Forex Currency Pairs

The Hottest New Guide + Cheat Sheet

Premier Forex League

Exclusive

Forex Currency Pairs: The Ultimate 2022 Guide + Cheat Sheet

You would never buy a house without understanding the mortgage, right? Yet when it comes to the Forex market, many traders forget to familiarize themselves with the currency pairs they're buying and selling.

I'll admit that trading currencies is quite different from purchasing a home, but the idea is the same – **you need to understand where your money is going**.

I know for a fact that many traders skip this step! So, to save you from making some of those same mistakes, I've put together a crazy-detailed lesson of everything you could want to know about Forex currency pairs

My goal with this lesson is to take you from understanding the basics to becoming a complete currency guru. So, whether you've been trading for two days or two years, I can all but guarantee that you'll learn something new.

As always, be sure to leave a comment at the bottom of this post and don't forget to share it with your friends.

Let's get down to business! The following will be covered in this course.

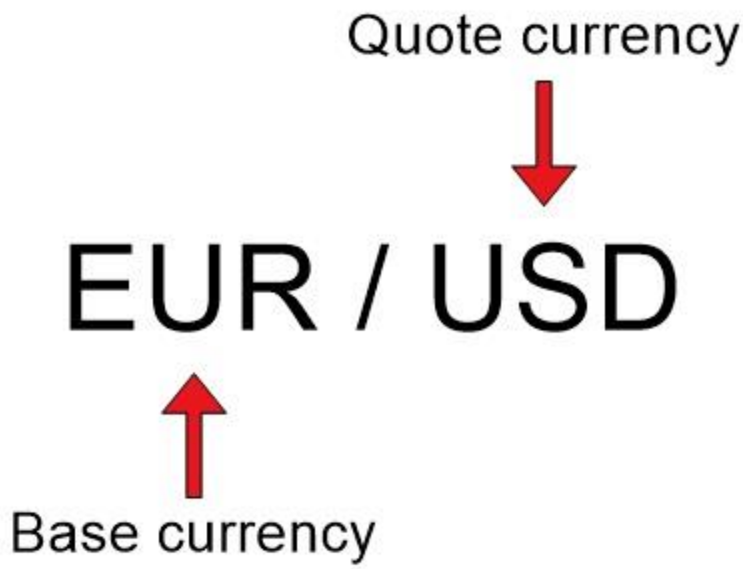
Anatomy of a Currency Pair

Before we get into the nitty-gritty, it’s important that you understand what a currency pair is and how it moves.

As you might have guessed from its name, each pair involves two currencies. In this way, the value of one currency is compared to and is thus relative to the currency it’s paired against.

If that sounds confusing don’t worry, it will be abundantly clear by the time you finish this section.

The first currency in the pair is the “base currency” and the second is the “quote currency.”



This naming convention is the same regardless of the currency pair you're trading.

You get the idea. Now let's explore the two terms in greater detail.

Base currency

The base currency is the one that is quoted first in a currency pair.

Using EURUSD as an example, the Euro would be the base currency. Similarly, the base currency of GBPUSD is the British pound (GBP).

Quote currency

By process of elimination, you know that the quote currency is the one that comes second in a pairing.

For both the EURUSD and the GBPUSD, the US dollar is the quote currency.

You Can't Make Money if They Don't Move

There are essentially two ways in which any currency pair can move higher or lower.

1. The base currency can strengthen or weaken
2. The quote currency can strengthen or weaken

Because the Forex market never sleeps and thus currency values are always changing, both the base currency and quote currency are in a constant state of flux.

In our example, if the Euro (base currency) were to strengthen while the US dollar remained static, the EURUSD would rise. Conversely, if the Euro weakened the pair would fall, all things being equal.

If on the other hand, the US dollar (quote currency) were to strengthen, the EURUSD would fall. And if the USD weakened, the currency pair would rally as the Euro would gain relative strength against its US dollar pairing.

All of the hypotheticals above assume that nothing else has changed for the pair.

Here’s a visual of the relationship. In this instance, the Euro is strengthening against the US dollar.

Not surprisingly, the next example is the EURUSD in a bear market. Here the Euro is weakening against the US dollar.

Pretty simple, right?

You bet!

If you're already familiar with the content so far, don't worry, we'll be getting into more advanced territory shortly.

As you can imagine, the velocity of any move depends on the relationship between the two currencies. For instance, if one is strengthening while the other is weakening, the move will be more pronounced than if only one currency is on the move.

Finally, it’s important to remember that the relationship between the base and quote currency is always changing. So just because the EURUSD is rallying in the current session doesn’t mean it will be tomorrow or even one hour from now.

The Dynamics of Buying and Selling Currencies

One area that often confuses traders is the idea of buying and selling currencies.

In the stock market, you can either buy (and sometimes sell) shares of stock. There are no pairings, and the value of one stock is not dependent on that of another.

However, in the Forex market, all currencies are paired together. So, when you’re ready to place a trade, are you buying or selling?

The answer is both.

For example, if you sell the EURUSD (also referred to as going “short”), you are simultaneously selling the Euro and buying the US dollar.

Conversely, if you buy the EURUSD (also referred to as going “long”), you are buying the Euro and selling the US dollar.

Make sense?

If not, feel free to review this section as many times as necessary.

To clarify, this does not mean you have to place two orders if you want to buy or sell a currency pair.

As a retail trader, all you need to know is whether you want to go long or short. Your broker handles everything else behind the scenes.

There’s also only one price for each pair. Remember that a currency’s value depends on the currency sitting next to it.

Alright, so we’ve breezed through several terms and concepts when it comes to trading Forex currency pairs.

At this point, you should have a firm understanding of what a currency pair is as well as the dynamics of buying and selling.

If not, feel free to review the material above as many times as necessary before moving on.

Now it’s time for the meat and potatoes of the lesson.

Currency Baskets (Majors, Minors and Crosses)

This is my favorite part because now we get to dig into the various classifications of currency pairs. And later, I'll uncover the pairs that are affected by changing commodity prices as well as a few of the safe haven currencies.

