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FOREX · BEGINNER · LESSON 2 OF 15

Currency Pairs: Majors, Minors and Exotics

How a pair is written and read, what it means to buy or sell one, and why some pairs are calm, cheap and busy while others are not

11 min read 8 quiz questions with answer key

FOREX · BEGINNER · LESSON 2 OF 15

Currency Pairs: Majors, Minors and Exotics

IN ONE SENTENCE

In forex, currencies are always traded in pairs, such as EUR/USD. The first currency is the base and the second is the quote, and the price tells you how much of the quote currency one unit of the base costs. Pairs fall into three groups, majors, minors and exotics, which behave very differently.

How to read a currency pair

In Lesson 1, Emma exchanged pounds for dollars at a rate of 1.34. On a trading platform, that same rate is written as **GBP/USD 1.3400**. Every forex price follows this pattern: two currency codes separated by a slash, and a number.

- The first currency is the **base currency**. It always counts as exactly 1 unit.
- The second currency is the **quote currency**. The price is measured in it.
- The number tells you how many units of the quote currency you need to buy 1 unit of the base currency.

So **EUR/USD 1.0850** means that 1 euro costs 1.0850 US dollars. **USD/JPY 150.00** means that 1 US dollar costs 150 Japanese yen. The prices in this lesson are examples to show the idea, not current market prices.

When the price of a pair goes up, the base currency is getting stronger against the quote currency. When it goes down, the base currency is getting weaker. If EUR/USD rises from 1.0850 to 1.1000, each euro now buys more dollars, so the euro has strengthened.

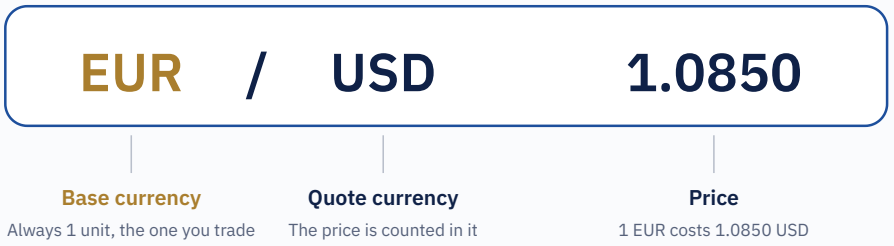


Figure 1. How to read a pair. The base currency always counts as 1, and the price is how many units of the quote currency it costs. Prices in this lesson are examples.

Buying and selling a pair

Because a pair contains two currencies, every forex trade is really two trades at once. You always buy one currency and sell the other:

- **Buying a pair**, also called going **long**, means buying the base currency and selling the quote currency. You make money if the price rises.
- **Selling a pair**, also called going **short**, means selling the base currency and buying the quote currency. You make money if the price falls.

This is one of the things that makes forex different from buying shares. A beginner who buys a share can only profit if it goes up. In forex, selling is just as normal as buying, because a falling EUR/USD is simply a rising dollar against the euro. Lesson 5 shows how the profit or loss on each trade is worked out.



Figure 2. Every forex trade buys one currency and sells the other. Buying a pair profits when the price rises; selling it profits when the price falls.

EXAMPLE: ANNA AND JOHN DISAGREE

Anna thinks the European Central Bank will keep interest rates high, so she expects the euro to rise. She **buys** EUR/USD at 1.0850. John thinks the US economy is stronger and expects the dollar to rise. He **sells** EUR/USD at the same price. If the price climbs to 1.0950, Anna is in profit and John is in loss. If it drops to 1.0750, it is the other way round. They are trading the same pair, just in opposite directions.

Three-letter codes and trader nicknames

Currencies are written with three-letter codes set by an international standard called **ISO 4217**. For most currencies, the first two letters are the country code and the third is the first letter of the currency's name: **US** + **D**ollar gives USD, **JP** + **Y**en gives JPY, and **GB** + **P**ound gives GBP. The Swiss franc is CHF, from Confoederatio Helvetica, the Latin name of Switzerland. The euro, used by many countries, simply has EUR.

