLS file starting from August 1, 2005.

This information is very helpful when analyzing results from a trading system to tie big moves to events that took place.

Download the free Fx News Data XLS file from this webpage: <http://www.secretsfromtheheart.com/forex.htm>

FX News Raider is an Expert Advisor to trade many of the important news events. See below for more information; image is a hyperlink.



A Way to Trade News Events Without Getting Beat Up by Broker Slippage and Re-Quotes.

Fundamental Analysis - Analysis of economic and political information (news events) with the objective of determining future movements in a financial market.

Futures Contract - An obligation to exchange a good or instrument at a set price on a future date. The primary difference between a Future and a Forward is that Futures are typically traded over an exchange (Exchange-Traded Contracts – ETC), versus forwards, which are considered Over The Counter (OTC) contracts. An OTC is any contract NOT traded on an exchange.

Fuzzy Logic - Method that attempts to weigh the quality of the patterns recognized by neural networks. Because not all patterns have equal financial significance for foreign currency forecasting, this method qualifies the degree of certainty of the results.

FX - Foreign Exchange.

G7 - The seven leading industrial countries, being US , Germany, Japan, France, UK, Canada, Italy.

G10 - G7 plus Belgium, Netherlands and Sweden, a group associated with IMF discussions. Switzerland is sometimes peripherally involved.

G20 - The Group of Twenty Finance Ministers and Central Bank Governors (G-20, G20, Group of Twenty) is a group of finance ministers and central bank governors from 20 economies: 19 countries plus the European single currency. Gamma The rate of change of an option's delta, or the sensitivity of the delta.

Gann Percentage Retracements - The Gann theory focuses mostly on the eighths, along with retracements in thirds.

Gap - A mismatch between maturities and cash flows in a bank or individual dealers position book. Gap exposure is effectively interest rate exposure. The price gap between consecutive trading ranges (i.e., the low of the current range is higher than the high of the previous range).

Genetic Algorithms - Method used to optimize a neural network. Trial and error are applied to an evolutionlike system, which mimics natural selection for financial forecasting purposes.

GLOBEX - An electronic trading system conceived in 1987 as an after hours trading system and geared toward global futures trading; created through a joint venture of the Chicago Mercantile Exchange (CME), the Chicago Board of Trade (CBT), and Reuters PLC.

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.
Golden cross An intersection of two consecutive moving averages that move in the same direction and suggest that the currency will move in the same direction.

Gold Standard - The original system for supporting the value of currency issued. The was that where the price of gold is fixed against the currency it means that the increased supply of gold does not lower the price of gold but causes prices to increase.

Good 'Til Cancelled Order (GTC) - An order to buy or sell at a specified price. This order remains open until filled or until the client cancels.

Grid - Fixed margin within which exchange rates are allowed to fluctuate. It can also refer to the distance in pips that trades are spaced.

Gross Domestic Product (GDP) - The sum of all goods and services produced either by domestic or foreign companies. GDP indicates the pace at which a country's economy is growing (or shrinking) and is considered the broadest indicator of economic output and growth.

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

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

Head and Shoulders - A bearish reversal pattern that consists of a series of three consecutive rallies, such that the first and third rallies (the shoulders) have about the same height and the middle one (the head) is the highest. The rallies are based on the same support line, known as the neckline. When the neckline is broken, the price target is approximately equal in amplitude to the distance between the top of the head and the neckline.

Hedge - A position or combination of positions that reduces the risk of your primary position.

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

Hedging - A way to counter-balance trades to typically limit draw down. Trades are placed both long and short simultaneously.

See Sample of Hedging Trades Taken by the [Paradise Expert Advisor](#):



High-Low Band - A band created by two winding parallel lines above and below a short-term moving average that borders most price fluctuations. The moving average is based on the high and low prices. The resulting two moving averages define the edges of the band. A close above the upper band suggests a buying signal and a close below the lower band gives a selling signal.

Households Survey - Consists of the unemployment rate, the overall labor force, and the number of people employed.

Housing Starts - The Housing Starts report measures the number of residential units on which construction is begun each month. A start in construction is defined as the beginning of excavation of the foundation for the building and is comprised primarily of residential housing. Housing is very interest rate sensitive and is one of the first sectors to react to changes in interest rates. Significant reaction of start/permits to changing interest rates signals interest rates are nearing trough or peak. To analyze, focus on the percentage change in levels from the previous month. Report is released around the middle of the following month.

Hit the Bid - Acceptance of purchasing at the offer or selling at the bid.

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 - 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.

Implied Volatility - Method of measuring volatility by considering the premiums currently trading in the market and calculating the figure based on the level of the option premium.

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

Industrial Production - It is a chain-weighted measure of the change in the production of the nation's factories, mines and utilities as well as a measure of their industrial capacity and of how many available resources among factories, utilities and mines are being used (commonly known as capacity utilization). The manufacturing sector accounts for one-quarter of the economy. The capacity utilization rate provides an estimate of how much factory capacity is in use.