Don't know what those are?

No problem. By the time you finish this section, you'll be a currency guru!

Major Currency Pairs

Major currency pairs are to the Forex market what Apple and Amazon are to the stock market.

They are by far the most popular and therefore the most liquid.

Currency Pair	Countries	Currency Name
EUR/USD	Eurozone / United States	Euro / US dollar
USD/JPY	United States / Japan	US dollar / Japanese yen
GBP/USD	United Kingdom / United States	British pound (sterling) / US dollar
USD/CHF	United States / Switzerland	US dollar / Swiss franc
USD/CAD	United States / Canada	US dollar / Canadian dollar
AUD/USD	Australia / United States	Australia dollar / US dollar
NZD/USD	New Zealand / United States	New Zealand dollar / US dollar

Notice a trend?

Every major currency pair includes the US dollar. So, if you ever see a pair that doesn't involve the USD, it isn't a major.

Everyone wants to trade the major pairs listed above. Mostly because, well, they're the most popular, and who doesn't want to put their money in the most traditional assets?

But here's the thing…

The majors are not the end all be all when it comes to trading Forex.
It's important to remember that there are dozens of pairs at your disposal.

While it is true that these are the most traded and are therefore the most liquid, popularity doesn't pay the bills, favorable setups do. And unless your trading account is the size of Warren Buffett's bank account, you don't *need* the majors.
What in the heck am I talking about, you ask?

I'm referring to the well-known fact that everyone wants to trade the major currency pairs regardless of what the price action looks like at any given time.

For example, if the EURUSD has been choppy for weeks and isn't producing anything favorable, you're probably better off looking elsewhere.

But instead, what I see quite often are folks trying to force trades on the EURUSD, GBPUSD, etc. simply because it's what everyone else is doing.

This is one reason why I'm not an advocate of mastering one or two currency pairs at a time. In fact, making this mistake can quickly lead to forcing trades and overtrading.

I'll expand on this idea shortly.

Minor Pairs and Cross Currencies

So, if the major pairs include the US dollar, we can infer that minor currency pairs are those that do not include the US dollar.

Pretty straight forward, right?

Now, here's where some traders get confused. The truth is, **there are far more currency crosses than there are minor pairs**.

A lot of folks make the mistake of thinking that a minor to be any pair that doesn't include the US dollar.

This is false.

A currency cross is any pair that doesn't include the US dollar.

Minor currency pairs, on the other hand, make up a fraction of the crosses that are available for trading.

In other words, **all minors are crosses, but not all crosses are minors**.
Let's define these two terms before we go on.

Cross Currency Pairs (A.K.A Minors)

It’s time to clear up some confusion I see quite often around the web regarding minor pairs and currency crosses.

A currency cross is any pair that does not include the US dollar. As such, these pairings don’t offer nearly as much liquidity as the majors we discussed earlier.

A minor pair, on the other hand, is a **major currency cross**. As you now know, a cross doesn’t include the US dollar. Therefore, these minors are comprised of the Euro (EUR), British pound (GBP) and the Japanese yen (JPY).
Got it?

If it’s all a little fuzzy now, don’t worry. The tables below should help to clear things up.

Euro Crosses

Currency Pair	Countries	Currency Name
EUR/GBP	Eurozone / United Kingdom	Euro / British pound (sterling)
EUR/AUD	Eurozone / Australia	Euro / Australian dollar
EUR/NZD	Eurozone / New Zealand	Euro / New Zealand dollar
EUR/CAD	Eurozone / Canada	Euro / Canadian dollar
EUR/CHF	Eurozone / Switzerland	Euro / Swiss franc

Japanese Yen Crosses

Currency Pair	Countries	Currency Name
EUR/JPY	Eurozone / Japan	Euro / Japanese yen
GBP/JPY	United Kingdom / Japan	British pound (sterling) / Japanese yen
AUD/JPY	Australia / Japan	Australian dollar / Japanese yen
NZD/JPY	New Zealand / Japan	New Zealand dollar / Japanese yen
CAD/JPY	Canada / Japan	Canadian dollar / Japanese yen
CHF/JPY	Switzerland / Japan	Swiss franc / Japanese yen

British Pound Crosses

Currency Pair	Countries	Currency Name
GBP/AUD	United Kingdom / Australia	British pound (sterling) / Australian dollar
GBP/NZD	United Kingdom / New Zealand	British pound (sterling) / New Zealand dollar
GBP/CAD	United Kingdom / Canada	British pound (sterling) / Canadian dollar
GBP/CHF	United Kingdom / Switzerland	British pound (sterling) / Swiss franc

Other Crosses

Currency Pair	Countries	Currency Name
AUD/NZD	Australia / New Zealand	Australian dollar / New Zealand dollar
AUD/CAD	Australia / Canada	Australian dollar / Canadian dollar
AUD/CHF	Australia / Switzerland	Australian dollar / Swiss franc
NZD/CAD	New Zealand / Canada	New Zealand dollar / Canadian dollar
NZD/CHF	New Zealand / Switzerland	New Zealand dollar / Swiss franc
CAD/CHF	Canada / Switzerland	Canadian dollar / Swiss franc

But if the major currency pairs get most of the attention and carry the most liquidity, why would anyone want to trade minor currency pairs and especially crosses?

