

AA-17

FOREX & CRYPTO BASICS

Currency pairs and digital coins — two wild markets, honestly explained.

Alpha Academy · Team Alpha Trading

Forex & Crypto Basics: Two Different Wild Markets

By now you know what a stock is: a piece of a company. This chapter introduces two markets that are not stocks at all.

The first is **forex**, where people trade currencies like dollars and euros. The second is **crypto**, short for **cryptocurrency**, where people trade digital assets like Bitcoin.

Both markets are real. Both move real money. And both are famous for wiping out beginners who jump in before they understand what they are doing. This chapter will explain how each market works in plain words, how it differs from stocks, and why Alpha Academy teaches you to respect these arenas instead of rushing into them.

Read this chapter for understanding, not as an invitation to trade either market today.

> **NOTE**
> Forex and crypto are high-risk markets. Most beginners who trade them lose money. This chapter is education only — not financial advice and not a recommendation to trade forex, crypto, or anything else.

Part One: Forex — Trading Money Itself

What Forex Is

Forex is short for **foreign exchange**. It is the global market where currencies are traded for other currencies.

Every time a company in Germany buys airplane parts from the United States, money has to change from euros into dollars. Every time a tourist lands in Japan, their dollars become yen. Forex is the giant marketplace underneath all of that, and traders also use it to bet on which currencies will rise or fall.

Forex is the largest market in the world by trading volume. **Volume** means how much trading activity happens. Trillions of dollars change hands in forex every single day — far more than the stock market. There is no single exchange floor. It is a worldwide network of banks, companies, and brokers connected by computers.

Currencies Trade in Pairs

In forex, you never buy just one currency. You always trade a **pair** — two currencies at the same time.

The most traded pair in the world is written **EUR/USD**. That means euros versus US dollars.

The first currency in the pair, the euro here, is called the **base currency**. The second, the dollar, is the **quote currency**. The price of the pair tells you how many dollars one euro costs.

Example: **EUR/USD** is priced at 1.10.

- That means 1 euro costs 1.10 US dollars.
- If you trade this pair and the price rises to 1.12, the euro got stronger compared with the dollar.
- If the price falls to 1.08, the euro got weaker compared with the dollar.

When you "buy" **EUR/USD**, you are betting the euro will rise against the dollar. When you "sell" it, you are betting the euro will fall against the dollar. Every forex trade is really two opinions at once: one currency up,

the other down.

Other pairs you will see include **GBP/USD** (British pounds versus dollars), **USD/JPY** (dollars versus Japanese yen), and **USD/CAD** (dollars versus Canadian dollars). Pairs made of two major currencies are simply called **major pairs**.

What Is a Pip?

Forex prices move in tiny steps, so traders needed a tiny unit to talk about them. That unit is the **pip**.

For most pairs, a pip is the fourth decimal place: 0.0001.

Example: **EUR/USD** moves from 1.1000 to 1.1001.

- The price moved up by 0.0001.
- That is one pip.

Another example: the price moves from 1.1000 to 1.1050. That is a move of 50 pips.

Why does this matter? Because forex traders often control very large positions, a move of just a few pips can mean real money — in either direction. A pip sounds tiny. With big position sizes, it is not tiny at all.

Traders measure position sizes in **lots**. A standard lot is 100,000 units of the base currency — far more money than most beginners realize they are controlling. That leads directly to forex's biggest danger.

Leverage: The Double-Edged Sword

Leverage means controlling a large position with a small amount of your own money. It is like using a lever to lift a heavy rock: a small push moves something big. In trading, leverage multiplies both your gains and your losses.

Forex is famous for offering very high leverage.

Worked example: Your broker offers 50-to-1 leverage.

- You put up $1,000 of your own money.
- You can control a position worth $50,000.
- If the trade moves 1% in your favor, 1% of $50,000 is $500. You just made $500 on $1,000 — a 50% gain.
- If the trade moves 1% against you, you lose $500 — half your money, on a 1% move.
- If it moves 2% against you, your $1,000 is gone.

Read that again. A currency moving 2% is a completely normal event. With high leverage, a normal event can empty your account.