Inflation - An economic condition whereby prices for consumer goods rise, eroding purchasing power.

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

Interbank 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 Japan is 3% and in the UK 6%, a forward premium of 3% for the Japanese Yen against sterling 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.

International Fisher Effect - Theory holding that investors will hold assets denominated in depreciating currencies only to the extent that interest rates are sufficiently high to balance the expected currency losses.

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 effect the value of its currency by entering the market. Concerted intervention refers to action by a number of central banks to control exchange rates.

Introducing Broker (or IB) - Any person (other than a person registered as an "associated person" of a futures commission merchant) who is engaged in soliciting or in accepting orders for the purchase or sale of any commodity for future delivery on an exchange who does not accept any money, securities, or property to margin, guarantee, or secure any trades or contracts that result there from.

Inverse Head and Shoulders - A bullish reversal pattern that consists of a series of three consecutive sell-offs. Among the three consecutive sell-offs, the shoulders have approximately the same amplitude, and the head is the lowest. The formation is based on a resistance line called the neckline. After the neckline is penetrated, the target is approximately equal in amplitude to the distance between the top of the head and the neckline.

Island Reversal - An isolated range or ranges that occur at the tip of a V-formation.

ISO Codes - Standardized currency codes developed by the International Organization for Standardization (ISO).

J-Curve Theory - Devaluation of a currency will trigger export gains in the long term, rather than the short term, because of previous contracts, existing inventories, and behavior modification.

Key Reversal Day - The daily price range on the bar chart of the reversal day fully engulfs the previous day's range; also, the close is outside the preceding day's range.

Kiwi - Slang for the New Zealand dollar.

Larry Williams %R - A version of the stochastics oscillator. It consists of the difference between the high price of a predetermined number of days and the current closing price; that difference in turn is divided by the total range. This oscillator is plotted on a reversed 0 to 100 scale. Therefore, the bullish reversal signals occur at under 80 percent and the bearish signals appear at above 20 percent. The interpretations are similar to those discussed under stochastics.

Leverage – Allows trades to increase their buying power and utilize less capital to trade.

Click [HERE](#) to Learn More About Leverage, Margin and Margin Calls

Leading Indicators Index - An economic indicator designed to offer a six- to nine-month future outlook of economic performance. It consists of the following economic indicators: average workweek of production workers in manufacturing; average weekly claims for state unemployment; new orders for consumer goods and materials (adjusted for inflation); vendor performance (companies receiving slower deliveries from suppliers); contracts and orders for plant and equipment (adjusted for inflation); new building permits issued; change in manufacturers' unfilled orders for durable goods; change in sensitive materials prices; index of stock prices; money supply, adjusted for inflation; and the index of consumer expectations.

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.

LIBOR - The London Inter-Bank Offered Rate. Banks use LIBOR when borrowing from another bank.

Limit Order - An order with restrictions on the maximum price to be paid or the minimum price to be received. As an example, if the current price of USD/YEN is 102.00/05, then a limit order to buy USD would be at a price below 102. (i.e., 101.50)

Line Chart - The line connecting single prices for each of the time periods selected. See sample:



Linearly Weighted Moving Average - A moving average that assigns more weight to the more recent closings.

Liquidation - The closing of an existing position through the execution of an offsetting transaction.

Liquidity - The ability of a market to accept large transaction with minimal to no impact on price stability.

Long Position - A position that appreciates in value if market prices increase. Also referred to as a Buy trade or position.

Lot - A unit of trading.

M1 - Money supply measure that is composed of currency in circulation (outside the Treasury, the Fed, and depository institutions), traveler's checks, demand deposits, and other checkable deposits [negotiable order of withdrawal (NOW) accounts, automatic transfer service (ATS) accounts, etc.].

M2 - Money supply measure that consists of M1 plus repurchase agreements, overnight Eurodollars, money market deposit accounts, savings and time deposits (in amounts under \$100,000), and balances in general accounts.

M3 - Money supply measure that is composed of M2 plus time deposits over \$100,000, term Eurodollar deposits, and all balances in institutional money market mutual funds.

MACD - Moving Average Convergence Divergence: MACD is a more detailed method of using moving averages to find trading signals from price charts. Developed by Gerald Appel, the MACD plots the difference between a 26-day exponential moving average and a 12-day exponential moving average. A 9-day moving average is generally used as a trigger line, meaning when the MACD crosses below this trigger it is a bearish signal and when it crosses above it, it's a bullish signal. Watch the buying and selling and when the MACDs start to 'roll over'.

MACD (and other oscillators) measure momentum. When momentum subsides, MACD moves to lower level when price is moving up; it's the opposite when moving down. All this means is there's less activity in the market... it's taking a rest.

