

# Forex Trading Crash Course: The

## Forex Club

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Forex Club is a group of companies based in Saint Vincent and the Grenadines participating in the retail market of Contract for difference, Foreign Exchange Trading. The company uses the Libertex web and mobile trading platform in addition to MT4 and its structure includes financial and educational companies.

## Interactive Brokers

*to the platform. In 2005, the company launched its forex trading platform IdealPro (now Ideal FX). At that point, Interactive Brokers was one of the largest*

Interactive Brokers, Inc. (IB) is an American multinational brokerage firm headquartered in Greenwich, Connecticut. It operates the largest electronic trading platform in the United States by number of daily average revenue trades. In 2024, the platform processed an average of 2.6 million trades per trading day. Interactive Brokers is the largest foreign exchange market broker and is one of the largest prime brokers servicing commodity brokers. The company brokers stocks, options, futures contracts, exchange of futures for physicals, options on futures, bonds, mutual funds, currency, cryptocurrency, contracts for difference, derivatives, and trading in prediction markets. Interactive Brokers offers direct market access, omnibus and non-disclosed broker accounts, and provides clearing services. The firm has operations in 36 countries and 28 currencies. As of December 31, 2024, it had 3.337 million institutional and individual brokerage customers, with total customer equity of US\$568.2 billion. In addition to its headquarters in Greenwich, on the Gold Coast of Connecticut, the company has offices in major financial centers worldwide. More than half of the company's customers reside outside the United States, in approximately 200 countries.

The broker was founded and is chaired by Thomas Peterffy, an early innovator in computer-assisted trading. Approximately 25.8% of the company is publicly held, while the remainder is owned by IBG Holdings LLC, which is 91.4% owned by Thomas Peterffy and affiliates. Interactive Brokers is ranked 473rd on the Fortune 500.

The company traces its roots to T.P. & Co., a market maker founded in 1977 and renamed Timber Hill Inc. in 1982. In 1979, it became the first to use fair value pricing sheets on a stock exchange trading floor. In 1983, it became the first to use handheld computers for trading. In 1987, Peterffy also created the first fully automated algorithmic trading system, to automatically create and submit orders to a market. Between 1993 and 1994, the corporate group Interactive Brokers Group was created, and the subsidiary Interactive Brokers LLC was created to control its electronic brokerage, and to keep it separate from Timber Hill, which conducts market making. In 2014, Interactive Brokers became the first online broker to offer direct access to IEX, a private forum for trading securities. In 2021, the company launched trading in cryptocurrencies, including Bitcoin and Ethereum.

## 2008 financial crisis

*climaxed with the bankruptcy of Lehman Brothers in September 2008, which triggered a stock market crash and bank runs in several countries. The crisis exacerbated*

The 2008 financial crisis, also known as the global financial crisis (GFC) or the Panic of 2008, was a major worldwide financial crisis centered in the United States. The causes included excessive speculation on

property values by both homeowners and financial institutions, leading to the 2000s United States housing bubble. This was exacerbated by predatory lending for subprime mortgages and by deficiencies in regulation. Cash out refinancings had fueled an increase in consumption that could no longer be sustained when home prices declined. The first phase of the crisis was the subprime mortgage crisis, which began in early 2007, as mortgage-backed securities (MBS) tied to U.S. real estate, and a vast web of derivatives linked to those MBS, collapsed in value. A liquidity crisis spread to global institutions by mid-2007 and climaxed with the bankruptcy of Lehman Brothers in September 2008, which triggered a stock market crash and bank runs in several countries. The crisis exacerbated the Great Recession, a global recession that began in mid-2007, as well as the United States bear market of 2007–2009. It was also a contributor to the 2008–2011 Icelandic financial crisis and the euro area crisis.

