

THE POWER OF VOLUME & LIQUIDITY IN FOREX TRADING

How understanding market
depth helps you trade smarter



WHY VOLUME & LIQUIDITY MATTER IN FOREX TRADING

Trading isn't just about finding the "right" currency pair — it's about knowing how easily and efficiently you can get in and out of that market.

Volume

➤ measures how many lots/contracts are traded over a period.

Liquidity

➤ is about how easily you can buy or sell without significantly moving the price.

WHY TRADERS CARE



Lower transaction costs (tighter spreads)



Faster order execution



Less slippage on market orders



More reliable technical patterns and levels

AVERAGE SPREADS AND VOLATILITY OF MAJOR CURRENCY PAIRS ACROSS DIFFERENT TRADING SESSIONS

| CURRENCY PAIR | AVERAGE SPREAD (PIPS) | VOLATILITY (PIPS) - ASIAN SESSION | VOLATILITY (PIPS) - EUROPEAN SESSION | VOLATILITY (PIPS) - NORTH AMERICAN SESSION | KEY CHARACTERISTICS |
|---------------|-----------------------|-----------------------------------|--------------------------------------|--|--|
| EUR/USD | 0.8 | 76 | 114 | 92 | Most liquid, tighter spreads during European and North American overlap. |
| GBP/USD | 1.2 | 92 | 127 | 99 | Higher volatility than EUR/USD, significant moves during London session and US news. |
| USD/JPY | 1.0 | 51 | 66 | 59 | Sensitive to Asian market hours, moves with US session also. |
| AUD/USD | 1.1 | 77 | 83 | 81 | Influenced by commodity prices, active during Asian and early European hours. |
| USD/CAD | 1.3 | 60 | 70 | 85 | Correlated with oil prices, heightened volatility during North American hours. |
| EUR/GBP | 0.9 | 40 | 65 | 50 | Peak volatility during European hours, influenced by Brexit news. |
| AUD/JPY | 1.4 | 80 | 90 | 75 | Most volatile during Asian session, influenced by commodity markets. |
| NZD/JPY | 1.5 | 75 | 85 | 70 | Active during Asian and early European hours, sensitive to risk sentiment. |
| CAD/JPY | 1.6 | 70 | 80 | 95 | Higher volatility during North American hours, correlated with oil prices. |
| GBP/AUD | 1.8 | 90 | 110 | 120 | Most volatile during overlapping UK-Asian sessions, sensitive to commodity markets. |

THE FOREX MARKET: **BIG. DECENTRALIZED.** **DOMINATED BY THE MAJORS.**

The foreign exchange market is the world's largest financial market, trading ~\$7.5 trillion per day!

Yet most of this trading volume concentrates around a handful of currency pairs known as the Majors:

Together, the top 6 pairs alone account for ~69% of daily FX volume

THE MOST TRADED CURRENCY PAIRS BY VOLUME (2024)

| NO. | CURRENCY PAIR | VOLUME % OF TOTAL |
|-----|---------------|-------------------|
| 1 | EURUSD | 27.95% |
| 2 | USDJPY | 13.34% |
| 3 | GBPUSD | 11.27% |
| 4 | AUDUSD | 6.37% |
| 5 | USDCAD | 5.22% |
| 6 | USDCHF | 4.63% |
| 7 | NZDUSD | 4.08% |
| 8 | EURJPY | 3.93% |
| 9 | GBPJPY | 3.57% |
| 10 | EURGBP | 2.78% |
| 11 | AUDJPY | 2.73% |
| 12 | EURAUD | 1.80% |
| 13 | EURCHF | 1.73% |
| 14 | AUDNZD | 0.96% |
| 15 | NZDJPY | 0.93% |
| 16 | GBPAUD | 0.89% |
| 17 | GBPCAD | 0.81% |
| 18 | EURNZD | 0.78% |
| 19 | AUDCAD | 0.76% |
| 20 | GBPCHF | 0.73% |
| 21 | AUDCHF | 0.70% |
| 22 | EURCAD | 0.70% |
| 23 | CADJPY | 0.67% |
| 24 | GBPNZD | 0.64% |
| 25 | CADCHF | 0.58% |
| 26 | CHFJPY | 0.57% |
| 27 | NZDCAD | 0.48% |
| 28 | NZDCHF | 0.38% |

How Much Volume Do The Major Pairs Make Up?