Divergence occurs when price continues in the original direction after the "rest" but does so with less momentum. The players are "weaker" and don't have the strength to continue. In an up move, this is indicated by a lower MACD high and signals a potential reversal.

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.

Majors – the main currency pairs that are trading; i.e. EUR/USD, GBP/USD, USD/JPY and USD/CHF .

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 request from a broker or dealer for additional funds or other collateral to guarantee performance on a position that has moved against the customer.

Click [HERE](#) to Learn More About Margin and Margin Calls

Market Maker - A dealer who regularly quotes both bid and ask prices and is ready to make a two-sided market for any financial instrument.

Market Order - An order to buy or sell a financial instrument immediately at the best possible price.

Market Risk - Exposure to changes in market prices.

Mark-to-Market - Process of reevaluating all open positions with the current market prices. These new values then determine margin requirements.

Martingale or Martingale Strategy - A type of betting method where you continually bet the same direction, such as RED on a roulette wheel. If the spin comes up BLACK, you lose. So you double the bet for the next spin until the roulette wheel eventually hits RED and you win. What happens is you could likely be betting quite a large amount before you win and your funds could run out.

In trading, you would be placing a trade in the opposite direction of the trend based on the known fact that the market will always reverse, at some point. If the 1st trade failed to close, you would then place a 2nd trade for twice the size/amount as the first one, again against the trend.

The Martingale strategy has also been referred to as a Fibo Money Management Strategy. In this method, trades are placed against the trend and are increased at a size based on the Fibonacci numbering series: 1, 2, 3, 5, 8, 13, 21, 34, 55 and so on. This series of numbers is derived by starting with 1 followed by 2 and then adding 1 + 2 to get 3. Each subsequent number is derived by adding the previous two numbers. If you divide any Fibonacci number by the preceding number, after 2, the number is always 1.6, rounded down to one decimal place.

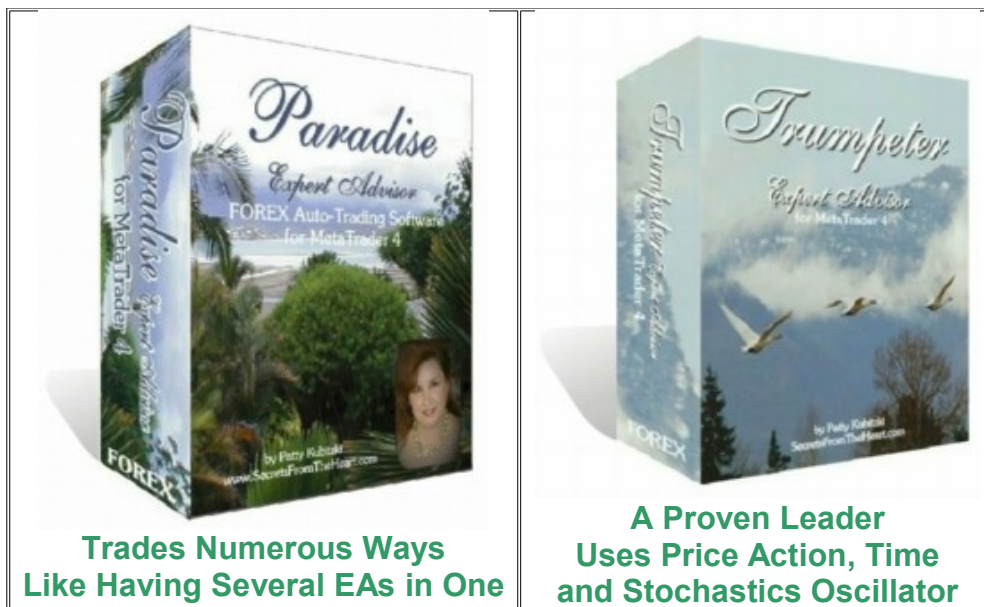
Some people are uneasy with the term Martingale and rightly so. Because using a Martingale strategy without proper knowledge and account protection in place, a trade could potentially lose a vast portion of his account.

Martingale strategies appeal to the higher risk trader as they are aware of the potential to capture greater profits using them. These strategies are not usually traded manually but are programmed into auto-trading software, such as an Expert Advisor for the MetaTrader platform.

SecretsFromTheHeart.com offers 2 Martingale-based strategies (Expert Advisors for the MetaTrader platform) which incorporate numerous safeties to limit the trading and to protect the trader's account from too great a loss.

The default settings used do NOT double the lot size as mentioned above and the User can choose from several features to increase or decrease the trading and risk.

See below for more information; images are hyperlinks.



Matched Sale-Purchase Agreements - Daily operations executed by the Federal Reserve, in which the Fed sells a security for immediate delivery to a dealer or a foreign central bank, with the agreement to buy back the same

security at the same price at a predetermined time in the future (generally within seven days). This arrangement amounts to a temporary drain of reserves.

Matching Systems - Electronic systems duplicating the traditional brokers' market. A price shown by a bank is available to all traders.