Abbreviation	Country	Abbreviation	Country
AED	UAE Dirham	ARS	Argentinean Peso
AFN	Afghanistan Afghani	GEL	Georgian Lari
MYR	Malaysian Ringgit	AMD	Armenian Dram
GYD	Guyanese Dollar	MZN	Mozambique new Metical
AWG	Aruban Florin	IDR	Indonesian Rupiah
OMR	Omani Rial	AZN	Azerbaijan New Manat
IQD	Iraqi Dinar	QAR	Qatari Rial
BHD	Bahraini Dinar	IRR	Iranian Rial
SLL	Sierra Leone Leone	BWP	Botswana Pula
JOD	Jordanian Dinar	TJS	Tajikistani Somoni
BYR	Belarusian Ruble	KGS	Kyrgyzstanian Som
TMT	Turkmenistan new Manat	CDF	Congolese Franc
LBP	Lebanese Pound	TZS	Tanzanian Schilling
DZD	Algerian Dinar	LRD	Liberian Dollar
UZS	Uzbekistan Som	EGP	Egyptian Pound
MAD	Moroccan Dirham	WST	Samoan Tala
EEK	Estonian Kroon	MNT	Mongolian Tugrik
MWK	Malawi Kwacha	ETB	Ethiopian Birr
THB	Thai Baht	TRY	New Turkish Lira
ZAR	South African Rand	ZWD	Zimbabwe Dollar
BRL	Brazilian Real	CLP	Chilean Peso
CNY	Chinese Yuan Renminbi	CZK	Czech Koruna
HKD	Hong Kong Dollar	HUF	Hungarian Forint
ILS	Israeli Shekel	INR	Indian Rupee
ISK	Icelandic Krona	KRW	South Korean Won
KWD	Kuwaiti Dinar	MXN	Mexican Peso

PHP	Philippine Peso	PKR	Pakistani Rupee
PLN	Polish Zloty	RUB	Russian Ruble
SAR	Saudi Arabian Riyal	SGD	Singaporean Dollar
TWD	Taiwanese Dollar		

Make no mistake, while the daily volume for these crosses is less than the majors, they are certainly not illiquid by any means.

In fact, many of the major crosses average more daily volume than some stock exchanges.

Remember that the foreign exchange market is the most liquid financial market in the world, so even some of the less popular currencies are extremely liquid.

The Exotics

The exotic currency pairs are the least traded in the Forex market and are therefore less liquid than even the crosses we just discussed.

And while the liquidity of the exotic pairs is more than enough to absorb most orders, the “thin” order flow often leads to choppy price action.

Additionally, the technical analysis we like to use here at Daily Price Action is less reliable. As a rule of thumb, the more liquid a market is, the more you can rely on the signals.

So, what are these exotic currency pairs, you ask?

While the table above is comprehensive, it is by no means a complete listing of every exotic currency in the world. However, it does cover some of the most popular of the less popular exotics.

But before you rush off to add this basket of currencies to your trading platform, there are a few things you should know.

Liquidity Concerns

As I mentioned earlier, these Forex exotics are less liquid than their more standard counterparts. And while most of them can easily support most retail orders, the lack of volume can adversely affect the spread between the bid and the ask.

Also, in my experience, the study of technical analysis works best in highly liquid markets. This is one reason why I made the transition from equities to Forex in 2007.

Because the exotic currency pairs lack sufficient liquidity, at least compared to that of other pairs, the accuracy of technical analysis can suffer. So even if you find a pair that has a favorable spread, the lower volume may adversely affect your trading performance.

Limited Historical Data

At least two or three times a week I scan back several years on a particular currency pair. This is especially true if I'm on the fence about a key support or resistance level.

For those who have always traded the majors and crosses, the ability to view historical data is something you've come to expect.

However, if you trade the exotics listed above, you may not have that luxury.

Some of these currencies simply haven't been around long enough to establish a significant track record.

In other cases, your broker may not offer the data. Remember that these exotics are far less popular than even the crosses, so some brokers decide that storing and updating the data simply isn't worth their resources.

Choppy Price Action

This is perhaps the number one reason I avoid most exotic currency pairs like the plague.

While you may be able to find a few that have favorable movement, for the most part, they are extremely choppy and volatile currencies to trade.

Here's an example of ZARJPY. As you know from the currency tables above, that's the South African rand versus the Japanese yen.

As you can see, the price action above is less than ideal. And keep in mind that the ZARJPY is relatively “mild” in terms of the chop you might see on any given day.

Opportunity Cost

Last but certainly not least is the opportunity cost associated with trading exotic currency pairs.

What does this mean, exactly?

It means that if you were to take a trade on the EURTRY (Euro / Turkish Lira), you're tying up a portion of your capital that could be used elsewhere. You now have a level of exposure that you didn't have 5 minutes ago.

As such, you are now somewhat limited in what you can do should a favorable setup arise on a more liquid pair such as the EURUSD or the USDCAD.

Of course, you could make the same case about any position, but with dozens of other currency pairs at your disposal, you certainly must weigh the opportunity cost associated with trading a less liquid market.

The Three Commodity Pairs (What You Need to Know)

As the name implies, commodity currencies are those that rely on their respective country's export activities.

Developing countries such as Burundi and Tanzania are among them. However, it also applies to countries such as Canada, Australia, and New Zealand.

Although there are several others on the list, the only commodity currency pairs that you need to know for this lesson are USDCAD, AUDUSD, and NZDUSD.

You should know that the Canadian, Australian and New Zealand dollar are also known as the commodity dollars, or “comdolls.”

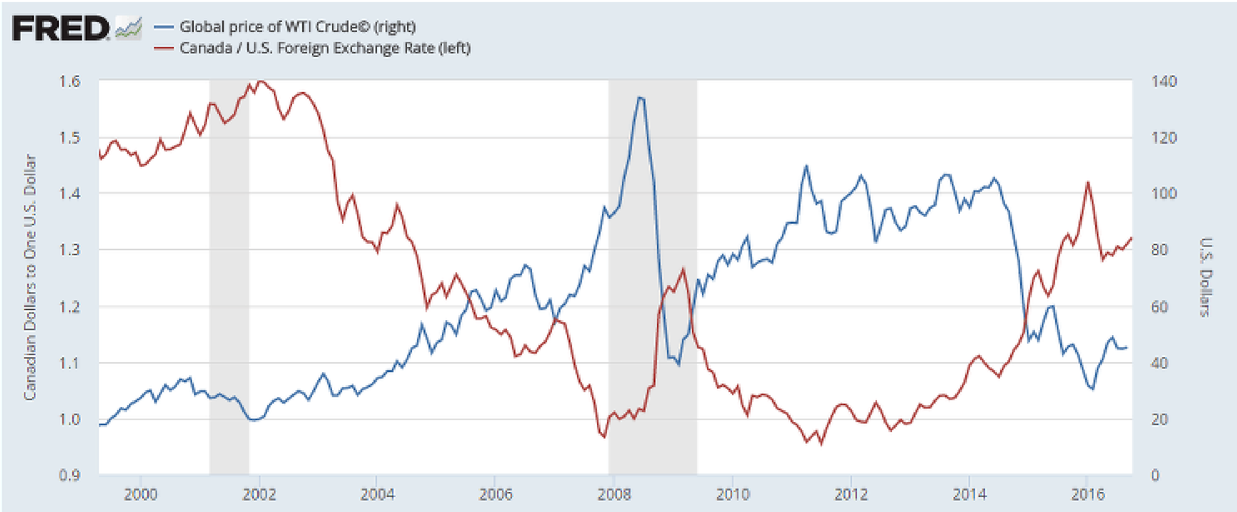
Let’s look at each pair in detail.

