



Assessment

Topic 1.2

1. Review all of the Forex terms mentioned in Topic 1.2. Make a note of any term(s) you are not clear about.
2. The movement of the Forex market is measured in pips, the smallest unit price. Using the data below, answer the following questions: (1.2b)

Currency	5:00 on 06/05	5:00 on 06/06
EURUSD	1.3345	1.3422
USDJPY	100.25	99.70

- a. What was the movement (in pips) of the EURUSD during this period?
 - b. What was the movement (in pips) of the USDJPY during this time frame?
 - c. Was the USD strengthening or weakening during this period of time? Explain.
3. In this session, we learned that margin, leverage and the amount of lots traded work together to determine the dollar gain or loss for any trade. Using the table below, answer the following questions: (1.2c)

Action	Open Price	Lots	Margin	Close Price
Buy GBPUSD	1.5100	.5	100:1	1.5170
Sell EURUSD	1.3355	.3	100:1	1.3400

- a. How much margin must be put up to be in both of these trades at the same time?
 - b. If a trader had a \$10,000 account, what would their total leverage be if both of these trades were open at the same time?
 - c. How much will the trader make or lose per pip on each of these trades?
 - d. What is the overall profit or loss the trader made on these two trades?
 - e. What did this price movement show us about the USD?
4. Look at the candlestick chart below and answer the following questions: (1.2d)



- a. What type of trend is this currency pair currently in?
- b. Mark support (S) and resistance (R) levels as you see them on this chart.



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1. Share any terms that you are not clear about with your e-mate and discuss what the terms mean and how they apply to trading the Forex.

2.

Currency	Close on 06/05	Close on 06/06
EURUSD	1.3345	1.3422
USDJPY	100.25	99.70

- The EURUSD moved up by 77 pips. $1.3422 - 1.3345 = .0077$ or 77 pips
- The USDJPY moved down by 55 pips. $99.70 - 100.25 = -0.55$ or -55 pips
- The USD is weakening vs. the EUR and JPY during this time period, as the value of the USD is going down in relation to the EUR and JPY.

3.

Action	Open Price	Lots	Margin	Close Price
Buy GBPUSD	1.5100	.5	100:1	1.5170
Sell EURUSD	1.3355	.3	100:1	1.3400

- Remember that one standard lot equals \$100,000. 100:1 margin means that for every \$100,000 lot the broker allows the trader to control, the trader must put up \$1,000. The total lots traded in this example is $.5 + .3 = .8$ lots, so $\$1,000 \times .8 = \800 of margin is required from the trader while the trades remain open.
- In the Forex, leverage means two things. First is the trader's ability to control more money than they have. In this case, the broker allows a leverage of 100:1. The second meaning of leverage is how the trader utilizes the funds in their account, which will affect the number of lots traded and the stop loss placed on a trade. Again, one standard lot is \$100,000, so the .8 total lots would be \$80,000. So the leverage would be calculated as $\$80,000 / \$10,000 = 8$ or 8:1 leverage. This leverage indicates that while you only have \$10,000 in your account, you are controlling \$80,000 in these two positions. Later we will discover if this amount of leverage is good or too much.
- The trader will gain or lose \$10 per \$100,000 lot traded, so on the GBPUSD trade they will make or lose $.5 \times \$10 = \5 per pip, and on the EURUSD trade they will make or lose $.3 \times \$10 = \3 per pip.
- GBPUSD trade – Buy at 1.5100, close at 1.5170 = 70 pips \times \$5 per pip = \$350 gain
EURUSD trade – Sell at 1.3345, close at 1.3400 = -45 pips \times \$3 per pip = \$135 loss
 $\$350 - \$135 = \$215$ gain, which translates to a 2.15% gain on a \$10,000 account
- The USD was weakening during the time of these trades.



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4. The chart shows a currency pair in a down trend.