> **RISK**
> Leverage does not make a bad trade good. It makes every trade bigger, including the losses. Most retail forex traders lose money, and high leverage is the number one reason their accounts do not survive. If you ever trade forex, understand that borrowed size can also trigger a **margin call**, where your broker demands more money or closes your trades at a loss because your account can no longer support the position.

Forex Hours and Brokers

Forex trades around the clock during the week. Because it is global, when one part of the world sleeps, another is trading. The market runs roughly from Sunday evening to Friday evening US Eastern Time, nearly 24 hours a day, five days a week.

News can also hit at 3 a.m. your time and move your trade while you sleep.

In the United States, forex is traded through regulated brokers supervised by US regulators. If you live in the US, use only a properly regulated US broker and check its registration before depositing money.

> **RISK**
> Be careful with offshore brokers and **CFD** platforms marketed to US readers. A CFD, or **contract for difference**, is a bet with a broker on whether a price goes up or down — you never own the actual asset. Many offshore CFD platforms are not available or not legal for US residents, some are lightly regulated, and some are outright scams that make it easy to deposit and nearly impossible to withdraw. If a platform promises guaranteed profits, walk away.

Part Two: Crypto — Digital Money and Digital Assets

What a Cryptocurrency Is

A **cryptocurrency** is a digital asset — something of value that exists only as computer records, not as paper bills or metal coins — that runs on a technology called a **blockchain**.

Here is the one-sentence definition of blockchain you need: a **blockchain** is a shared public record book, copied across thousands of computers, that tracks who owns what and cannot be quietly edited afterward.

No single bank keeps the record book. Thousands of computers hold copies and agree on what it says. When you send cryptocurrency to someone, the network updates the record book: less under your name, more under theirs.

The two best-known cryptocurrencies are:

- **Bitcoin** (BTC), launched in 2009, the first and largest cryptocurrency. Many people treat it like "digital gold" because its supply is limited by its design.
- **Ethereum** (ETH), launched in 2015, the second best known. Its network can run small automated programs called **smart contracts**, which are agreements written in code that carry themselves out when conditions are met.

Thousands of other cryptocurrencies exist, often called **altcoins**, meaning any coin other than Bitcoin. Many are experiments. Many have gone to zero. A famous name does not make any of them safe.

Exchanges and Wallets

To buy crypto, most beginners use a **crypto exchange**, a website or app where you trade dollars for cryptocurrency, similar to how a brokerage account works for stocks.

After you buy, your crypto is tracked by an address on the blockchain, and you control it with a **wallet**. A wallet is a tool — an app, a browser program, or a small physical device — that holds the secret keys proving the crypto is yours.

Two plain warnings belong here:

- If you leave crypto on an exchange, you are trusting that company to hold it for you. Exchanges have been hacked and have collapsed before, taking customer funds with them.
- If you hold your own wallet and lose your secret recovery phrase, there is no password reset and no customer service line. The crypto is gone. This has happened to many people.

Crypto Never Sleeps — and It Swings Hard

Crypto trades 24 hours a day, 7 days a week, including holidays. There is no closing bell and no weekend pause.

Prices are set purely by supply and demand on exchanges. **Supply** is how much is available to buy, and **demand** is how much people want it. There is no company earnings report behind Bitcoin the way there is behind a stock, which makes its price especially emotional and jumpy.

> **RISK**
> Extreme price swings are normal in crypto. A major cryptocurrency can drop 20% in a single day. Smaller coins can drop 50% or more, or become worthless. Only money you can afford to lose completely belongs anywhere near this market — and for a true beginner, the correct amount to trade may be none, until you have real experience in calmer markets first.

Scams Are Everywhere

Because crypto is new, technical, and hard to reverse, it attracts scammers more than almost any other market.

Common traps include fake investment groups, strangers pushing a "guaranteed" trading system, fake exchanges that accept deposits but never allow withdrawals, and requests to send crypto to "unlock" a larger amount. Sending crypto is usually permanent — no bank can undo it.

> **RISK**
> If someone you met online is teaching you to trade crypto and urging you to move money to an unfamiliar platform, stop. That is one of the most common fraud patterns in the world today. Never send money based on screenshots of profits. Screenshots are easy to fake.