Maturity or Maturity Date - The date for settlement or expiration of a financial instrument.

Merchandise Trade Balance - An economic indicator that consists of the net difference between the exports and imports of a certain economy. The data includes food, raw materials and industrial supplies, consumer goods, autos, capital goods, and other merchandise.

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 futures contract.

Momentum - An oscillator designed to measure the rate of price change, not the actual price level. This oscillator consists of the net difference between the current closing price and the oldest closing price from a predetermined period. The momentum is measured on an open scale around the zero line.

Momentum investor - A market participant who increase market exposure when the market is rising and decreases exposure or goes short when the market is declining.

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

Moving Averages – Calculate and display as a graph on a chart, the average price in a given point of time over a defined period of time.

A weakness of moving averages is that they lag the market, so they do not necessarily signal a change in trends. Using a shorter period, such as 5 or 10 day moving average, would be more reflective of the recent price action.

There are four kind of mathematically distinct moving averages: Simple MA; Linearly Weighted MA, Exponential, and Smoothed. A moving average can also be applied to another indicator to calculate a moving average based on the indicator values.

Moving Averages Oscillator - An oscillator in which the values of two consecutive moving averages are subtracted from each other (the larger number of days from the previous one) and the new values are plotted.

Naked Intervention (unsterilized intervention) - A central bank intervention in the foreign exchange market that consists solely of the foreign exchange activity. This type of intervention has a monetary effect on the money supply and a long-term effect on foreign exchange.

National Association of Purchasing Managers Index (NAPM) - A survey of 250 industrial purchasing managers, conducted in order to gauge the changes in new orders, production, employment, inventories, and vendor delivery speed.

National Futures Association (NFA) - A self regulatory organization composed of futures commission merchants, commodity pool operators, commodity trading advisors, introducing brokers, leverage transaction merchants, commodity exchanges, commercial firms, and banks, that is responsible—under CFTC oversight for certain aspects of the regulation of FCMs, CPOs, IBs, LTMs, and their associated persons, focusing primarily on the qualifications and proficiency, financial condition, retail sales practices, and business conduct of these futures professionals.

Net Position - The amount of currency bought or sold which have not yet been offset by opposite transactions.

Netting - A process that enables institutions to settle only their net positions with one another at the end of the day, in a single transaction, not trade by trade.

Neural Networks - Computer systems that recognize patterns. They may be used to generate trading signals or to be part of trading systems.

Neutral Spread (delta-neutral spread) - A compound option strategy that consists of a long option position and a short option position whose respective total delta positions are relatively equal.

Next Best Price Stop-Loss Order - A stop-loss order that must be executed after the requested level is reached.

NFA - National Futures Association.

NFP or Non-Farm Payroll – A news event that typically occurs on the first Friday of each month which reveals the change in the number of employed people during the previous month, excluding the farming industry.

Click [HERE](#) to Learn More about an Expert Advisor to trade NFP and other important news events.

Nonfarm - sector Jobs in government, manufacturing, services, construction, mining, retail and others.

Nostro Account (clearing account) - The account for each foreign currency in the country of origin maintained by the financial institutions for purchase and receiving (P&R) purposes.

Odd Lot - A non standard amount for a transaction.

Offer - The rate at which a dealer is willing to sell a currency.

Offsetting Transaction - A trade with which serves to cancel or offset some or all of the market risk of an open position.

Off-Shore - The operations of a financial institution which although physically located in a country, has little connection with that country's financial systems. In certain countries a bank is not permitted to do business in the domestic market but only with other foreign banks. This is known as an off shore banking unit.

One Cancels the Other Order (OCO) - A designation for two orders whereby one part of the two orders is executed the other is automatically cancelled.

Opening Price (or Range) - The price (or price range) recorded during the period designated by the exchange as the official opening.

Opening, The - The period at the beginning of the trading session officially designated by the exchange during which all transactions are considered made "at the opening."

Open Interest - The total outstanding position in a currency.

Open Market Investment Committee (OMIC) Committee - established in 1923 in order to coordinate the Reserve Bank operations. It was composed of the Governors of the Federal Reserve Banks in New York, Boston, Philadelphia, Chicago, and Cleveland. Not currently active.

Open Market Policy Conference (OMPC) Committee - established in 1930 to replace the OMIC. It consisted of 12 Federal Reserve Banks governors and the members of the Board. Not currently active.

Open Order - An order that will be executed when a market moves to its designated price. Normally associated with Good 'til Cancelled Orders.

Open Position - A deal not yet reversed or settled with a physical payment.

Options Expiration – The date when an Option contract expires and must be exercised or acted upon. Options Expirations main dates are typically the third Thursday and Friday of each month.

[Click HERE for Options Expiration Calendars](#)

Oscillators - Quantitative methods designed to provide signals regarding overbought and oversold conditions.

