MONEY DOOR GOLD SHELF

Forex Market Basics

How the currency market works, explained for gold traders

Free learning guide

Inside: history, who trades, sessions in IST, pairs, pips, lots, spread, leverage, order types and key terms.

For complete beginners | Simple English

www.moneydoorfxacademy.com

Education only. Not investment advice. Practise on a demo account.

WELCOME

What is inside

Gold (XAUUSD) is traded on the same platforms and in the same way as currencies. Before you read a gold chart, it helps to know how the currency market works: who trades, when it is open, how prices are written and what a trade really costs. This guide explains it from zero, in simple English.

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How to use this guide

Read one section a day. Open a demo account's MT5 platform next to this guide and find each idea on screen: the bid and ask, the lot size box, the order types, the contract specification. All prices here are examples for learning, not forecasts.

START HERE

What the forex market is

Forex (short for **foreign exchange**, also called FX) is the global market where one currency is swapped for another. When an Indian company pays a supplier in dollars, when a tourist changes rupees into euros, or when a bank moves money between countries, a currency trade happens. Put all of those trades together, all over the world, and you have the forex market.

There is no single building where forex happens. It is **decentralised**: banks, brokers and electronic platforms in many countries are connected to each other and trade directly. This is called an **over-the-counter (OTC)** market.

Three ideas to hold on to

- **Currencies are always traded in pairs.** You can only say a currency is 'strong' or 'weak' compared with another one.
- **The market runs 24 hours a day, five days a week.** As one financial centre closes, another opens, from Monday morning in Asia to Friday evening in New York.
- **Gold trades like a currency.** On trading platforms, gold against the US dollar has its own code, **XAUUSD**, and is quoted and traded the same way as a currency pair. That is why we learn forex basics first.

Why prices move

Exchange rates move because people's need for each currency keeps changing. Interest rates, inflation, jobs data, economic growth, political events and plain market mood all change how much of a currency people want to hold. When demand for one side of a pair rises faster than for the other side, the price of the pair moves. You will learn these drivers in the Gold Shelf guide *Fundamental Analysis Basics*.

> **A word of care**
>
> Most people who speculate in forex do it through a broker's trading platform, without ever holding the actual currency. You are betting on price changes, and your money is at risk the moment a trade is open. That is why every example in this guide is meant for a **demo account** (play money) first.

WHERE IT CAME FROM

A short history of the forex market



Drawn timeline. Dates checked against Federal Reserve History, the US Office of the Historian and the BIS (see Sources).

Before 1944: the gold standard years

For long periods before the Second World War, many currencies were linked to gold. A note could, in principle, be swapped for a fixed weight of gold. The system broke down during the wars and the Great Depression.

1944: Bretton Woods

In July 1944, forty-four countries met at Bretton Woods in the United States. They agreed to keep their currencies at fixed rates to the US dollar, and the dollar was fixed to gold at **$35 an ounce**. The system became fully working around 1958. Exchange rates hardly moved, so there was little 'trading' as we know it today.

1971 to 1973: the switch to floating rates

On **15 August 1971** the US stopped letting foreign central banks swap dollars for gold. A patch-up deal (the Smithsonian Agreement, December 1971) did not last, and by **March 1973** the major currencies were **floating**: their prices were set by supply and demand every day. This is the birth of the modern forex market.

1980s to today: screens, the internet and individuals

Electronic dealing systems replaced telephone trading between banks. In **1999** the euro was launched. From the late 1990s and 2000s, online brokers and platforms such as MetaTrader let individuals open small accounts. Today trading is mostly electronic, and computer programs (algorithms) handle a large share of it.

SIZE AND PLAYERS

How big it is and who trades

The Bank for International Settlements (BIS) surveys the market every three years. Its April 2025 survey found that forex trading averaged about **$9.6 trillion per day**, up 28% from $7.5 trillion in 2022. About $3 trillion of that was 'spot' trading (currency bought and sold for almost immediate delivery). No other financial market comes close in daily turnover.