VOLUME

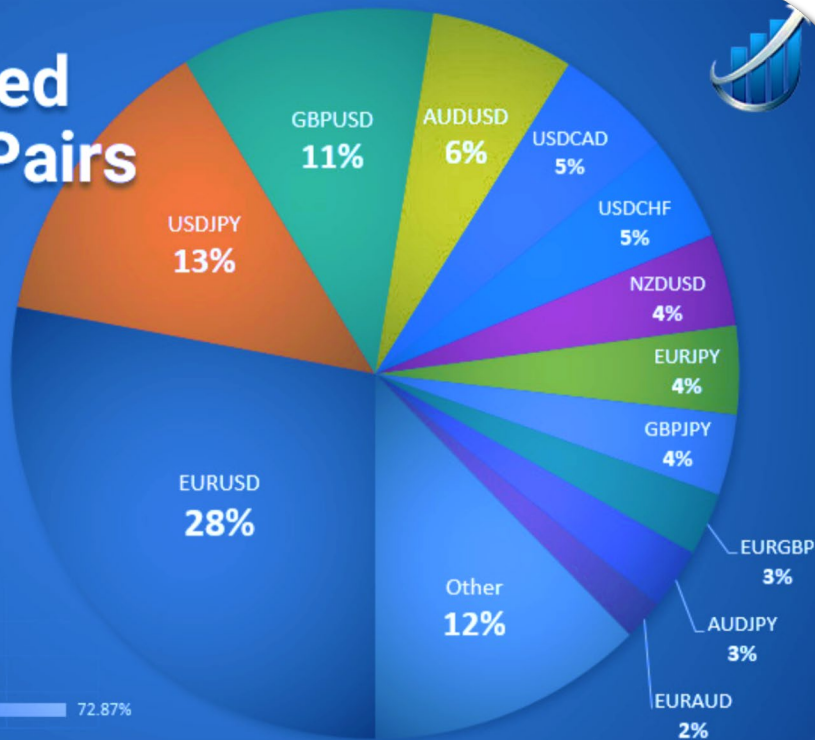
LIQUIDITY

CHEAPER
TRADES

LEGITIMATE
TRENDS

Most Traded Currency Pairs

By Currency:



HERE'S WHY THEY ARE SO CRUCIAL



High liquidity and tight spreads. Major pairs represent the largest economies and are traded in enormous volumes. High liquidity also results in tight spreads, leading to lower trading costs for traders. A side note: memorize the proper order of the dominant pairings.



Greater predictability and stability. The major pairs are backed by stable economies and influenced by widely available economic data and news, such as GDP figures, interest rates, and employment reports.



Accessibility to resources. Major currency pairs are widely supported by brokers and trading platforms, making them easily accessible for traders. Significant content, educational materials, and economic news are available specifically for major pairs.

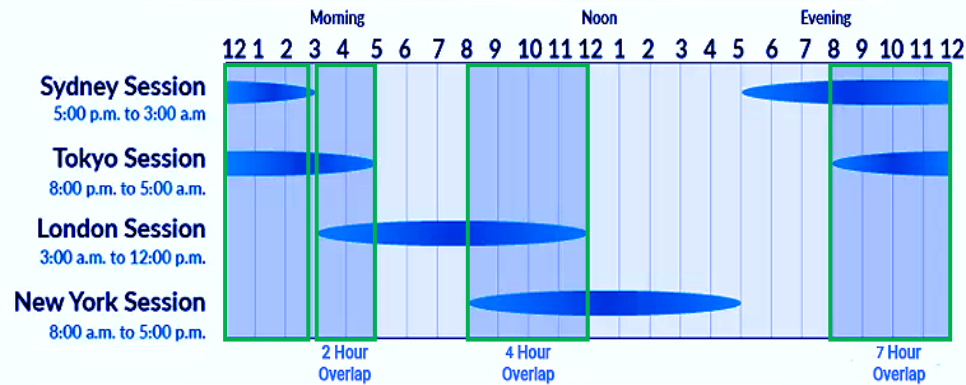


Ideal for all levels of experience. The combination of high liquidity, lower spreads, and greater predictability makes major currency pairs ideal for both beginner and experienced traders. Beginners can learn the ropes with relative ease, while experienced traders can apply various strategies, from short-term scalping to long-term position trading.