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

Overbought - A technical opinion that the market price has risen too steeply and too fast in relation to underlying fundamental factors. Rank and file traders who were bullish and long have turned bearish.

Overnight - A trade that remains open until the next business day.

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.

Oversold - A technical opinion that the market price has declined too steeply and too fast in relation to underlying fundamental factors. Rank and file traders who were bearish and short have turned bullish.

Parabolic System - A stop-loss technical system, based on price and time. The system was devised to supplement the inadvertent gaps of the other trend-following systems. Although not technically an oscillator, the parabolic system can be used with the oscillators. SAR stands for stop-and-reverse. The stop moves daily in the direction of the new trend. The built-in acceleration factor pushes the SAR to catch up with the currency price. If the new trend fails, the SAR signal will be generated. The name of the system is derived from its parabolic shape, which follows the price gyrations. It is represented by a dotted line. When the parabola is placed under the price, it suggests a long position. Conversely, a price above the parabola indicates a short position. See sample in next image; the purple dots above and below the candlesticks represent the Parabolic SAR values:



Parity - (1) Foreign exchange dealer's slang for your price is the correct market price. (2) Official rates in terms of SDR or other pegging currency.

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.

Pennants - A continuation formation that resembles the outline of a pennant. It consists of a brief consolidation period within a solid and steep upward trend or downward trend. The consolidation itself tends to be sloped in the opposite direction from the slope of the original trend, or simply flat. The consolidation is bordered by a support line and a resistance line, which converge, creating a triangle. The previous sharp trend is known as the pennant pole. When the currency resumes its original trend by breaking out of the consolidation, the price objective is the total length of the pole, measured from the breakout price level.

Personal Income - An economic indicator that consists of the income received by individuals, nonprofit institutions, and private trust funds. Some of the components of this indicator are wages and salaries, rental income, dividends, interest earnings, and transfer payments (Social Security, state unemployment insurance, and veteran's benefits).

Philadelphia Stock Exchange (PHLX) - The oldest U.S. securities exchange, it offers currency futures and options on currency futures.

Pip – Price Interest Point; Typically the last digit on the right of the currency rate. Some brokers add an extra digit which then become fractional pips. Also called Points.

Pivot Points - Are commercial (large traders trading 1,000 lots or more) support and resistance. Look for their signals and 'draft' behind them. They are the leading indicators of where price action will go, based on high, low and close values. There are 13 levels, red line in middle is the main level, those above are resistance and those below are support. There are indicators available that will automatically calculate these. Plot them on chart and watch price action.

Point - A measure of price change , see also Pip.

Point And Figure - A method of charting which uses prices to form patterns of movement without regard to time. It defines a price trend as a continued movement in one direction until a reversal of a predetermined criterion is met.

Political Risk - Exposure to changes in governmental policy, which will have an adverse effect on an investor's position.

Position - The netted total holdings of a given currency.

Pound – Refers to the British Pound, slang names also include Cable and Sterling.

Premium - In the currency markets, describes the amount by which the forward or futures price exceed the spot price.

Price Manipulation - Any planned operation, transaction or practice calculated to cause or maintain an artificial price.

Price Transparency - Describes quotes to which every market participant has equal access.

Prime Rate - The rate that commercial banks charge customers, which is based on the discount rate.

Producer Price Index (PPI) - The Producer Price Index (PPI) is a measure of price changes in the manufacturing sector. It measures average changes in selling prices received by domestic producers in the manufacturing, mining, agriculture, and electric utility industries for their output. The PPIs most often used for economic analysis are those for finished goods, intermediate goods, and crude goods.

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

Purchasing Managers Index (PMI) - The National Association of Purchasing Managers (NAPM), now called the Institute for Supply Management, releases a monthly composite index of national manufacturing conditions, constructed from data on new orders, production, supplier delivery times, backlogs, inventories, prices, employment, export orders, and import orders. It is divided into manufacturing and non- manufacturing sub-indices.

Purchasing Power Parity (PPP) - Model of exchange rate determination stating that the price of a good in one country should equal the price of the same good in another country, exchanged at the current rate (the law of one price).

Pyramiding - The use of profits on existing positions as margin to increase the size of the position, normally in successively smaller increments.

Quote - An indicative market price, normally used for information purposes only.

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

Random Walk Theory - An efficient market hypothesis, stating that prices move randomly versus their intrinsic value. Therefore, no one can forecast market activity based on the available information.

Range - The difference between the highest and lowest price recorded during a given trading period.

Rate - The price of one currency in terms of another, typically used for dealing purposes.

Rate of Change - A momentum oscillator in which the oldest closing price is divided into the most recent one.

Reaction - A decline in prices following an advance.

Rebate - A portion of the amount charged to a trader on a transaction that is returned to them.

Rebate Account – A Forex trading account that has been specifically set up to allow rebate earnings for the account holder.