The main participants

Who	Why they trade	Example
Central banks	Manage their country's currency and reserves; set interest rates	US Federal Reserve, Reserve Bank of India
Big commercial banks	Make prices for clients and trade with each other (the interbank market)	Global dealing banks
Investment funds	Pension funds, insurers and hedge funds buy foreign assets or hedge currency risk	A fund buying US shares must first buy dollars
Companies	Pay for imports, receive export income, protect against currency swings	An Indian IT firm turning dollar income into rupees
Retail traders	Individuals speculating on price moves through a broker	Someone trading XAUUSD on MT5

Retail traders are a tiny part of the market. Prices are moved mostly by the big players above. A small trader cannot move gold; your job is to understand what the big flows are doing and manage your own risk.

Brokers and platforms

A **broker** connects you to the market and gives you a **trading platform**: software where you see charts, place orders and track open trades. Common platforms are **MetaTrader 4 (MT4)**, **MetaTrader 5 (MT5)** and **cTrader**; **TradingView** is widely used for charts. Before you ever think of a broker, learn the platform on a demo account. Check a broker's regulation, costs and support carefully, and always follow the rules that apply where you live.

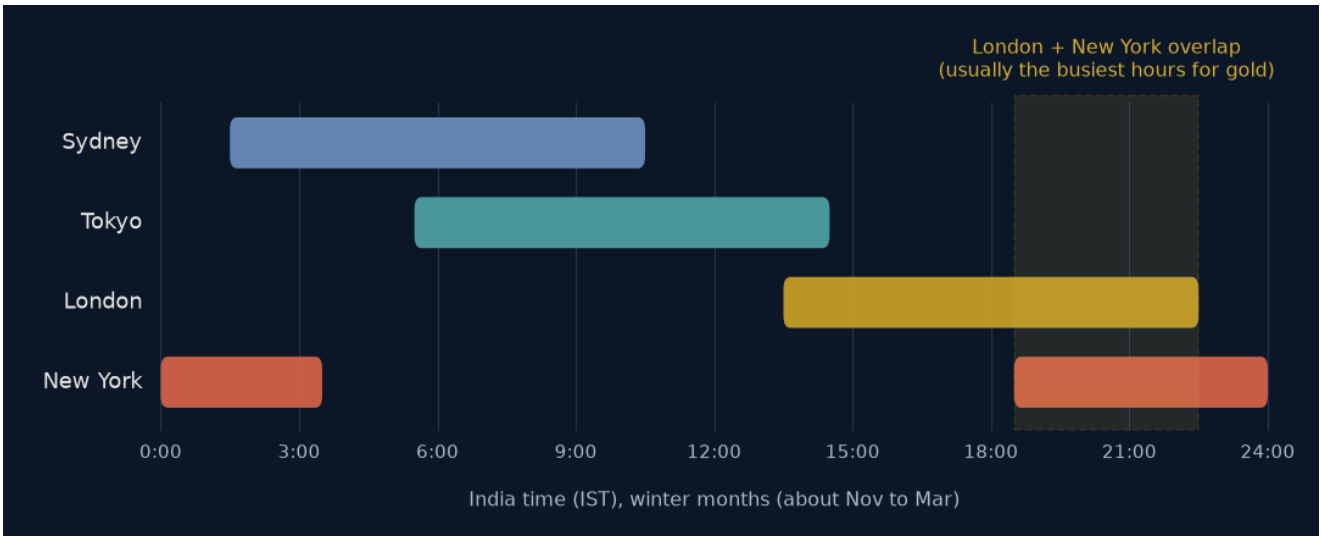
Key word: liquidity

Liquidity means how easily you can buy or sell without moving the price much. High liquidity usually means tighter spreads. Liquidity is highest when big centres are open, and thin at quiet hours and around holidays.