USDCAD

The US dollar versus the Canadian dollar is one of the more sensitive commodity currency pairs. This sensitivity is due to the vast number of natural resources that flow from Canada, much of which makes its way to the United States.

Among these natural resources is oil, which is a primary export for Canada and one that is vital to the health of the global economy.

In fact, Canada exports over 2 million barrels a day to the US alone. This high dependency on the commodity as an export makes the Canadian dollar vulnerable to fluctuations in the price of oil.
Although the correlation is never static, over the last ten to fifteen years, the Canadian dollar has held a positive correlation to oil of more than 75% on average.



Source: https://fred.stlouisfed.org

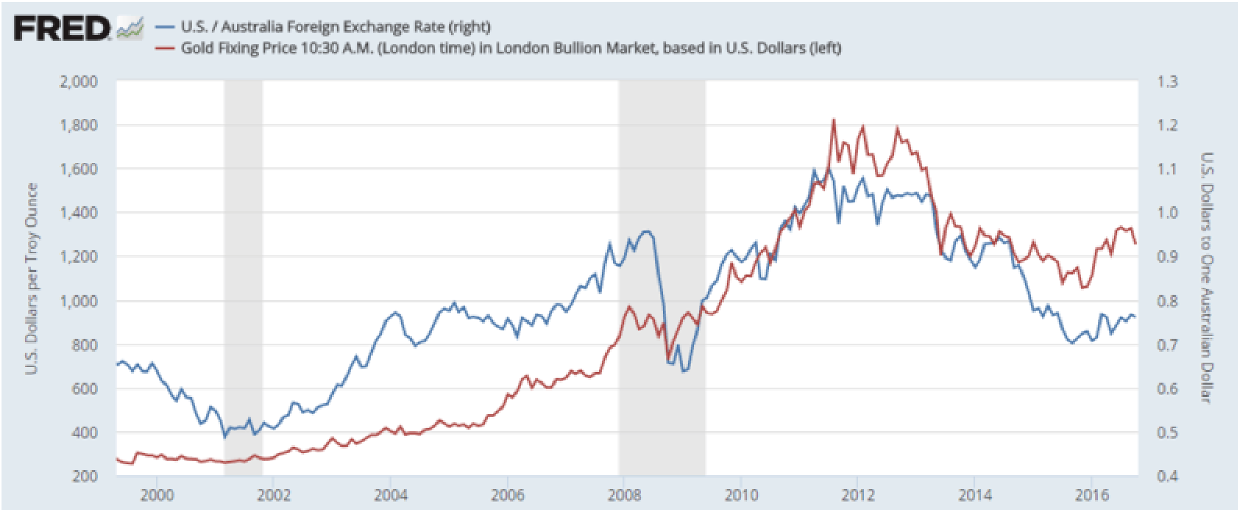
This relationship means that when oil rises the Canadian dollar strengthens. Conversely, when oil depreciates so too does the CAD.

Because the CAD is our quote currency in USDCAD (remember, it's the second in the pairing), the currency pair has an inverse correlation to oil.

AUDUSD

Australia is one of the world's largest exporters of gold. In fact, as of 2014 the country was the second largest gold producer only second to China.

Here's a chart showing how the Aussie dollar has tracked gold prices over time.