During the 1990s, the U.S. Congress had passed legislation that intended to expand affordable housing through looser financing rules, and in 1999, parts of the 1933 Banking Act (Glass–Steagall Act) were repealed, enabling institutions to mix low-risk operations, such as commercial banking and insurance, with higher-risk operations such as investment banking and proprietary trading. As the Federal Reserve ("Fed") lowered the federal funds rate from 2000 to 2003, institutions increasingly targeted low-income homebuyers, largely belonging to racial minorities, with high-risk loans; this development went unattended by regulators. As interest rates rose from 2004 to 2006, the cost of mortgages rose and the demand for housing fell; in early 2007, as more U.S. subprime mortgage holders began defaulting on their repayments, lenders went bankrupt, culminating in the bankruptcy of New Century Financial in April. As demand and prices continued to fall, the financial contagion spread to global credit markets by August 2007, and central banks began injecting liquidity. In March 2008, Bear Stearns, the fifth-largest U.S. investment bank, was sold to JPMorgan Chase in a "fire sale" backed by Fed financing.

In response to the growing crisis, governments around the world deployed massive bailouts of financial institutions and used monetary policy and fiscal policies to prevent an economic collapse of the global financial system. By July 2008, Fannie Mae and Freddie Mac, companies which together owned or guaranteed half of the U.S. housing market, verged on collapse; the Housing and Economic Recovery Act of 2008 enabled the federal government to seize them on September 7. Lehman Brothers (the fourth-largest U.S. investment bank) filed for the largest bankruptcy in U.S. history on September 15, which was followed by a Fed bail-out of American International Group (the country's largest insurer) the next day, and the seizure of Washington Mutual in the largest bank failure in U.S. history on September 25. On October 3, Congress passed the Emergency Economic Stabilization Act, authorizing the Treasury Department to purchase toxic assets and bank stocks through the \$700 billion Troubled Asset Relief Program (TARP). The Fed began a program of quantitative easing by buying treasury bonds and other assets, such as MBS, and the American Recovery and Reinvestment Act, signed in February 2009 by newly elected President Barack Obama, included a range of measures intended to preserve existing jobs and create new ones. These initiatives combined, coupled with actions taken in other countries, ended the worst of the Great Recession by mid-2009.

Assessments of the crisis's impact in the U.S. vary, but suggest that some 8.7 million jobs were lost, causing unemployment to rise from 5% in 2007 to a high of 10% in October 2009. The percentage of citizens living in poverty rose from 12.5% in 2007 to 15.1% in 2010. The Dow Jones Industrial Average fell by 53% between October 2007 and March 2009, and some estimates suggest that one in four households lost 75% or more of their net worth. In 2010, the Dodd–Frank Wall Street Reform and Consumer Protection Act was passed, overhauling financial regulations. It was opposed by many Republicans, and it was weakened by the Economic Growth, Regulatory Relief, and Consumer Protection Act in 2018. The Basel III capital and liquidity standards were also adopted by countries around the world.

2020 stock market crash

*across the world suddenly crashed after growing instability due to the COVID-19 pandemic. The crash ended on 7 April 2020. Beginning on 13 May 2019, the yield*

On 20 February 2020, stock markets across the world suddenly crashed after growing instability due to the COVID-19 pandemic. The crash ended on 7 April 2020.

Beginning on 13 May 2019, the yield curve on U.S. Treasury securities inverted, and remained so until 11 October 2019, when it reverted to normal. Through 2019, while some economists (including Campbell Harvey and former New York Federal Reserve economist Arturo Estrella), argued that a recession in the following year was likely, other economists (including the managing director of Wells Fargo Securities Michael Schumacher and San Francisco Federal Reserve President Mary C. Daly) argued that inverted yield curves may no longer be a reliable recession predictor. The yield curve on U.S. Treasuries would not invert again until 30 January 2020 when the World Health Organization declared the COVID-19 outbreak to be a Public Health Emergency of International Concern, four weeks after local health commission officials in Wuhan, China announced the first 27 COVID-19 cases as a viral pneumonia strain outbreak on 1 January.