WHEN IT TRADES

Trading sessions in India time

The forex day follows the sun through the world's financial centres. Each centre's busy hours are called a **session**. The times below are the usual business hours of each centre, converted to India time (IST). India does not change its clocks, but Europe, the US and Australia do, so the IST times shift by one hour twice a year.



Drawn illustration of usual business hours (winter). Exact hours vary by source and by broker.

Session	Local hours	IST in winter (about Nov to Mar)	IST in summer (about Apr to Oct)
Sydney	7 am to 4 pm	1:30 am to 10:30 am	2:30 am to 11:30 am
Tokyo (Asia)	9 am to 6 pm	5:30 am to 2:30 pm	5:30 am to 2:30 pm (Japan has no clock change)
London (Europe)	8 am to 5 pm	1:30 pm to 10:30 pm	12:30 pm to 9:30 pm
New York (America)	8 am to 5 pm	6:30 pm to 3:30 am	5:30 pm to 2:30 am

The clocks change on different dates in different countries (US in March and November, UK in March and October, Australia in October and April), so for a few weeks a year the gaps are different. When in doubt, check a world clock.

What this means for gold

For gold, the hours when London and New York are both open (around 6:30 pm to 10:30 pm IST in winter, 5:30 pm to 9:30 pm in summer) are often the most active, and many big US data releases land inside them. Busy does not mean easy: moves can be fast in both directions.

YOUR PLATFORM CLOCK

Broker server time and gold trading hours

Your MT5 chart does not show India time. Most brokers run their server clock so that a new trading day starts when New York closes. For example, the Valetax and Moneta charts use **GMT+2 in winter** and **GMT+3 during US summer time**.

	Winter (US standard time)	Summer (US daylight time)
Chart (server) time	GMT+2	GMT+3
Difference from IST	IST is 3 h 30 min ahead of the chart	IST is 2 h 30 min ahead of the chart
New broker day (00:00 on chart)	about 3:30 am IST	about 2:30 am IST
Daily candle (D1) closes	about 3:30 am IST	about 2:30 am IST

Quick conversion

- Winter: chart time **+ 3:30** = IST. A candle at 10:00 on the chart is 1:30 pm IST.
- Summer: chart time **+ 2:30** = IST. A candle at 10:00 on the chart is 12:30 pm IST.
- Always check: put the cursor on the latest candle and compare with your phone clock.

Gold's trading week

XAUUSD usually trades from Monday morning (broker time) to Friday night, with a short daily pause of about an hour around the broker's day change. Exact hours, holiday closures and the pause are set by each broker, so read the **contract specification** for the symbol inside your platform. The market is closed on Saturday and Sunday, so prices can open on Monday at a different level from Friday's close. That jump is called a **gap**.