Click [HERE](#) to learn more about rebate accounts and other free benefits offered to rebate account signups through the [SecretsFromTheHeart.com](#) website

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. Sterling is the most common example.

Recovery - An upward price movement after a decline. Same as Rally.

Rectangle - A continuation formation that resembles the outline of a parallelogram. The price objective is the height of the rectangle.

Relative Strength Index - An oscillator that measures the relative changes between the higher and lower closing prices. It is a great leading indicator for the micro and macro reversals in the market. The higher the RSI number, the more over bought it is and conversely the lower the RSI number, the more over sold it is. The RSI is plotted on a 0 to 100 scale. The 70 and 30 values are used as warning signals, whereas values above 85 indicate an overbought condition (selling signal), and values under 15 suggest an oversold condition (buying signal).

Replacement Risk - A form of credit risk that holds that counterparties of failed banks will find their books unbalanced to the extent of their exposure to the insolvent party. In order to rebalance their books, these banks must enter new transactions.

Repurchase Agreements (repos) - Daily operations executed by the Federal Reserve. A repurchase agreement between the Federal Reserve and a government securities dealer consists of the Fed's purchasing a security for immediate delivery, with the agreement to sell the same security back at the same price at a predetermined date in the future (usually within 15 days). This arrangement amounts to a temporary injection of reserves in the banking system.

Resistance - A term used in technical analysis indicating a specific price level at which analysis concludes people will sell.

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.

Retail Sales - The retail sales report is a measure of the total receipts of retail stores from samples representing all sizes and kinds of business in retail trade throughout the nation. It is the timeliest indicator of broad consumer spending patterns and is adjusted for normal seasonal variation, holidays, and trading-day differences. Retail sales include durable and non-durable merchandise sold, and services and excise taxes incidental to the sale of merchandise. Excluded are sales taxes collected directly from the customer.

Retracement - A reversal within a major price trend.

Revaluation - An increase in the exchange rate for a currency as a result of central bank intervention. Opposite of Devaluation.

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

Reversal - A change of direction in prices.

Reversal Patterns - Patterns that occur at the end of the trend, signaling the trend change.

Risk - Exposure to uncertain change, most often used with a negative connotation of adverse change.

Risk Management - the employment of financial analysis and trading techniques to reduce and/or control exposure to various types of risk.

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

Risk/Reward Ratio - The relationship between the probability of loss and profit. This ratio is often used as a basis for trade selection or comparison.

Rollover - Process whereby the settlement of a deal is rolled forward to another value date. The cost of this process is based on the interest rate differential of the two currencies; referred to as overnight swap.

Rounded Bottom - A bullish reversal pattern that consists of a very slow and gradual change in the direction of the market.

Rounded Top (saucer) - A bearish reversal pattern that consists of a very slow and gradual change in the direction of the market.

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

Round Turn - A completed transaction involving both a purchase and a liquidating sale, or a sale followed by a covering purchase.

RSI - see Relative Strength Index

Runaway or Measurement Gap - A price gap that occurs within solid trends. It is also called a measurement gap because it tends to occur about midway through the life of a trend.

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

Scale Down (or Up) - To purchase or sell a scale down means to buy or sell at

regular price intervals in a declining market. To buy or sell on scale up means to buy or sell at regular price intervals as the market advances.

Scalper - A speculator on the trading floor of an exchange who buys and sells rapidly, with small profits or losses, holding his positions for only a short time during a trading session. Typically, a scalper will stand ready to buy at a fraction below the last transaction price and to sell at a fraction above, thus creating market liquidity.

Scalping - The practice of trading in and out of the market on very small price fluctuations. A person who engages in this practice is known as a scalper.

Sell – a Short Position. An investment position that benefits from a decline in market price.

Seller's Market - A condition of the market in which there is a scarcity of goods available and hence sellers can obtain better conditions of sale or higher prices. Also see Buyer's Market.

Selling Rate - Rate at which a bank is willing to sell foreign currency.

Settlement - The process by which a trade is entered into the books and records of the counterparts to a transaction. The settlement of currency trades may or may not involve the actual physical exchange of one currency for another.

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 Position - An investment position that benefits from a decline in market price. Also referred to as a Sell trade or position.

Short Sale - The sale of a specified amount of currency not owned by the seller at the time of the trade. Short sales are usually made in expectation of a decline in the price.

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.

Simple Moving Average or Arithmetic Mean - An average of a predetermined number of prices over a number of days, divided by the number of entries.

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.

Slow Stochastics - A version of the original stochastic oscillator. The new, slow %K line consists of the original %D line. The new, slow %D line formula is calculated from the new %K line.

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

Sold-Out-Market - When liquidation of a weakly-held position has been completed, and offerings become scarce, the market is said to be sold out.

Specialist System - A type of trading commonly used for the exchange trading of securities in which one individual or firm acts as a market-maker in a particular security, with the obligation to see that trading in that security is fair and orderly by offsetting temporary imbalances in supply and demand by trading for his own account. Also see Board Broker System and Free Crowd System.