Codes that start with X are for things that are not issued by one country. Gold is **XAU**, from Au, its chemical symbol, so the gold price you see on a forex platform is written XAU/USD. Lesson 13 covers gold in detail.

Traders also use nicknames for the busiest pairs, and you will hear them in market news:

Pair	Currencies	Nickname
EUR/USD	Euro / US dollar	Fiber
GBP/USD	British pound / US dollar	Cable
USD/JPY	US dollar / Japanese yen	No common nickname
USD/CHF	US dollar / Swiss franc	Swissie
AUD/USD	Australian dollar / US dollar	Aussie
NZD/USD	New Zealand dollar / US dollar	Kiwi
USD/CAD	US dollar / Canadian dollar	Loonie

"Cable" goes back to the 1800s, when the exchange rate between London and New York was sent along a telegraph cable under the Atlantic Ocean.

Why EUR/USD and not USD/EUR?

In theory, any pair could be written either way round. In practice, the market follows a fixed convention, so that everyone quotes the same pair in the same direction. The currency that is higher in this order becomes the base:

EUR, GBP, AUD, NZD, USD, CAD, CHF, JPY

That is why you see EUR/USD and GBP/USD with the dollar second, but USD/CAD, USD/CHF and USD/JPY with the dollar first. It is also why a pair of the euro and the pound is written EUR/GBP, and a pair of the pound and the yen is GBP/JPY.

This matters more than it seems. When the dollar strengthens, EUR/USD falls but USD/JPY rises. A beginner who only looks at whether a chart is going up or down can easily misread which currency is actually getting stronger. Always check which currency is the base.



Figure 3. The market convention for writing pairs. The currency higher in the order is written first, which is why the dollar comes second in EUR/USD but first in USD/JPY.

The majors

The **major pairs**, or simply the majors, are the most traded pairs in the world. Each one combines the US dollar with another large, freely traded currency. There are seven of them: EUR/USD, USD/JPY, GBP/USD, USD/CHF, AUD/USD, USD/CAD and NZD/USD.

According to the April 2025 BIS survey, EUR/USD alone made up about 21% of all forex trading, and USD/JPY about 14%. The other majors are smaller but still enormous in absolute terms. USD/CNY, the dollar against the Chinese yuan, now trades more than GBP/USD, but it is usually not counted as a major because China's government manages the yuan's exchange rate closely.

For a beginner, the majors have clear advantages. They have the most buyers and sellers, so the cost of trading them is usually the lowest. Prices tend to move more smoothly. And there is far more news, analysis and data about them than about any other pairs.

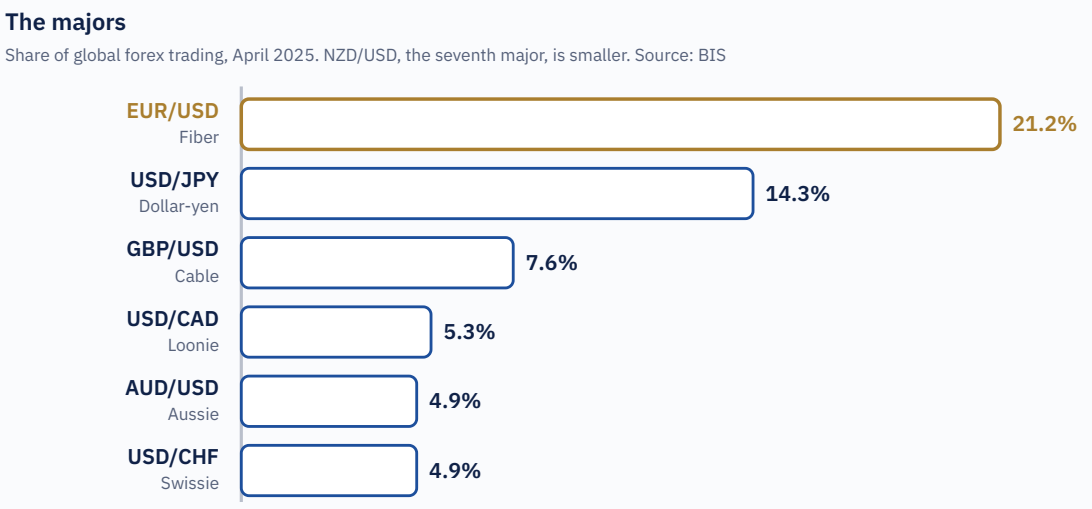


Figure 4. The majors by share of all forex trading in the April 2025 BIS survey. Every major includes the US dollar.