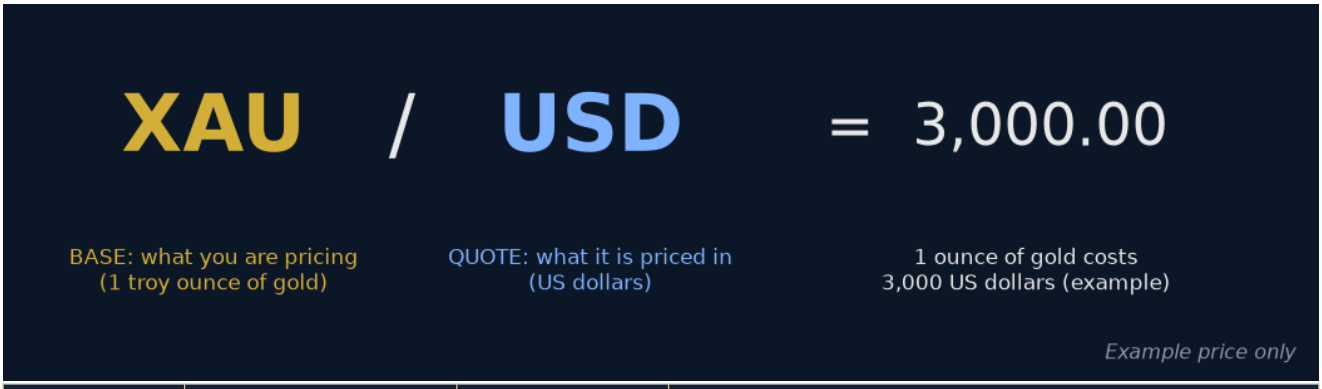
Habit to build

Write the IST time of every practice trade in your journal, not only the chart time. It makes review much easier and helps you see which hours suit you.

READING A PRICE

Currency pairs: base and quote

Every forex price compares two things. The first is the **base**; the second is the **quote**. The price tells you how many units of the quote you need to buy **one unit** of the base.



Pair	Base	Quote	A price of ... means
EUR/USD	Euro	US dollar	1.0850: one euro costs 1.0850 dollars
USD/JPY	US dollar	Japanese yen	150.20: one dollar costs 150.20 yen
USD/INR	US dollar	Indian rupee	88.00: one dollar costs 88 rupees
XAU/USD	1 troy ounce of gold	US dollar	3,000.00: one ounce costs 3,000 dollars

All prices on this page are examples for learning, not real or expected prices.

Going up, going down

- If XAUUSD **rises**, gold got more expensive in dollars (or the dollar got weaker against gold).
- If XAUUSD **falls**, gold got cheaper in dollars (or the dollar got stronger against gold).
- **Buy** (also called going **long**): you gain if the price rises and lose if it falls.
- **Sell** (also called going **short**): you gain if the price falls and lose if it rises. On a platform you can sell first without owning the gold.

Gold's code

XAU is the international code for one troy ounce of gold. A troy ounce is about **31.10 grams**, a little more than the 28.35 g 'ordinary' ounce used for food.

KINDS OF PAIRS

Majors, minors, exotics and metals

Group	What it means	Examples	Typical behaviour
Majors	The US dollar against another big, widely traded currency	EUR/USD, USD/JPY, GBP/USD, USD/CHF, AUD/USD, USD/CAD, NZD/USD	Most liquid, usually tight spreads
Minors (crosses)	Two major currencies, without the US dollar	EUR/GBP, EUR/JPY, GBP/JPY, AUD/JPY	Liquid, spreads a little wider
Exotics	A major currency against a currency of a smaller or emerging economy	USD/TRY, USD/ZAR, USD/MXN	Wider spreads, can jump sharply
Metals	Precious metals priced in a currency	XAU/USD (gold), XAG/USD (silver)	Gold: very active, can move many dollars in minutes

Why we focus on XAUUSD

- Gold is understood by almost every family in India, so the idea of its price is familiar.
- It is one of the most actively traded instruments on retail platforms, with prices almost 24 hours on weekdays.
- It reacts to the same big forces as currencies (US interest rates, the dollar, inflation and global worries), so it is a good way to learn how markets think.
- It also moves a lot. A one-dollar move happens all the time; moves of 20 to 50 dollars in a day are common in busy periods. That is exactly why position size and stop-losses matter so much.