Speculative Bubble - A rapid, but usually short-lived, run-up in prices caused by excessive buying which is unrelated to any of the basic, underlying factors affecting the supply or demand for the commodity. Speculative bubbles are usually associated with a “bandwagon” effect in which speculators rush to buy the commodity (in the case of futures, “to take positions”) before the price trend ends, and an even greater rush to sell the commodity (unwind positions) when prices reverse.

Speedlines - Support or resistance lines that divide the range of the trend into thirds on a vertical line. The two resulting speedlines are plotted by using as coordinates the origin and the 1/3 and 2/3 prices respectively.

Spot - (1) The most common foreign exchange transaction with immediate delivery and immediate payment. (2) Spot or Spot date refers to the spot transaction value date that requires settlement within two business days, subject to value date calculation.

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

Spot Price - The current market price. Settlement of spot transactions usually occurs within two business days.

Spread - The difference between the Bid and Offer (Ask) prices.

Square - Purchase and sales are in balance and thus the 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 or Sterilization Intervention - A central bank intervention in the foreign exchange market that consists of a sale of government securities that offsets the reserve injection which occurs due to the foreign exchange intervention. The money market activity sterilizes the impact of the foreign exchange intervention on the money supply. Sterilized interventions have a short- to medium-term effect. Sterling - slang for British Pound, otherwise known as cable.

Stochastics - Oscillators that consist of two lines called %K and %D. Visualize %K as the plotted instrument and %D as its moving average. The resulting lines are plotted on a 1 to 100 scale. Just as in the case of the RSI, the 70 percent and 30 percent values are used as warning signals. The buying (bullish reversal) signals occur at under 10 percent and the selling (bearish reversal) signals come into play at above 90 percent.

Click [HERE](#) to Learn More About an Expert Advisor Based on Signals Generated from the Stochastics Oscillator.

Stocky - Market slang for Swedish Krona.

Stop Limit Order - A stop limit order is an order that goes into force as soon as there is a trade at the specified price. The order, however, can only be filled at the stop limit price or better.

Stop Loss Order - Order type whereby an open position is automatically liquidated at a specific price. Often used to minimize exposure to losses if the market moves against an investor's position. As an example, if an investor is long USD at 156.27, they might wish to put in a stop loss order for 155.49, which would limit losses should the dollar depreciate, possibly below 155.49.

Support Levels - A technique used in technical analysis that indicates a specific price ceiling and floor at which a given exchange rate will automatically correct itself. Opposite of resistance.

Swap - A currency swap is the simultaneous sale and purchase of the same amount of a given currency at a forward exchange rate. Also refers to interest paid or earned on Forex transactions held over from one day to the next.

SWIFT (Society of Worldwide Interbank Financial Telecommunications) - An automated system set up to send standardized payment instructions for foreign currencies among international banks.

Swing Index (SI) - A momentum oscillator that is plotted on a scale of -100 to +100. The spikes reaching the extremes suggest reversal.

SWING POINTS - 3 candles, the 1 in the middle is higher or lower than the other 2.

Swissy - Slang for Swiss Franc.

Symmetrical Triangle - A triangle continuation formation in which the support and resistance lines are symmetrical. (See Triangle.)

Systemic Risk - Market risk due to price fluctuations, which cannot be eliminated by diversification.

Tankan Economic Survey - The Japanese equivalent of the American Beige Book, which is released by the Federal Reserve. The survey is released on a quarterly basis.

Technical Analysis - An effort to forecast prices by analyzing market data, i.e. historical price trends and averages, volumes, open interest, etc.

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

Theory of Elasticities - A model of exchange rate determination stating that the exchange rate is simply the price of foreign exchange that maintains the BOP in equilibrium. The degree to which the exchange rate responds to a change in the trade balance depends entirely on the elasticity of demand to a change in price.

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.

Threshold of Divergence - A safety feature for the EMS that creates an emergency exit for currencies that become the singular focus of various adverse forces. The threshold of divergence indicates when the specific country with the

pressured currency should take additional steps other than simple central bank intervention in the foreign exchange markets.

Thursday/Friday Dollars - A US foreign exchange technicality. If a foreign bank buys dollars on Tuesday for Thursday delivery. If the bank leaves the funds overnight and transfers them on Friday by means of a clearing house cheque then clearance is not until Monday, the next working day. Higher interest rates for this period are thus available.

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

Today/Tomorrow - Simultaneous buying of a currency for delivery the following day and selling for the spot day, or vice versa. Also referred to as overnight.
Tomorrow Next (Tom/Next) - Simultaneous buying and selling of a currency for delivery the following day.

Trade Date - The date on which a trade occurs.

Tradeable amount - Smallest transaction size acceptable.

Trader - (1) A merchant involved in cash commodities; (2) a professional speculator who trades for his own account.