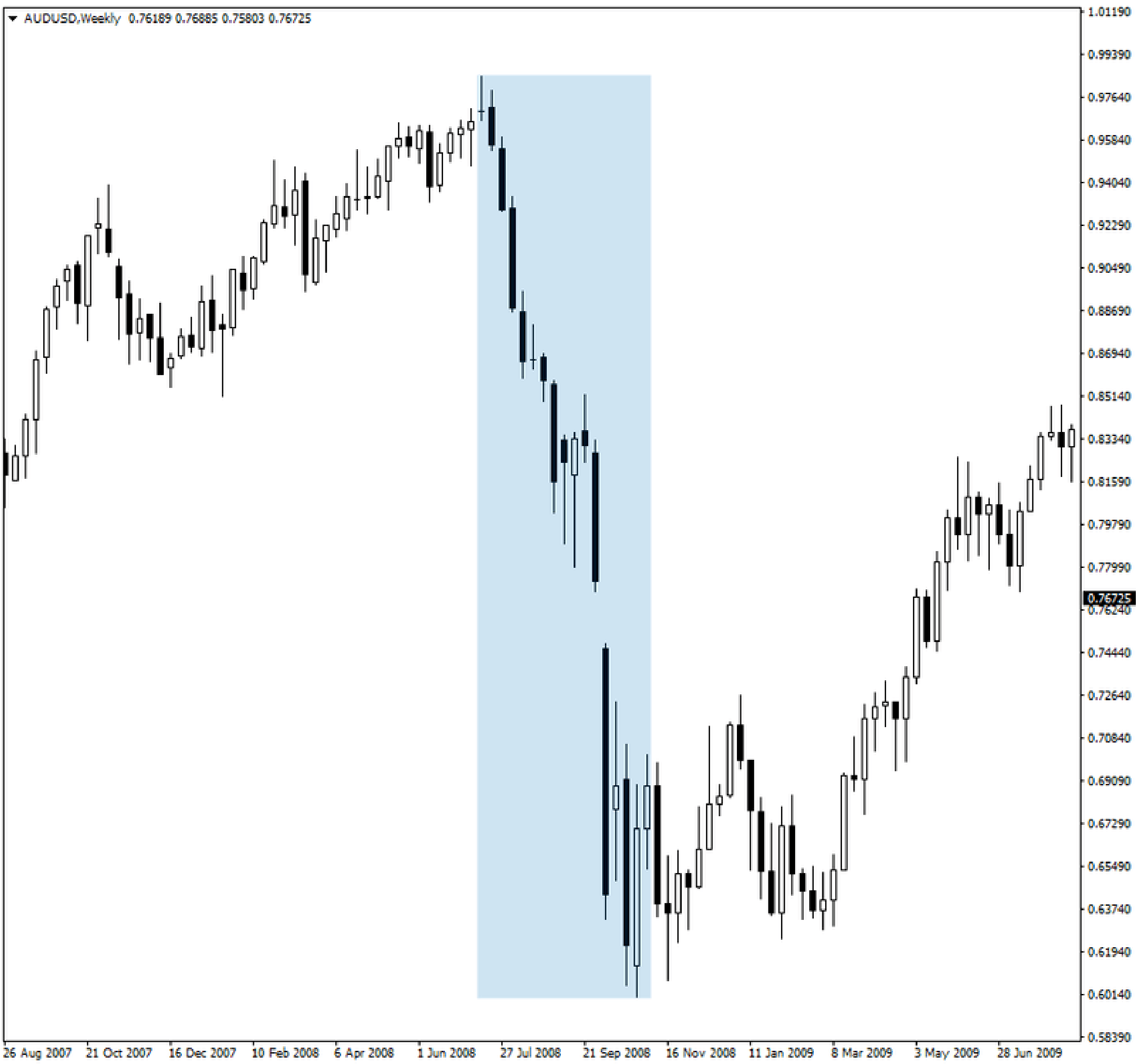
Source: https://fred.stlouisfed.org

So, as you might expect, just like oil exports heavily influence the Canadian dollar, the Australian dollar is at the mercy of the country's gold exports.

Why does this matter?

It matters because investors tend to flock to gold during times of economic unrest. And if the Australian dollar tracks gold prices, then there's a good chance that the Aussie will also capitulate during hard economic times.

But if this is true, why did the AUD/USD plummet during the 2008 global financial crisis?



That's a great question, and we find the answer once we dig into the "safe haven" status that the US dollar often brings to the table.

During times of economic uncertainty or struggle, investors tend to favor the US dollar. So even though the Aussie was riding the gold wave at the time (which wasn't very impressive as you'll see below), the US dollar was strengthening at a faster pace.

The Australian dollar also tends to track equities, so when these markets began to capitulate back in 2008 so too did the AUD.

Remember, all value is relative in the currency market.

References:

https://en.wikipedia.org/wiki/List_of_countries_by_gold_production

NZDUSD

Despite the small size of New Zealand, the small island nation has an abundance of natural resources. However, the country's significant agricultural presence is what attracts the "commodity currency" label.

These resources combined with the massive international trade and it's little wonder why the New Zealand dollar is affected by global commodity prices.

However, unlike the Canadian dollar or Australian dollar, the NZD isn't typically tied to the fluctuations of one commodity.

Rather, the currency is affected by a basket of commodities and is one of the top exporters of milk, meat, and fruits.

References:

http://www.investopedia.com/university/forex-currencies/currencies8.asp

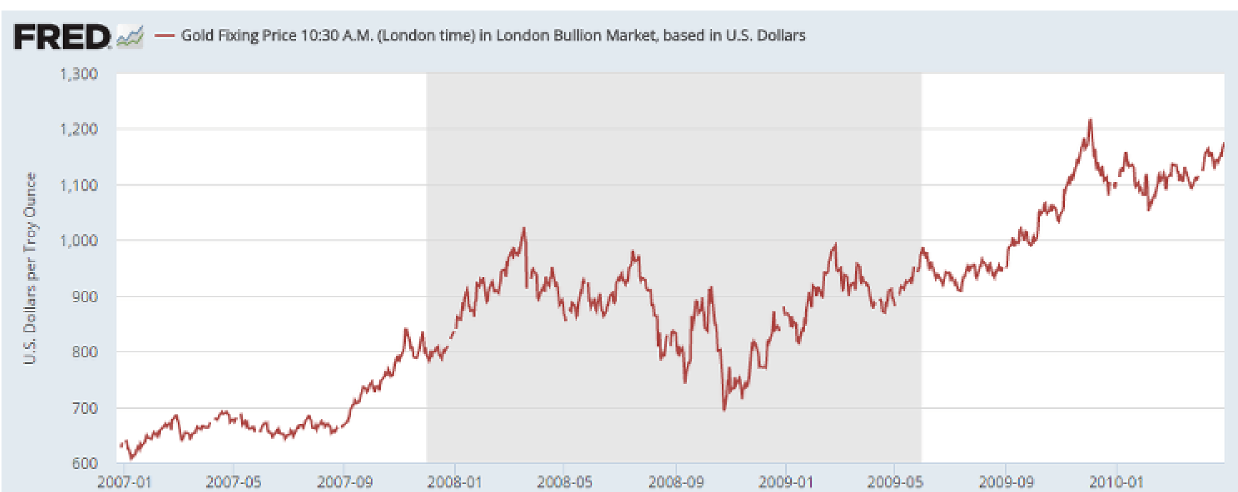
Safe Haven Currencies: Your Virtual Bomb Shelter

A safe haven is **any asset that has a strong likelihood of retaining its value or even increasing in value during market downturns**.

Gold

One of the most popular safe havens is in the form of a metal rather than a currency. But contrary to popular belief, gold isn't a great performer during economic uncertainty or even recessionary periods.