Note for India

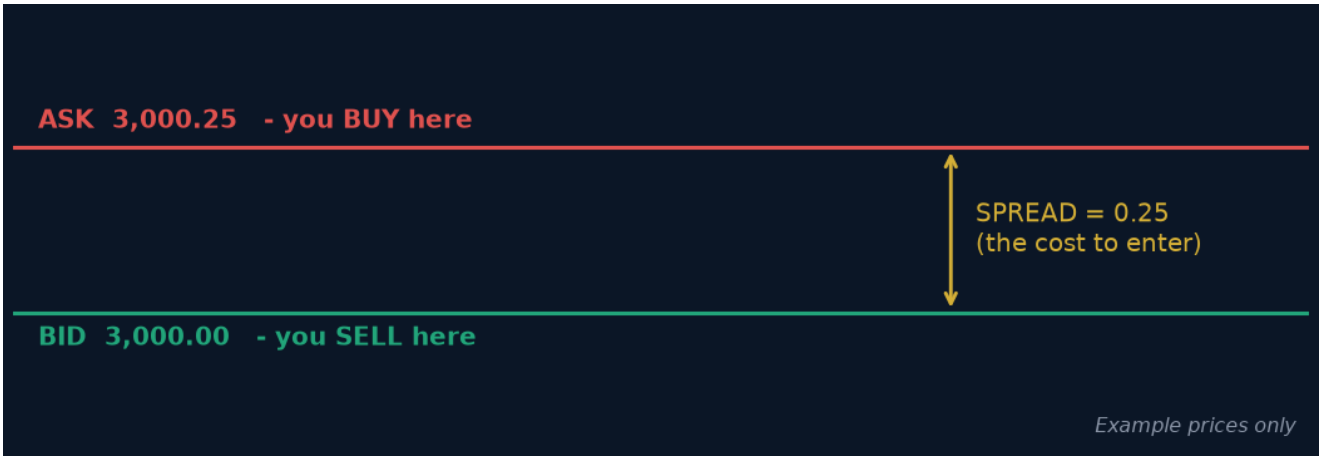
Rupee pairs such as USD/INR are mainly traded in India on recognised Indian exchanges under Indian rules. Pairs like EUR/USD and XAUUSD are what you will see on international MT5 platforms. In this guide we use them to learn, on demo.

THE COST OF A TRADE

Bid, ask and the spread

At any moment there are two prices for a pair:

- **Bid**: the price at which you can **sell**.
- **Ask** (or offer): the price at which you can **buy**. It is a little higher than the bid.



The gap between them is the **spread**. It is the broker's and market maker's main charge for handling your trade. If you buy and immediately sell again, you lose the spread. So every trade starts slightly 'in the red'.

Worked example (demo)

Step	Price	What happens
You buy 0.01 lot	Ask 3,000.25	Your trade opens at 3,000.25
Your screen shows	Bid 3,000.00	Your trade shows about -$0.25 at once (0.25 x 1 ounce)
Price rises by 0.25	Bid 3,000.25	You are back to about zero

Things that change the spread

- Busy hours (London and New York) usually have tighter spreads.
- Quiet hours, the daily broker roll-over, Monday open and holidays can have much wider spreads.
- Big news releases can widen spreads for seconds or minutes.
- Some account types have a small spread plus a fixed **commission** per lot instead. Compare total cost, not only the spread.

Common surprise

Most MT5 charts are drawn from the **bid** price. A buy trade opens at the ask, so it can be filled even if the chart candle never touched that price. You can switch on the ask line in chart settings to see both.

MEASURING MOVES

Pips and points, with gold examples

Traders need a common unit for 'how far price moved'. In most currency pairs this unit is the **pip**, short for 'percentage in point'.

Instrument	Example price	1 pip is	Example move of 10 pips
EUR/USD	1.0850	0.0001 (4th decimal)	1.0850 to 1.0860
USD/JPY	150.20	0.01 (2nd decimal)	150.20 to 150.30
XAUUSD (this guide)	3,000.00	0.01 (2nd decimal, one cent)	3,000.00 to 3,000.10

Gold: watch the words, think in dollars

In Money Door lessons we use the simple rule from our course: for XAUUSD, **1 pip = $0.01** of price, so a $1.00 move is 100 pips. Be aware that other websites and traders use different words. Some call $0.10 a pip, and MT5 often shows the smallest step as a **point**. The clearest habit is to measure gold moves **in dollars of price**:

- Price moved from 3,000.00 to 3,005.00: that is a **$5 move**.
- Your stop-loss is 3,000.00 and entry is 3,004.00: that is a **$4 risk distance**.