FOREX TRADING IS ALL ABOUT TIMING AS WELL

Forex Trading Session Times

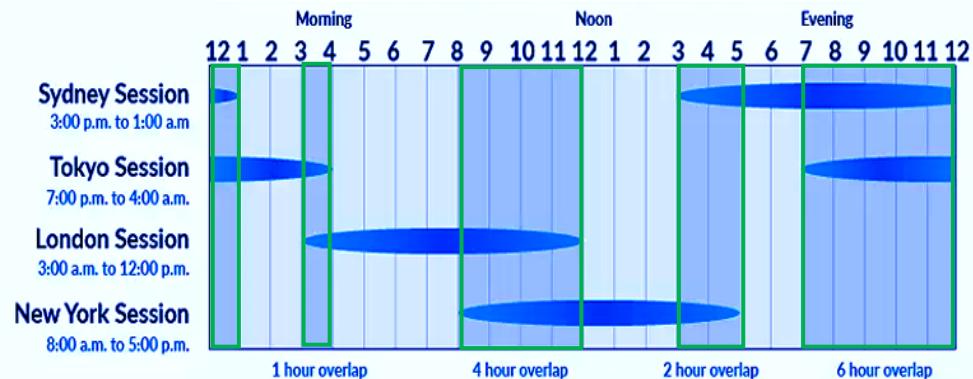
U.S. Eastern Daylight Time in the Summer (April to October)*



*Not all countries observe DST during the same time periods. Chart may not be accurate on certain transitional weeks.

Forex Trading Session Times

U.S. Eastern Standard Time in the Winter (November to March)*



The forex market opens on Sunday at 5pm Eastern Standard Time (EST) and closes on Friday at 5pm EST. The trading day usually begins to slow down and freeze sometime before 5 p.m. EST. Even though some brokers may offer trading until 5 p.m., the market is typically quiet leading up to that time as it gradually closes around the world for the weekend

The best time to trade forex will primarily depend on the specific currency pairs that your trading strategy focuses on. If you wish to trade at a preferred time relevant to your physical location and time zone, then it's important to know which currencies are generally active at that time.

No matter where you are in the world, the key is to know which forex trading session is in force for the times when you want to trade and which currencies may be more active during those times.



PRACTICAL TIPS: HOW TO USE VOLUME & LIQUIDITY

MAJORS

- ✓ Focus on the MAJORS, especially if you're new or trade higher position sizes.
- ✓ Major pairs generally have higher liquidity and tighter spreads compared to minor or exotic pairs.

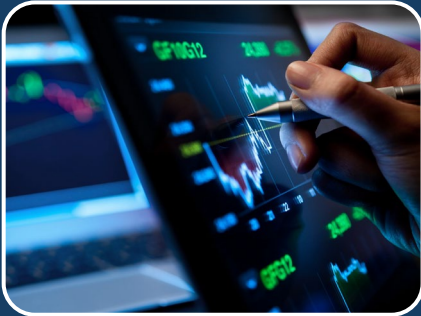
LIQUIDITY

- ✓ Avoid trading during known low-liquidity times; such as Friday afternoon EST, before big holidays, or after big news event spikes.
- ✓ Watch for liquidity holes; such as rollovers (5pm NY), session transitions, or central bank releases.

VOLUME

- ✓ Use **tick volume** or **CME futures volume** as a proxy to gauge actual participation, since **spot FX does not have centralized volume data**.
- ✓ Institutional interest. Banks, hedge funds, and governments trade these pairs, and more volume means more data, which helps traders make informed decisions.

OPTIMIZING FOREX TRADING FOCUS



EARLY CURRENCY PAIR SELECTION

Selecting currency pairs early helps streamline your learning process and allows you to focus your trading efforts. Discern what hours of the day (or night) will be your designated trading hours and choose the most liquid currency pairs most trading during that respective trading session. Seasoned traders will tell you, the more time a trader spends with a certain forex pair's chart, the more he will gain an understanding of that specific pair's personality; which will lead to quicker recognition of attractive opportunities and enhanced skill in managing trades with that particular pair.



ALIGN TRADING SESSIONS

As often as possible, synchronize trading sessions with your designated trading schedule to ensure consistency and effective participation in the forex market together with your coach. The more you and your coach are trading together, the more quickly you will fine-tune your own, unique Trading Plan; the more time you can spend trading together – whether simulated or live trades; the quicker you will be successfully trading live capital and building your trading business.



FOCUS ON ACTIVE CURRENCIES

Concentrate on the most active currencies during your chosen sessions to improve insights into market trends and trading outcomes. If we are trading currencies with higher volume levels, we are raising the odds that any perceived pattern in the chart is legitimate. Further, more active pairs move more, which is exactly what we need to build our accounts.

KEY TAKEAWAYS



Volume and liquidity aren't just abstract stats — they directly affect your costs, speed, and risk.



The **Majors** dominate daily volume for good reason: tighter spreads and reliable price action.



Smart traders *adjust strategy* to the liquidity environment: trade bigger when the market is thick, trade smaller (or not at all) when it's thin.



Liquidity is your invisible trading partner: ignore it at your own peril!



Low-volume pairs come with various disadvantages, including wider spreads – you lose more by just entering a trade. They also can be difficult to exit and exhibit erratic price behavior.