

LESSON 1: A BRIEF INTRODUCTION TO THE CURRENCY MARKET

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Forex Training Summary and Quiz

Introduction to Currency Trading

The earliest form of currency trading was mostly for the facilitation of international commerce.

Forex trading is managed through an established interbank market and only large financial institutions are able to deal directly in this market.

In recent years, a large secondary currency market has evolved, resulting in a network of online brokers offering direct currency trading services through online trading platforms.

Forex is an "over-the-counter" (OTC) market supported by forex dealers serving as market-makers.

The Bretton-Woods Accord of 1944 was a major international policy intended to minimize economic chaos with the conclusion of World War II. It involved pegging currencies to the U.S. dollar, which was itself pegged to the price of gold.

Eurodollars are U.S. funds held in banks outside the regulatory control of the U.S. government.

In 1971, U.S. President Richard Nixon eliminated the gold standard for the U.S. dollar to combat rising gold prices contributing to high inflation levels. This action led directly to free-floating currency exchange rates and gave rise to the modern currency OTC market.

Putting It All Together

1. Earliest form of currency trading was mostly for the facilitation of _____.

- coin collecting
- international commerce
- Central Bank policies
- tourism

2. Forex is an "over-the-counter" (OTC) market supported by forex dealers serving as _____.

- intermediaries
- regulators
- market-makers
- correspondents

3. The Bretton-Woods Accord of 1944 was a major international agreement intended to minimize economic chaos with the conclusion of World War II. It involved _____ currencies to the U.S. dollar, which was itself tied to the price of gold.

- converting
- pegging
- exchanging
- transferring

4. _____ are U.S. funds held in banks outside the regulatory control of the U.S. government.

- Eurodollars
- Bollinger bands
- Commodity currencies

Traveler's cheques

5. In 1971, U.S. President Richard Nixon eliminated the gold standard for the U.S. dollar to combat rising gold prices contributing to high _____ levels.

- cost
- exchange rate
- compliance
- inflation

6. This action led directly to _____ currency exchange rates and gave rise to the modern currency OTC market.

- fixed
- lower
- free-floating
- pegged

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