Many brokers show an extra digit

Platforms often show one more decimal than the pip (for example EUR/USD 1.08505). That last small digit is a fraction of a pip, sometimes called a pipette. Check how many decimals your broker shows for gold before you count.

Simple fix

If two people argue about 'pips' in gold, ask them: **how many dollars** did price move? That number is the same for everyone.

HOW BIG IS A TRADE

Lots and what one dollar of movement is worth

A **lot** is the standard trade size. For XAUUSD on most MT5 brokers, **1.00 lot = 100 troy ounces** of gold. Always confirm this in your platform's contract specification, because it can differ.

Lot size	Ounces of gold	Gold moves $1	Gold moves $10	Gold moves 1 pip ($0.01)
1.00 (standard)	100 oz	$100	$1,000	$1.00
0.10 (mini)	10 oz	$10	$100	$0.10
0.01 (micro)	1 oz	$1	$10	$0.01

The one formula to remember

Profit or loss = price move in dollars x ounces
Ounces = lots x 100

Example: 0.05 lot = 5 oz. Price moves $6 against you. Loss = 6 x 5 = **$30**.

Turn it around: size from risk

Professionals pick their trade size from how much they are willing to lose, not from how much they hope to gain.

Step	Example on a $1,000 demo account
1. Decide the most you will risk on one trade	1% of $1,000 = $10
2. Measure the stop-loss distance in dollars	Entry 3,004, stop 3,000 = $4
3. Ounces = risk / distance	$10 / $4 = 2.5 oz
4. Lots = ounces / 100, rounded down	0.025 lot, so use 0.02 lot (2 oz, risk $8)

Always round down, never up. Spread and slippage can add a little extra loss.

BORROWED POWER

Leverage and margin

Leverage lets you control a trade much bigger than the money you put aside for it. **Margin** is the money the broker locks from your balance while the trade is open, as a deposit.

Example	Value of trade	Leverage	Margin locked
0.01 lot (1 oz) at $3,000	$3,000	1:100	$30
0.01 lot (1 oz) at $3,000	$3,000	1:500	$6
0.10 lot (10 oz) at $3,000	$30,000	1:100	$300

Margin = (ounces x price) / leverage. Example prices only.

The part beginners miss

Leverage changes how much margin is locked. It does **not** change how much you gain or lose per dollar of price movement. 1 oz still gains or loses $1 per $1 move, at any leverage. High leverage simply lets you open trades that are far too big for your account, and that is how accounts get wiped out quickly.

Words you will see on the platform

Term	Meaning
Balance	Money in the account, not counting open trades.
Equity	Balance plus or minus the profit or loss of open trades right now.
Used margin	Money locked for open trades.
Free margin	Equity minus used margin: what is left for new trades or to absorb losses.
Margin level	Equity / used margin x 100%.
Margin call	A warning when margin level falls to the broker's set level.
Stop out	The broker automatically closes trades when margin level falls further. Levels differ by broker.

Remember

Leverage makes both gains and losses arrive faster. Risk a small, fixed part of your demo account on each trade, and learn to stay in the game first.

TELLING THE PLATFORM WHAT TO DO

Order types

A **market order** buys or sells right now at the best price available. **Pending orders** wait until price reaches a level you choose.



Order	Where it sits	Filled when	Typical idea
Market buy / sell	Now	Immediately	Enter at the current price
Buy limit	Below current price	Price falls to it	Buy a dip into a level
Sell limit	Above current price	Price rises to it	Sell a rally into a level
Buy stop	Above current price	Price rises to it	Join a breakout upwards
Sell stop	Below current price	Price falls to it	Join a breakdown
Buy stop limit / Sell stop limit	Two prices	Stop price is hit, then a limit order is placed	More control over the fill price (MT5)

Easy memory trick: a **limit** order waits for a **better** price than now; a **stop** order waits for price to **prove a move** first.