During the 2008 global crisis, for example, gold was locked into a range and really only managed to move sideways with slight gains seen towards the end of the recession.



Note: The gray area represents the unofficial start and end of the 2008 crisis
Of course, as you can see from the chart above, the longer-term appreciation of gold as a safe haven can be quite considerable and should therefore not be underestimated.

Swiss Franc (CHF)

In the Forex market, the Swiss franc (CHF) is considered a safe haven currency, hence the reason the USDCHF experienced mixed results during the 2008 period.

Notice how although the US dollar gained against the franc in late 2008, the results weren’t nearly as substantial or lasting as something like the AUDUSD chart above or any one of the yen pairings below.

US Dollar (USD)

The US dollar often enjoys the same “safety net” status, however, when matched up against a more formidable safe haven, the currency tends to move lower during times of economic unrest. The USDJPY chart below is a perfect example.

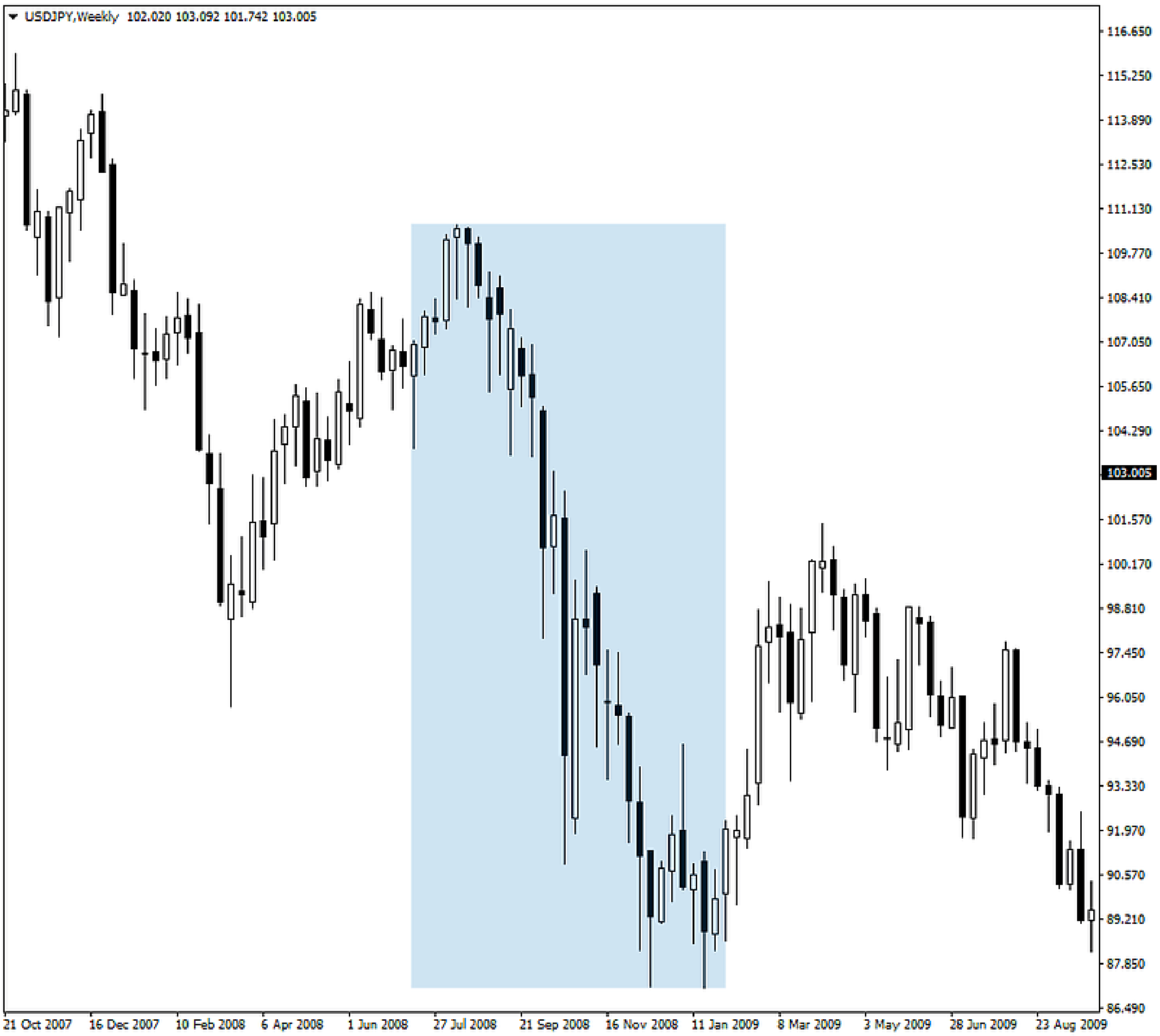
Remember that if the quote currency experiences heavy appreciation, the pair is likely to move lower over time.

Japanese Yen (JPY)