The curve did not return to normal until 3 March when the Federal Open Market Committee (FOMC) lowered the federal funds rate target by 50 basis points. In noting decisions by the FOMC to cut the federal funds rate by 25 basis points three times between 31 July and 30 October 2019, on 25 February 2020, former U.S. Under Secretary of the Treasury for International Affairs Nathan Sheets suggested that the attention of the Federal Reserve to the inversion of the yield curve in the U.S. Treasuries market when setting monetary policy may be having the perverse effect of making inverted yield curves less predictive of recessions.

During 2019, the IMF reported that the world economy was going through a 'synchronized slowdown', which entered into its slowest pace since the Great Recession. Weakness was exhibited in the consumer market as global markets began to suffer through a 'sharp deterioration' of manufacturing activity. Global growth was believed to have peaked in 2017, when the world's total industrial sector output began to start a sustained decline in early 2018. The IMF blamed 'heightened trade and geopolitical tensions' as the main reason for the slowdown, citing Brexit and the China – United States trade war as primary reasons for slowdown in 2019, while other economists blamed liquidity issues.

The crash caused a short-lived bear market, and in April 2020 global stock markets re-entered a bull market, though U.S. market indices did not return to January 2020 levels until November 2020. The crash signaled the beginning of the COVID-19 recession. The 2020 stock market crash followed a decade of economic prosperity and sustained global growth after recovery from the Great Recession. Global unemployment was at its lowest in history, while quality of life was generally improving across the world. However, in 2020, the COVID-19 pandemic, the most impactful pandemic since the Spanish flu, began decimating the economy. Global economic shutdowns occurred due to the pandemic, and panic buying, and supply disruptions exacerbated the market. The International Monetary Fund had pointed to other mitigating factors seen before the pandemic, such as a global synchronized slowdown in 2019, as exacerbants to the crash, especially given that the market was already vulnerable.

National Stock Exchange of India

*such as arbitrage, short selling, high-frequency trading, front running, churning, scalping, wash trading, spoofing, and layering, often leveraging sophisticated*

National Stock Exchange of India Limited, also known as the National Stock Exchange (NSE), is an Indian stock exchange based in Mumbai. It is the 5th largest stock exchange in the world by total market capitalization, exceeding \$5 trillion in May 2024.

NSE is under the ownership of various financial institutions such as banks and insurance companies. As of 2024, it is the world's largest derivatives exchange by number of contracts traded and the third largest in cash equities by number of trades for the calendar year 2023.

Great Recession

*head of the Commodity Futures Trading Commission, put forth a policy paper asking for feedback from regulators, lobbyists, and legislators on the question*

The Great Recession was a period of market decline in economies around the world that occurred from late 2007 to mid-2009, overlapping with the closely related 2008 financial crisis. The scale and timing of the recession varied from country to country (see map). At the time, the International Monetary Fund (IMF) concluded that it was the most severe economic and financial meltdown since the Great Depression.

The causes of the Great Recession include a combination of vulnerabilities that developed in the financial system, along with a series of triggering events that began with the bursting of the United States housing bubble in 2005–2012. When housing prices fell and homeowners began to abandon their mortgages, the value of mortgage-backed securities held by investment banks declined in 2007–2008, causing several to collapse or be bailed out in September 2008. This 2007–2008 phase was called the subprime mortgage crisis.

The combination of banks being unable to provide funds to businesses and homeowners paying down debt rather than borrowing and spending resulted in the Great Recession. The recession officially began in the U.S. in December 2007 and lasted until June 2009, thus extending over 19 months. As with most other recessions, it appears that no known formal theoretical or empirical model was able to accurately predict the advance of this recession, except for minor signals in the sudden rise of forecast probabilities, which were still well under 50%.

The recession was not felt equally around the world; whereas most of the world's developed economies, particularly in North America, South America and Europe, fell into a severe, sustained recession, many more recently developing economies suffered far less impact, particularly China, India and Indonesia, whose economies grew substantially during this period. Similarly, Oceania suffered minimal impact, in part due to its proximity to Asian markets.