PROTECT EVERY TRADE

Stop-loss, take-profit, swap and slippage

Stop-loss (SL)

An order that closes your trade at a set price if the market goes against you. It caps the loss. Decide it **before** you enter, from the chart (for example just beyond the level that would prove your idea wrong), and never move it further away to 'give it room'.

Take-profit (TP)

An order that closes your trade at a set price when it moves in your favour. It locks in the result without you watching the screen.

Risk-to-reward

Compare the distance to your take-profit with the distance to your stop-loss. Stop $4 away and target $8 away is a 1:2 risk-to-reward. This ratio alone does not make a trade good, but it helps you avoid trades where the possible loss is much bigger than the possible gain.

Swap (overnight charge)

If a trade stays open past the broker's daily roll-over (about 3:30 am IST in winter), a small **swap** is added or charged, based on interest rate differences. Many brokers charge three days' swap on one night of the week (often Wednesday). Some accounts use other rules. Check the swap values in the symbol's specification.

Slippage

The difference between the price you expected and the price you actually got. It happens most during fast markets and big news, and around the Monday open. A stop-loss is an instruction to close at the next available price, so in a sudden jump it can be filled worse than the level you set.

Practice rule

Before every demo trade, write three numbers: entry, stop-loss and take-profit, plus the lot size from the risk formula. If you cannot write them, do not place the trade.

WORDS TO KNOW

Key forex terms in plain English

Term	Meaning
Long / Short	Buy expecting a rise / sell expecting a fall.
Position	A trade that is open right now.
Volatility	How much and how fast price moves. Gold is often very volatile.
Liquidity	How easily you can trade without moving the price.
Gap	A jump between one candle's close and the next one's open, common after the weekend.
Support / Resistance	Price areas where falls have tended to stop / where rises have tended to stop.
Trend	The general direction: higher highs and higher lows (up), or lower highs and lower lows (down).
Technical analysis	Studying the chart itself: price, levels, patterns, indicators.
Fundamental analysis	Studying the economy: interest rates, inflation, jobs, central banks and news.
Timeframe	How much time one candle covers, such as M5, H1, H4 or D1.
Drawdown	How far an account has fallen from its highest point.
Contract specification	The broker's rules for a symbol: lot size, trading hours, swaps, digits.
Demo account	A practice account with play money and real prices. Start and stay here while you learn.
Trading journal	Your written record of every trade and the reason for it.

Keep learning

Want 150 terms with gold examples? Read the Gold Shelf **Trader's Glossary**. To practise these ideas day by day, use the **Trading Journal & 21-Day Demo Practice Plan**.

WHERE THE FACTS COME FROM

Sources

Historical facts and market size figures in this guide were checked against these public sources (accessed November 2026). Session times are usual business hours converted to IST. Charts are drawn illustrations; all prices in examples are for learning only.

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- Federal Reserve History, *Creation of the Bretton Woods System* and *Nixon Ends Convertibility of US Dollars to Gold*, federalreservehistory.org
- Federal Reserve History, *The Smithsonian Agreement*, federalreservehistory.org/essays/smithsonian-agreement
- US Department of State, Office of the Historian, *Nixon and the End of the Bretton Woods System, 1971-1973*, history.state.gov
- Broker server clock (GMT+2 winter / GMT+3 US summer): Valetax and Moneta MT5 chart settings, as used in Money Door lessons.

Next steps

1. Watch the Gold Vault lessons

Our Gold Vault video lessons take you step by step from the basics to reading gold charts, in a clear order.

2. Try your ideas in the Money Door AI Lab

Describe an idea in simple words and test how it would have behaved on past gold charts before you trust it. Learning tool only.

3. Keep practising on a demo account

Use play money, write every practice trade in a journal, and review it every week. Skill comes from repetition, not from rushing.

Questions? Talk to our customer care

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This guide is for education only. It is not investment advice and is not a recommendation to buy or sell anything. Trading gold carries risk. Learn and practise on a demo account. All charts are illustrations.

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