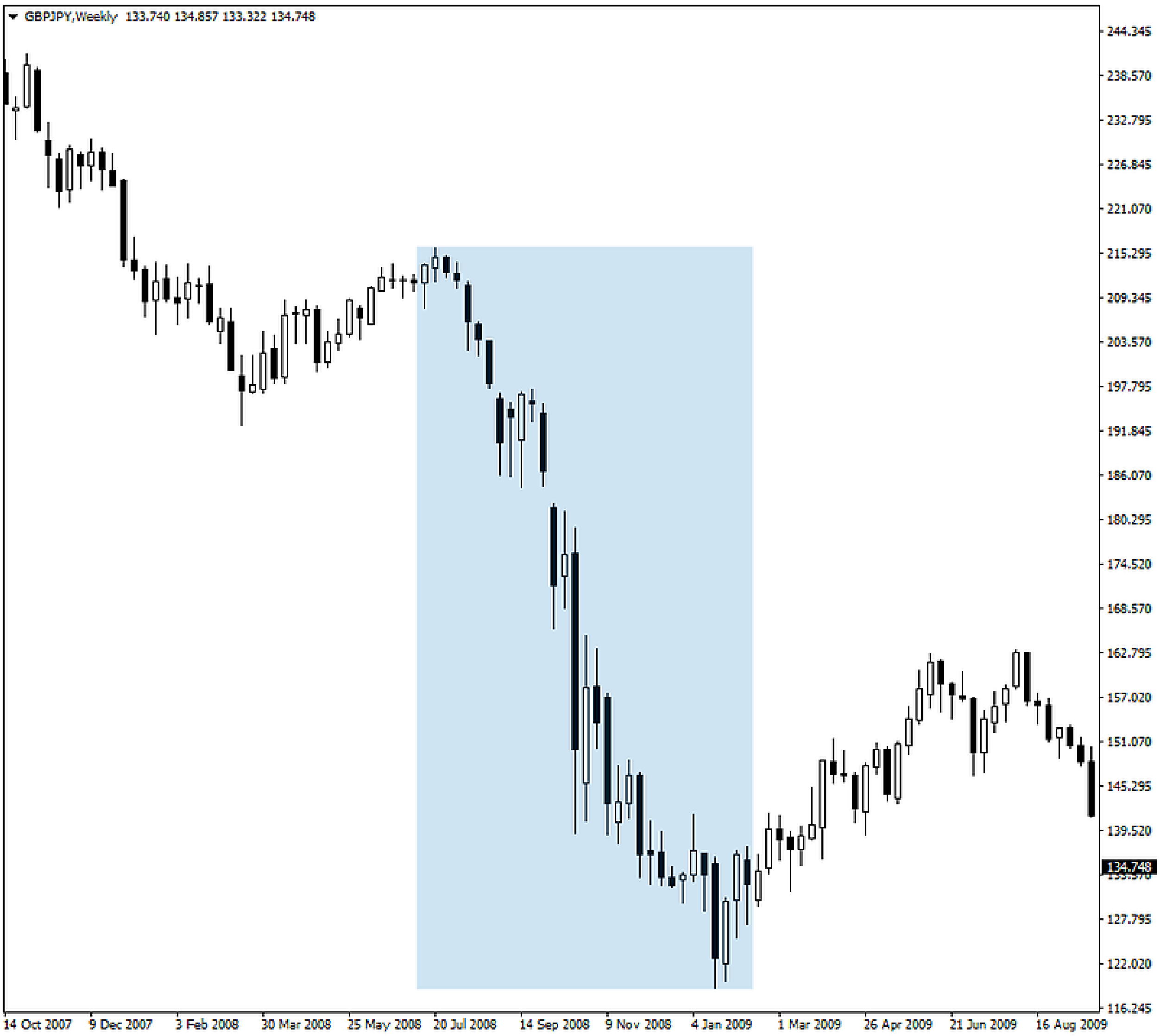
Last but certainly not least is the Japanese yen, another currency that has a long history of safe haven status.

Notice how the yen crosses below fared during the 2008 meltdown.