Minors, also called crosses

A **minor pair**, also known as a **cross pair** or simply a cross, combines two major currencies without the US dollar. Common examples are EUR/GBP, EUR/JPY, GBP/JPY, AUD/JPY and EUR/CHF. Pairs with the yen are sometimes called "yen crosses".

For a long time, most currency deals went through the US dollar, so a cross rate was worked out from two dollar rates. Banks still use this logic to price many crosses today. If EUR/USD is 1.0850 and USD/JPY is 150.00, then one euro buys 1.0850 dollars, and each of those dollars buys 150 yen. So one euro is worth 1.0850 × 150.00 = **162.75 yen**, which is the EUR/JPY rate.

Crosses usually cost a little more to trade than the majors and can move more sharply. GBP/JPY, for example, is known for large daily ranges. They are useful when you have a view on two currencies and want to leave the dollar out of the trade.

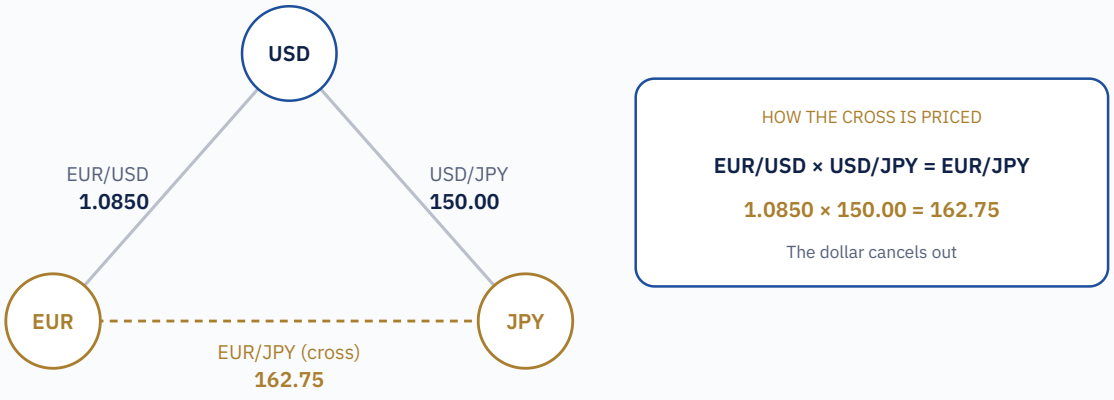


Figure 5. A cross rate such as EUR/JPY can be worked out from two dollar rates, because the dollar cancels out. The numbers are examples.

Exotic pairs

An **exotic pair** combines a major currency with the currency of a smaller or emerging economy. Examples are USD/TRY (Turkish lira), USD/ZAR (South African rand), USD/MXN (Mexican peso), EUR/PLN (Polish zloty) and USD/THB (Thai baht).

Exotics can look attractive because they can move a lot, but they come with extra risks:

- **Higher costs.** Fewer people trade them, so the gap between the buying and selling price, the spread, is much wider.
- **Sudden jumps.** A political event, a change in government policy or a surprise rate decision can move the price a long way in a few minutes, and the price can skip over the level where you wanted to exit.
- **Government control.** Some countries limit how their currency can be traded or moved abroad, and some interest rates are very high, which affects the cost of holding a position overnight.

Most beginners are better served by learning on the majors first. The behavior of a pair depends on the economies behind it, and the economies behind exotics are harder to follow.