Forex vs Crypto vs Stocks: The Honest Comparison

Feature	Stocks	Forex	Crypto
Market hours	Weekdays, 9:30 a.m.–4:00 p.m. ET for US exchanges	Nearly 24 hours, weekdays	24 hours, every day
Leverage typically offered	Limited; margin accounts exist with rules	Very high, which is very dangerous	Varies by platform; often high and dangerous
Typical volatility	Moderate; big stocks often move 1–3% a day	Low daily moves, but leverage magnifies them	Extreme; 10–20% days happen
Regulation in the US	Strong, long-established	Regulated brokers exist; offshore is risky	Still developing; rules vary by asset and platform

Volatility means how much and how fast a price swings. **Regulation** means official rules and government watchdogs meant to keep a market fair and participants honest.

Notice the pattern: moving from stocks to forex to crypto, the hours get longer, the swings get bigger, and the safety net gets thinner. Longer hours are not a gift to beginners — they are more time for prices to move against you while you are not watching.

The Honest Bottom Line

Forex and crypto are not fake, and they are not magic. They are real markets where real professionals, banks, and trading firms compete — and where beginners are usually the easiest money those professionals make.

Your path as an Alpha Academy student is simple:

- Learn how these markets work, so nobody can fool you with jargon.
- Master the calmer, more regulated markets first, with small size and a written plan.
- If you ever enter these arenas, do it later, with experience, small positions, and money whose loss would not change your life.

Understanding a dangerous market is smart. Rushing into it is not.

Common Beginner Mistakes

- **Using maximum leverage because the broker offers it.** The offer is not a recommendation. High leverage turns small normal moves into account-ending losses.
- **Trading forex or crypto before understanding stocks.** If order types, risk, and position sizing are not automatic yet, these markets will punish the gaps.
- **Leaving large amounts of crypto on an exchange.** Exchange failures and hacks have cost customers everything, more than once.
- **Trusting profit screenshots and online "mentors."** Fake results are the bait in most crypto and forex scams.

- **Trading at all hours because the market is open.** A 24/7 market plus a tired, emotional human is a losing combination.
- **Putting in money they cannot afford to lose.** In these markets, "lose it all" is not a figure of speech.

Chapter Summary

- Forex is the global market for trading currencies, and it is the largest market in the world by volume.
- Currencies trade in pairs like **EUR/USD**; buying the pair bets the first currency rises against the second.
- A pip is a tiny price step of 0.0001 for most pairs, but with large position sizes, a few pips mean real money.
- Forex offers very high leverage, which multiplies losses as fast as gains and is the main reason beginners blow up accounts.
- Forex runs nearly 24 hours on weekdays through brokers. US readers should use regulated US brokers and avoid offshore CFD traps.
- A cryptocurrency is a digital asset on a blockchain — a shared public record book copied across thousands of computers.
- Bitcoin and Ethereum are the two best-known cryptocurrencies; thousands of smaller coins have gone to zero.
- Crypto trades 24/7, can drop 20% in a day, and is a prime target for scams because payments cannot be reversed.

Check Yourself

1. In forex, what does it mean that currencies trade in pairs?
2. **EUR/USD** moves from 1.1000 to 1.1030. How many pips did it move?
3. With 50-to-1 leverage, you control a $50,000 position with $1,000. The trade moves 2% against you. About how much do you lose?
4. In one sentence, what is a blockchain?
5. Name two ways crypto is riskier than stocks for a beginner.

Answers: 1) You always trade two currencies against each other at once — buying one means betting it rises compared with the other, like euros versus US dollars in **EUR/USD**. 2) 30 pips, because the price rose 0.0030 and each pip is 0.0001. 3) About $1,000 — 2% of $50,000 is $1,000, so your whole deposit is gone. 4) A blockchain is a shared public record book, copied across thousands of computers, that tracks who owns what and cannot be quietly edited afterward. 5) Any two of: it trades 24/7 with no closing bell, prices can drop 20% or more in a day, regulation is still developing, payments cannot be reversed, and scams and exchange failures are common.

> **RULE**
> Learn the wild markets so nobody can fool you — then earn your experience in calmer ones first.