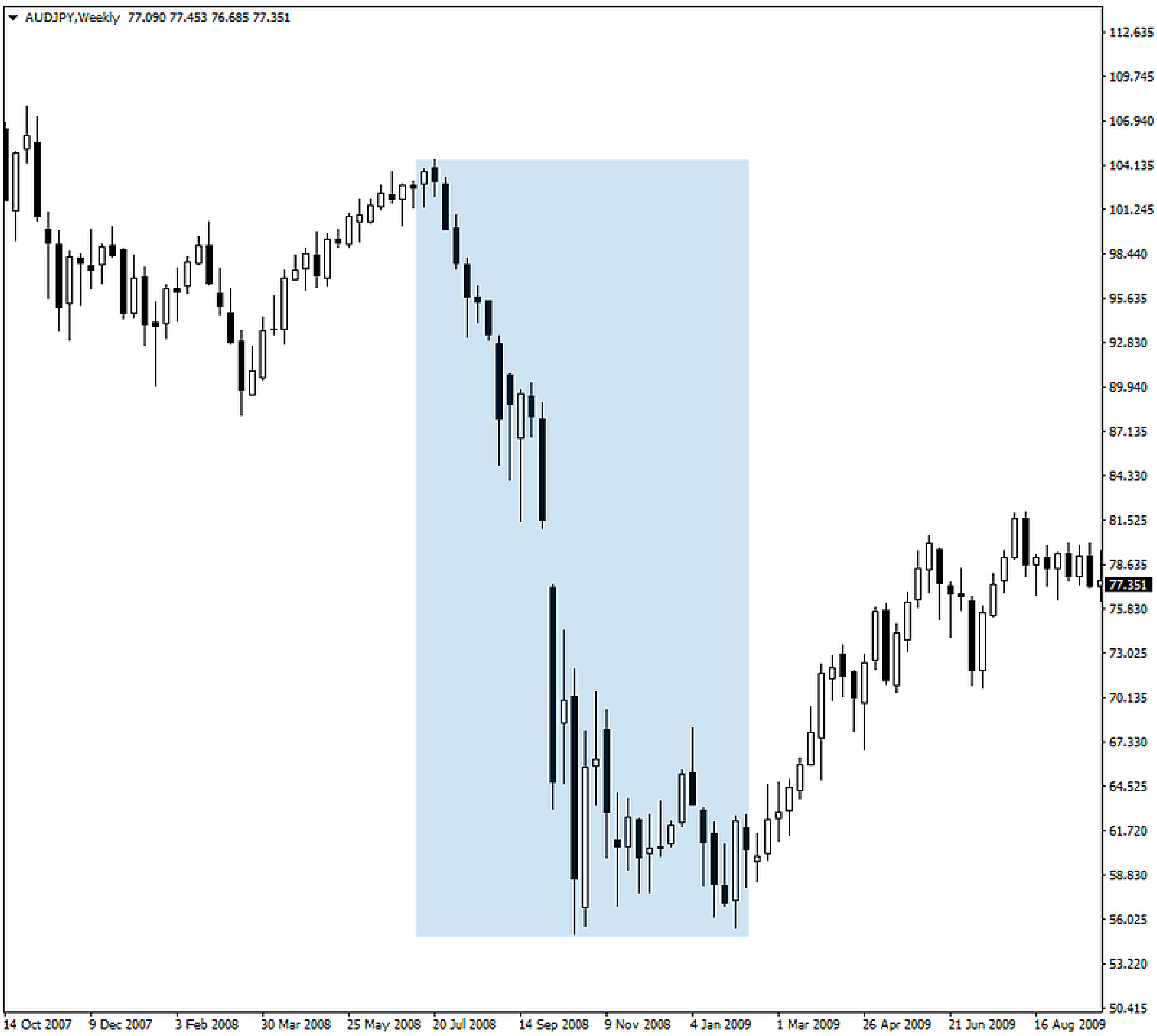
USDJPY


USDJPY,Weekly 102.020 103.092 101.742 103.005
116.650
115.250
113.890
112.530
111.130
109.770
108.410
107.050
105.650
104.290
103.005
101.570
100.170
98.810
97.450
96.050
94.690
93.330
91.970
90.570
89.210
87.850
86.490
21 Oct 2007
16 Dec 2007
10 Feb 2008
6 Apr 2008
1 Jun 2008
27 Jul 2008
21 Sep 2008
16 Nov 2008
11 Jan 2009
8 Mar 2009
3 May 2009
28 Jun 2009
23 Aug 2009

GBPJPY


GBPJPY,Weekly 133.740 134.857 133.322 134.748
244.345
238.570
232.795
226.845
221.070
215.295
209.345
203.570
197.795
191.845
186.070
180.295
174.520
168.570
162.795
157.020
151.070
145.295
139.520
134.748
127.795
122.020
116.245
14 Oct 2007
9 Dec 2007
3 Feb 2008
30 Mar 2008
25 May 2008
20 Jul 2008
14 Sep 2008
9 Nov 2008
4 Jan 2009
1 Mar 2009
26 Apr 2009
21 Jun 2009
16 Aug 2009

AUDJPY



As you can see, the Japanese yen appreciated massively against all three of its counterparts above.

Over the years the yen has been one of the more consistent safe haven currencies, which has made it my go-to currency when fear begins to grip global markets.

But just because an asset held its value or appreciated during the last market downturn does not mean it will behave in the same manner in the future.

The ever-changing nature of the financial markets doesn't offer guarantees such as this. However, the assets mentioned above do have a history of retaining their value when things turn sour.

Know Your Currency Correlations

If you only remember one thing from this lesson, let this be it.

A currency pair's correlation refers to the similarities shared by various pairings. These commonalities lead to both positive and negative associations.

For example, under normal circumstances, the EURUSD and the USDCHF are negatively correlated. In other words, if the EURUSD ends the day higher by 100 pips, chances are the USDCHF finished the day lower.

An example of two positively correlated pairs would be EURUSD and GBPUSD. In our previous example, if the EURUSD ends the session higher by 100 pips, it's likely that GBPUSD also ended the day higher.

So, you get the idea. Again, basic stuff but yet essential knowledge if you wish you achieve consistent profits in the Forex market.

Why is it so important, you ask?

Because **managing risk is your number one job as a trader**. And if you aren't familiar with these currency correlations, you can inadvertently double your risk.
For example, if you sell the EURUSD and buy the USDCHF, you have essentially doubled your risk.

At the same time, if you were to buy both currency pairs, you've contradicted yourself. For example, if you sell two negatively correlated pairs, chances are only one of the two trades will be successful.

So, what is a Forex trader to do?

It comes down to checking the currency correlation before placing a trade.

Here is the currency correlation table I use.

https://www.mataf.net/en/forex/tools/correlation

What's nice about the chart above is that it's divided into various time frames. This separation makes it easy to determine how one currency pair correlates to another and if you're approach makes sense from a risk to reward perspective.

What Do I Trade? (Top Secret)

Just kidding, it isn't really top secret. But I will say that this is the first time I've publicly announced the currency pairs I trade.

So which pairs are my favorite to trade?

GBP/USD GBP/JPY USD/CAD GBP/CAD GBP/AUD EUR/USD USD/JPY

Honestly, I don’t have favorites. I’m an opportunist so rather than favoring currencies, I gravitate toward favorable patterns and signals.

Therefore, you’ll often see me commenting on currency crosses over in the daily setups. I enjoy trading the majors, but I certainly don’t discriminate should a compelling setup arise on something less liquid.

With that said, the pairs I started with back in 2007 are highlighted in the table above. These were my go-to currency pairs back then, and many still are today with a particular emphasis on the AUDUSD and the NZDUSD.

Wrapping Things Up

Wow, this lesson is now over 4,000 words. Who knew someone could write so much about Forex currency pairs?

But seriously, I’ve always said that **learning how to trade for a living** is more about the process than the destination. And if you want to become consistently profitable, it’s essential that you understand everything there is to know about the currency pairs you’re trading.
Many traders make the mistake of skipping these necessary steps before putting their hard-earned money at risk.

As they say, **knowledge is power**. And nothing is more powerful for a trader than understanding the currency pairs that make up the Forex market.
I sincerely hope this lesson has answered any question you may have had. As always, if I missed something, please let me know in the comments section below.

General FAQ

What is a currency pair in Forex?
A currency pair is a pairing of currencies where the value of one is relative to the other. For instance, EURUSD is the value of the euro relative to the U.S. dollar.

How many currency pairs exist?
There are hundreds of currency pairs in existence. The exact number is difficult to come by as some exotic pairs come and go each year.

What are the major currency pairs?
Major currency pairs (or just majors) are those that include the U.S. dollar. EURUSD, USDJPY, GBPUSD, USDCHF, USDCAD, AUDUSD, and NZDUSD are all majors.

What are the currency crosses?
Currency crosses (or cross currencies) are the more liquid currencies that do not include the U.S. dollar in their pairing. Note that these are NOT exotics like the Iraqi Dinar (IQD). Crosses include EURGBP, EURCAD, GBPJPY, CADJPY, GBPAUD, etc.

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