

Basics: how a trade and an account work

LearnFX · Kenya · 15

1.1 What happens when you press Buy

This lesson follows one EUR/USD order through four steps: the order leaves your platform, it gets filled at a price, it becomes an open position, and it ends when you close it. Every cost you pay attaches to one of those four steps, and each one can be worked out in shillings before you click. By the end you will be able to put a number on the cost of a single pip and see where it is charged.

Step 1: Order	No money moves yet
Step 2: Fill	Price 1.0850
Step 3: Open position	1 pip = KSh 108.50
Step 4: Close	Cost depends on the move

1.2 Pairs and quotes: what 1.0850 means

A quote like 1.0850 is the price of the first currency in the second. It tells you how many units of the second currency you need to buy one unit of the first. In EUR/USD, 1.0850 means one euro costs 1.0850 US dollars. The number moves in the last decimal place, and that place has a money value. On one standard lot of EUR/USD, one pip is 10 units of the quote currency, which is USD. If you convert that to shillings at the current rate, you get the value in KSh. This lesson shows you how to work that out, and how the two prices you see side by side are not a mistake.

Bid price	1.0850
Ask price	1.0852
Spread	0.0002
Spread in pips	2 pips

1.3 What a pip is worth in money

A pip is the smallest standard step in a price, usually the fourth decimal place for EUR/USD. What one pip is worth in money depends on two things: the size of the trade and the pair being traded. This lesson shows how to work out that value in shillings so the same twenty-pip move can be compared across different trade sizes.

Lot size	0.10 lots
Units of EUR controlled	10,000
One pip in quote currency (USD)	USD 1.00
GBP/KES reference rate used here	KSh 129.00 per USD

1.4 Lots: standard, mini and micro

A lot is the size of one trade. It decides how much money each pip of movement is worth to the account. Standard, mini and micro lots are the same instrument in three sizes: 100,000 units, 10,000 units and 1,000 units.

Standard lot	100,000 units
Mini lot	10,000 units
Micro lot	1,000 units
Pip value, standard lot	10.00 USD

1.5 The three costs: spread, commission, swap

This lesson shows the three costs you pay on a trade: the spread, the commission and the swap. You will work out the total cost of a round trip on one standard lot of EUR/USD, so you can see the money before you open the position.

Spread cost	KSh 1,560
Commission	KSh 910
Swap for one night	KSh 0
Total cost if closed the same day	KSh 2,470

1.6 Overnight swap and swap-free accounts

This lesson shows how a daily charge called swap can quietly change the cost of holding a position overnight, and how a swap-free account removes that charge but usually adds another. You will work through one standard lot of EUR/USD around 1.0850, first with swap and then with a swap-free account, so you can see the difference in shillings before you open any trade.

Position size	1 standard lot of EUR/USD
Price used	1.0850
Value of one pip	10 units of the quote currency
Swap charge for one night	KSh 325

1.7 Leverage and margin: how much of the trade is yours

Leverage sets how large a position your deposit can hold. Margin is the part of your money locked against that position while it stays open. On one standard lot of EUR/USD at 1.0850, one pip is worth about KSh 1,300, so the size you choose changes what a small move costs you.

Position size	1 standard lot
Exchange rate used	1.0850
Notional value in US dollars	\$108,500
Margin at 1:30	KSh 470,080

1.8 Order types: market, limit, stop

This lesson shows how the same idea to buy EUR/USD can be placed in three ways, and why each way gives a different entry price. You will work out the cost of one pip on one standard lot in shillings, so you can see what a small price difference means in money.

Market order entry	1.0850
Limit order entry	1.0830
Stop order entry	1.0870
Pip value on one standard lot	KSh 1,000

1.9 Stop loss and take profit

This lesson shows how two instructions attached to a position decide your result before the market moves: a stop loss closes the trade at a loss you chose, and a take profit closes it at a profit you chose. On a 0.10 lot EUR/USD trade, a 20 pip stop works out at about KSh 2,600, and a 40 pip target at about KSh 5,200, so the two numbers can be compared before you click buy or sell.

Position size	0.10 lots
Value of one pip	about KSh 130
Stop loss distance	20 pips
Loss if the stop is hit	about KSh 2,600

1.10 MT4, MT5 and cTrader: which to pick

This lesson compares MT4, MT5 and cTrader so you can see where each one asks you to fill in a field, and how that changes the cost of a single trade in shillings. Using one EUR/USD trade at around 1.0850, you will work out the pip value on one standard lot and see why the platform is easy to change but the account type behind it is not. The goal is a repeatable cost check you can run before you place any order.

Instrument	EUR/USD
Price used	1.0850
Volume	1 standard lot
One pip	0.0001

1.11 Trading from a phone

This lesson shows what changes when you trade on a phone instead of a desktop. The app can place the same order, but the screen is smaller, so you see fewer candles and less of the price history. That changes how much you can check before you tap buy or sell.

Standard lot size	100,000 units
One pip in price	0.0001
Pip value in quote currency	10 units
Exchange rate used	KES 129.50 per unit

1.12 Demo accounts: what they teach and where they lie

A demo account shows you the buttons and the arithmetic. It does not show you what happens when the price jumps and your order fills somewhere else. This lesson compares two trades: one on a demo, one on a live account, so you can see the difference in shillings before you risk any.

Instrument and price	EUR/USD at 1.0850
Trade size	1 standard lot
Value of one pip in USD	10 USD
Value of one pip in KSh	KSh 1,300

1.13 Account types: standard, raw spread, cent

Two people open the same EUR/USD trade on the same day. One pays mostly through the spread. The other pays a tighter spread plus a commission. The total cost can be close, but the way it is charged is different, and that difference matters when you compare accounts.

Standard account spread	1.5 pips
Standard account cost on one standard lot	KSh 1,627.50
Raw spread account spread	0.3 pips
Raw spread account spread cost on one standard lot	KSh 325.50

1.14 Opening an account and passing verification

This lesson shows what a regulated broker has to ask for when you open an account, and why the checks can take time. In Kenya, a broker supervised by the CMA will ask for your ID, a photo of you, and proof of where your money comes from. Getting these right the first time can save you days of waiting before you can place your first EUR/USD trade.

Deposit in KSh	KSh 10,000
Broker converts to USD	About USD 77
One pip on one standard lot of EUR/USD	USD 10
One pip on 0.10 lots of EUR/USD	USD 1

1.15 Deposits and withdrawals with local methods

This lesson shows how money moves between a Kenyan bank or phone and a broker account, and what each leg costs in KSh. You will compare two cases: a deposit and withdrawal done in the right order, and the same amounts done in the wrong order, where fees and delays add up. By the end you can work out the shilling cost of a payment method before you use it.

Deposit amount	KSh 50,000
Deposit fee	KSh 0 to KSh 150
Time for deposit to reach the broker	minutes to 1 business day
Conversion to account currency	at the broker's rate

Trading forex and CFDs carries a high risk of losing money. Most retail accounts lose. Nothing here is a recommendation to trade or a forecast of any result. — LearnFX Editorial Desk