Stock trader

*own account, called proprietary trading or self-directed trading, or through an agent authorized to buy and sell on the owner's behalf. That agent is referred*

A stock trader or equity trader or share trader, also called a stock investor, is a person or company involved in trading equity securities and attempting to profit from the purchase and sale of those securities. Stock traders may be an investor, agent, hedger, arbitrageur, speculator, or stockbroker. Such equity trading in large publicly traded companies may be through a stock exchange. Stock shares in smaller public companies may be bought and sold in over-the-counter (OTC) markets or in some instances in equity crowdfunding platforms.

Stock traders can trade on their own account, called proprietary trading or self-directed trading, or through an agent authorized to buy and sell on the owner's behalf. That agent is referred to as a stockbroker. Agents are paid a commission for performing the trade. Proprietary or self-directed traders who use online brokerages (e.g., Fidelity, Interactive Brokers, Schwab, tastytrade) benefit from commission-free trades.

Major stock exchanges have market makers who help limit price variation (volatility) by buying and selling a particular company's shares on their own behalf and also on behalf of other clients.

Subprime mortgage crisis

*wrote that "the crash of 2008 has inflicted profound damage on [the U.S.] financial system, its economy, and its standing in the world; the crisis is an*

The American subprime mortgage crisis was a multinational financial crisis that occurred between 2007 and 2010, contributing to the 2008 financial crisis. It led to a severe economic recession, with millions becoming

unemployed and many businesses going bankrupt. The U.S. government intervened with a series of measures to stabilize the financial system, including the Troubled Asset Relief Program (TARP) and the American Recovery and Reinvestment Act (ARRA).

The collapse of the United States housing bubble and high interest rates led to unprecedented numbers of borrowers missing mortgage repayments and becoming delinquent. This ultimately led to mass foreclosures and the devaluation of housing-related securities. The housing bubble preceding the crisis was financed with mortgage-backed securities (MBSes) and collateralized debt obligations (CDOs), which initially offered higher interest rates (i.e. better returns) than government securities, along with attractive risk ratings from rating agencies. Despite being highly rated, most of these financial instruments were made up of high-risk subprime mortgages.

While elements of the crisis first became more visible during 2007, several major financial institutions collapsed in late 2008, with significant disruption in the flow of credit to businesses and consumers and the onset of a severe global recession. Most notably, Lehman Brothers, a major mortgage lender, declared bankruptcy in September 2008. There were many causes of the crisis, with commentators assigning different levels of blame to financial institutions, regulators, credit agencies, government housing policies, and consumers, among others. Two proximate causes were the rise in subprime lending and the increase in housing speculation. Investors, even those with "prime", or low-risk, credit ratings, were much more likely to default than non-investors when prices fell. These changes were part of a broader trend of lowered lending standards and higher-risk mortgage products, which contributed to U.S. households becoming increasingly indebted.

The crisis had severe, long-lasting consequences for the U.S. and European economies. The U.S. entered a deep recession, with nearly 9 million jobs lost during 2008 and 2009, roughly 6% of the workforce. The number of jobs did not return to the December 2007 pre-crisis peak until May 2014. U.S. household net worth declined by nearly \$13 trillion (20%) from its Q2 2007 pre-crisis peak, recovering by Q4 2012. U.S. housing prices fell nearly 30% on average and the U.S. stock market fell approximately 50% by early 2009, with stocks regaining their December 2007 level during September 2012. One estimate of lost output and income from the crisis comes to "at least 40% of 2007 gross domestic product". Europe also continued to struggle with its own economic crisis, with elevated unemployment and severe banking impairments estimated at €940 billion between 2008 and 2012. As of January 2018, U.S. bailout funds had been fully recovered by the government, when interest on loans is taken into consideration. A total of \$626B was invested, loaned, or granted due to various bailout measures, while \$390B had been returned to the Treasury. The Treasury had earned another \$323B in interest on bailout loans, resulting in an \$109B profit as of January 2021.