Traditional (Charles Dow) Percentage Retracements - Occur at 33 percent, 50 percent, and 66 percent.

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

Transaction Cost - the cost of buying or selling a financial instrument.

Transaction Date - The date on which a trade occurs.

Transaction Exposure - Potential profit and loss generated by current foreign exchange transactions.

Translation Exposure - The risk of change of the consolidated corporate earnings as a result of past volatility in the base currency.

Trend - The general direction, either upward or downward, in which prices have been moving.

Trendline - In charting, a line drawn across the bottom or top of a price chart indicating the direction or trend of price movement. If up, the trendline is called bullish; if down, it is called bearish.

Triangle - A continuation formation that resembles the outline of a pennant, but without the pole. It consists of a brief consolidation period within a solid and steep upward trend or downward trend. The consolidation itself tends to be sloped in the opposite direction from the slope of the original trend, or simply flat. The consolidation is bordered by converging support and resistance lines, making it look like a triangle. When the currency resumes its original trend by breaking out of the consolidation, the price objective is the height of the triangle, measured from the breakout price level.

Triple Bottom - A bullish reversal pattern that consists of three bottoms of approximately equal heights. A parallel—resistance—line is drawn against a support line, which connects these tops. The break of the resistance line generates a move equal in size to the price difference between the average height of the bottoms and the resistance line.

Triple Top - A bearish reversal pattern that consists of three tops of approximately equal heights. A parallel—support—line is drawn against a resistance line, which connects these tops. The break of the support line generates a move equal in size to the price difference between the average height of the tops and the support line.

TRIX Index - An oscillator that consists of a one-day ROC calculation of a triple exponentially smoothed moving average of the closing price.

Tunnel - The nickname of the European Joint Float Agreement's total fluctuation band of the European currencies.

Turnover - The total money value of all executed transactions in a given time period; volume.

Two Tier market - A dual exchange rate system where normally only one rate is open to market pressure, e.g. South Africa.

Two-Way Price or Quotation - When both a bid and offer rate is quoted for a FX transaction.

Uncovered - Another term for an open position.

Under-valuation - An exchange rate is normally considered to be undervalued when it is below its purchasing power parity.

Unemployment Rate - An economic indicator released as a percentage that is calculated as the ratio of the difference between the total labor force and the employed labor force, divided by the total labor force.

Uptick - a new price quote at a price higher than the preceding quote.

Uptick Rule - In the U.S., a regulation whereby a security may not be sold short unless the last trade prior to the short sale was at a price lower than the price at which the short sale is executed.

Upward breakout of a bearish resistance line - Bullish point-and-figure chart formation that confirms the currency's breakout of a resistance line the third time it reaches it. The resistance line is sloped downward.

Upward breakout of a bullish resistance line - Bullish point-and-figure chart formation that confirms the currency's breakout of a resistance line the third time it reaches it.

Upward breakout from a consolidation formation - Bullish point-and-figure chart formation that resembles the flag formation. A valid upside breakout from the consolidation formation has a price target equal in size to the length of the previous uptrend.

USDX - Currency index that consists of the weighted average of the prices of ten foreign currencies against the U.S. dollar: deutsche mark, Japanese yen, French franc, British pound, Canadian dollar, Italian lira, Dutch guilder, Belgian franc, Swedish krona, and Swiss franc.

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

Value At Risk - The expected loss from an adverse market movement, with a specified probability over a particular period of time.

Value Date - The date on which counterparts to a financial transaction agree to settle their respective obligations, i.e., exchanging payments. For spot currency transactions, the value date is normally two business days forward. Also known as maturity date.

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

Variation Margin - Funds a broker must request from the client to have the required margin deposited. The term usually refers to additional funds that must be deposited as a result of unfavorable price movements.

Volatility (Vol) - A statistical measure of a market's price movements over time.

Velocity of Money - The rate at which money is turning over on an annual basis to facilitate income transactions.

V-formation (spike) - Reversal formation that shows sudden trend changes and is accompanied by heavy trading volume. This pattern may include a key reversal day, or an island reversal and an exhaustion gap.

Volatility - A measure of the amount by which an asset price is expected to fluctuate over a given period.

Volume - The total amount of currency traded within a period of time, usually one day.

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.

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

Wedge - A continuation formation that resembles the outline of a pennant, but without the pole. It consists of a brief consolidation period within a solid and steep upward trend or downward trend. The consolidation is sharply angled in the opposite direction from the slope of the original trend. The consolidation is bordered by a support line and a resistance line that converge, making it look like a sharply angled triangle. When the currency resumes its original trend by breaking out of the consolidation, the price objective is the height of the wedge, measured from the breakout price level.

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 centre's are open for business (all relevant currency centers in the case of a cross are open).

Yard - Slang for a billion.

Yield Curve - A graphic representation of market yield for a fixed income security plotted against the maturity of the security.