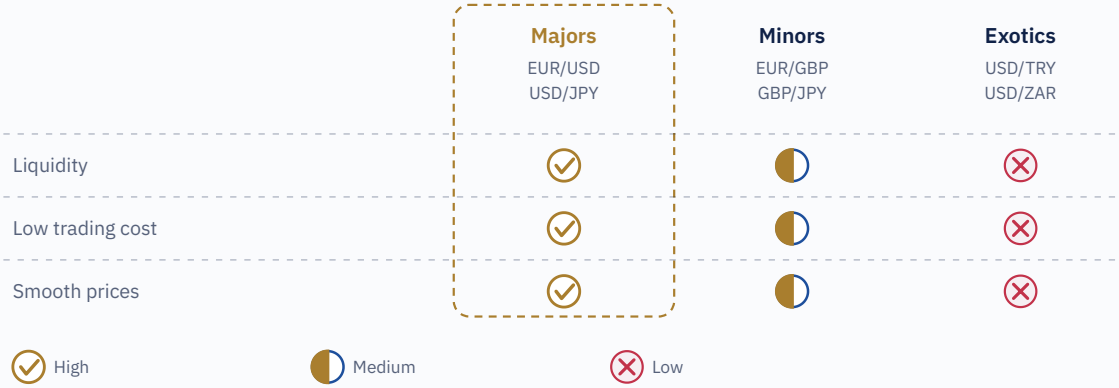


Figure 6. A simplified comparison of the three groups of pairs. Liquidity and costs fall, and the risk of sudden jumps rises, as you move from majors to exotics.

EXAMPLE: EVEN A MAJOR CURRENCY CAN SURPRISE

From 2011 the Swiss National Bank held EUR/CHF above 1.20 to stop the franc from getting too strong. On 15 January 2015 it removed that limit without warning. Within minutes EUR/CHF fell from about 1.20 to below 0.90 before recovering to around 1.00, one of the biggest moves ever seen in a developed-market currency. Some traders lost more than their whole account, and several brokers suffered heavy losses or went out of business. Lesson 12 explains how to limit the damage from moves like this.

Currency personalities

As you watch the market, you will notice that some currencies tend to behave in similar ways. These are tendencies, not rules, but they help you understand why a pair is moving:

- **Commodity currencies.** The Australian dollar, New Zealand dollar and Canadian dollar come from economies that export a lot of raw materials. AUD is often linked to metals and to demand from China, NZD to dairy and farm exports, and CAD to oil prices.
- **Safe havens.** When investors are worried, during a crisis or a sharp fall in stock markets, money often moves into the US dollar, the Japanese yen and the Swiss franc. Gold often benefits too.
- **Pegged currencies.** Some currencies are held at or near a fixed rate by their central bank. The Hong Kong dollar is kept between 7.75 and 7.85 per US dollar, and the Saudi riyal and UAE dirham are fixed to the dollar. These pairs barely move most of the time.

Knowing a currency's personality helps you avoid surprises. If you buy AUD/JPY, you are combining a commodity currency with a safe haven, so the pair often falls sharply when markets turn fearful. Lesson 7 looks at what moves currencies in more detail.



Figure 7. Three common currency personalities. These are tendencies, not rules, and they can change.

Why this matters for traders

- **Always know which currency is the base.** A stronger dollar pushes EUR/USD, GBP/USD and XAU/USD down, but USD/JPY, USD/CAD and USD/CHF up. Reading the pair the wrong way round is a classic beginner mistake.
- **Many pairs are one trade.** If you buy EUR/USD, GBP/USD and AUD/USD at the same time, you have mostly made one bet: that the dollar will fall. The risk is larger than it looks. Correlations are covered in the Intermediate level.
- **Start with the majors.** Lower costs, smoother price action and plenty of information make them the best place to learn. Add crosses once you understand both currencies in the pair.
- **Gold and bitcoin follow the same logic.** XAU/USD and BTC/USD are read exactly like currency pairs: the price of 1 ounce of gold or 1 bitcoin, counted in dollars.

Key terms

Base currency	The first currency in a pair. It always counts as 1 unit, and it is the currency you buy or sell.
Quote currency	The second currency in a pair. The price is expressed in it.
Long	A position that profits if the price of the pair rises: buying the base currency and selling the quote currency.
Short	A position that profits if the price of the pair falls: selling the base currency and buying the quote currency.
ISO 4217	The international standard that gives each currency its three-letter code, such as USD or JPY.
Major pair	One of the seven most traded pairs, each combining the US dollar with another large, freely traded currency.
Minor pair (cross)	A pair of two major currencies without the US dollar, such as EUR/GBP or GBP/JPY.
Exotic pair	A pair combining a major currency with the currency of a smaller or emerging economy, such as USD/TRY.
Spread	The difference between the buying and selling price of a pair, one of the main costs of trading.