United States bear market of 2007–2009

*365.45 that was the worst since Black Monday of the 1987 stock market crash and was followed by a loss of thousands of points over the next two months*

The US bear market of 2007–2009 was a bear market that lasted from October 9, 2007 to March 9, 2009, encompassing the 2008 financial crisis. The S&P 500 lost approximately 50% of its value, but the duration of the bear market was just below average.

The bear market was confirmed in June 2008 when the Dow Jones Industrial Average (DJIA) had fallen 20% from its October 11, 2007 high. This followed the bull market of 2002–07 and was followed by the bull market of 2009–2020.

The DJIA, a price-weighted average (adjusted for splits and dividends) of 30 large companies on the New York Stock Exchange, peaked on October 9, 2007 with a closing price of 14,164.53. On October 11, 2007, the DJIA hit an intra-day peak of 14,198.10.

The decline of 20% by mid-2008 was in tandem with other stock markets across the globe. On September 29, 2008, the DJIA had a record-breaking drop of 777.68 with a close at 10,365.45. The DJIA hit a market low of 6,469.95 on March 6, 2009, having lost over 54% of its value since the October 9, 2007 high. The bear market reversed course on March 9, 2009, as the DJIA rebounded more than 20% from its low to 7924.56 after a mere three weeks of gains.

After March 9, the S&P 500 was up 30% by mid May and over 60% by the end of the year.

Fixed exchange rate system

2016). &quot;The Chinese Exchange Rate and Its Impact On The US Dollar&quot;,. *ForexWatchDog*. Archived from the original on 2017-12-03. Retrieved 2016-10-04. Goodman

A fixed exchange rate, often called a pegged exchange rate or pegging, is a type of exchange rate regime in which a currency's value is fixed or pegged by a monetary authority against the value of another currency, a basket of other currencies, or another measure of value, such as gold or silver.

There are benefits and risks to using a fixed exchange rate system. A fixed exchange rate is typically used to stabilize the exchange rate of a currency by directly fixing its value in a predetermined ratio to a different, more stable, or more internationally prevalent currency (or currencies) to which the currency is pegged. In doing so, the exchange rate between the currency and its peg does not change based on market conditions, unlike in a floating (flexible) exchange regime. This makes trade and investments between the two currency areas easier and more predictable and is especially useful for small economies that borrow primarily in foreign currency and in which external trade forms a large part of their GDP.

A fixed exchange rate system can also be used to control the behavior of a currency, such as by limiting rates of inflation. However, in doing so, the pegged currency is then controlled by its reference value. As such, when the reference value rises or falls, it then follows that the values of any currencies pegged to it will also rise and fall in relation to other currencies and commodities with which the pegged currency can be traded. In other words, a pegged currency is dependent on its reference value to dictate how its current worth is defined at any given time. In addition, according to the Mundell–Fleming model, with perfect capital mobility, a fixed exchange rate prevents a government from using domestic monetary policy to achieve macroeconomic stability.

In a fixed exchange rate system, a country's central bank typically uses an open market mechanism and is committed at all times to buy and sell its currency at a fixed price in order to maintain its pegged ratio and, hence, the stable value of its currency in relation to the reference to which it is pegged. To maintain a desired exchange rate, the central bank, during a time of private sector net demand for the foreign currency, sells foreign currency from its reserves and buys back the domestic money. This creates an artificial demand for the domestic money, which increases its exchange rate value. Conversely, in the case of an incipient appreciation of the domestic money, the central bank buys back the foreign money and thus adds domestic money into the market, thereby maintaining market equilibrium at the intended fixed value of the exchange rate.

In the 21st century, the currencies associated with large economies typically do not fix (peg) their exchange rates to other currencies. The last large economy to use a fixed exchange rate system was the People's Republic of China, which, in July 2005, adopted a slightly more flexible exchange rate system, called a managed exchange rate. The European Exchange Rate Mechanism is also used on a temporary basis to establish a final conversion rate against the euro from the local currencies of countries joining the Eurozone.

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