Peg	A policy where a central bank keeps its currency at or near a fixed rate against another currency.

Key takeaways

1. Currencies are traded in pairs: the first is the base currency, always 1 unit, and the second is the quote currency, in which the price is measured.
2. Buying a pair means buying the base and selling the quote, and profits if the price rises; selling a pair profits if the price falls.
3. A fixed market order (EUR, GBP, AUD, NZD, USD, CAD, CHF, JPY) decides which currency is written first, so a stronger dollar pushes some pairs down and others up.
4. The seven majors all include the US dollar and are the cheapest and most liquid to trade; minors, or crosses, leave the dollar out; exotics include currencies of smaller or emerging economies and carry higher costs and risks.
5. Currencies have tendencies: commodity currencies, safe havens and pegged currencies each behave in their own way.

Test yourself

Circle one answer for each question. The answer key with explanations is on the next page. You can also take this quiz online at markettalks.info and see your score instantly.

1. In EUR/USD 1.0850, which is the base currency?

- A USD
- B EUR
- C Both equally
- D Neither, the price is in gold

2. USD/JPY moves from 150.00 to 153.00. What happened?

- A The dollar weakened against the yen
- B The yen strengthened against the dollar
- C The dollar strengthened against the yen
- D Nothing, because the yen is a safe haven

3. What does it mean to sell GBP/USD?

A Selling pounds and buying dollars, profiting if the price falls
B Selling dollars and buying pounds
C Closing your trading account in pounds
D Buying both currencies at once

4. Why is the US dollar written first in USD/JPY but second in EUR/USD?

A The yen is worth more than the dollar
B A fixed market convention decides which currency is the base
C The broker chooses at random
D Japan requires it by law

5. Which of these is a major pair?

A EUR/GBP
B USD/TRY
C AUD/USD
D GBP/JPY

6. EUR/USD is 1.1000 and USD/JPY is 140.00. What is EUR/JPY?

A 127.27
B 141.10
C 154.00
D 1.2727

7. Which is a typical risk of exotic pairs?

A Very low trading costs
B Wider spreads and sudden jumps on political news
C They never move
D They cannot be sold short

8. Markets turn fearful and stocks fall sharply. Which currencies often attract buyers?

A The Australian and New Zealand dollars

B The Japanese yen and Swiss franc

C The Turkish lira and South African rand

D Only pegged currencies

Answer key

1 B

EUR

The first currency in a pair is the base. EUR/USD 1.0850 means 1 euro costs 1.0850 US dollars.

2 C

The dollar strengthened against the yen

The price shows how many yen one dollar buys. It now buys more yen, so the dollar, the base currency, has strengthened.

3 A

Selling pounds and buying dollars, profiting if the price falls

Selling a pair means selling the base currency, here the pound, and buying the quote currency, the dollar. The trade profits if GBP/USD falls.

4 B

A fixed market convention decides which currency is the base

The market uses a fixed order: EUR, GBP, AUD, NZD, USD, CAD, CHF, JPY. The currency higher in the order becomes the base.

5 C

AUD/USD

AUD/USD combines the US dollar with a large, freely traded currency. EUR/GBP and GBP/JPY are crosses, and USD/TRY is an exotic.

6 C

154.00

One euro buys 1.1000 dollars, and each dollar buys 140 yen, so one euro buys 1.1000 × 140.00 = 154.00 yen.

7 B

Wider spreads and sudden jumps on political news

Exotics are traded less, so spreads are wider, and political or policy surprises can move them sharply. Majors are usually cheaper and smoother.

8 B

The Japanese yen and Swiss franc

The yen, the Swiss franc and the US dollar are traditional safe havens. Commodity and emerging market currencies often fall when fear rises.

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