The bid, the ask and why there are always two prices

BID AND ASK

Every FX quote is two prices. The bid is what a dealer will pay you right now for the base currency; the ask is what they will sell it to you for, always a fraction higher. The gap between them is the spread - the dealer's price for letting you trade immediately - and you cross it on every trade, in either direction.

Open any platform and EUR/USD is not one number - it is 1.0999 / 1.1000, two prices a fraction apart, and which one you get depends on which way you trade. New traders read the pair as having a price with some decoration around it. Both numbers are the price.

Why two prices and not one?

Because the quote is a dealer's standing offer to trade with you either way, instantly, and those are two different services. The bid is what they will pay for the base currency; the ask is what they will sell it for. Quote both, stand behind both, and the gap between them is your compensation for being permanently available to strangers who know the news as fast as you do.

You always trade at the worse of the two for your direction: buy at the ask, sell at the bid. That single fact prices immediacy. Anyone can avoid the spread by waiting and hoping the market comes to them - what the spread buys is now. The worked example makes the purchase visible.

Diagram: One quote, two prices: sellers get the bid, buyers pay the ask, and the gap is the spread.

View it in the web lesson: https://ticksprout.com/learn/fx/market-foundations/the-bid-and-the-ask

Worked example - figures in USD

You trade one standard lot of EUR/USD on a quote with a 0.8 pip spread. A pip on one lot is worth $10.

1. The quote on EUR/USD shows a 0.8 pip gap between bid and ask. You buy 1 lot at the ask.
2. Sell it back the same second - at the bid, because that is the side a seller gets - and the round trip costs $8. Nothing moved; you paid the gap itself.
3. The cost has no direction: a trader who sold first and bought back pays exactly the same $8. The spread is the entry fee for immediacy, charged both ways, and it is why every position starts fractionally behind.

Why does the gap change size?

The spread is a price for risk, and the dealer's risk changes by the minute. When the market is deep and calm, standing behind a quote is nearly safe and spreads sit under a pip on the majors. When news is seconds away or the hour is thin, a standing quote is a target, so dealers widen the gap or step back entirely. A widening spread is the market telling you what it currently costs to be impatient.

What this means for you

Every position you ever open starts the spread behind, so the gap is part of every trade's arithmetic before the market has said a word. Watch the spread as well as the price: it widens exactly when trading is most tempting, around news and thin hours. The full cost accounting - spreads beside commissions and overnight financing, compounding across a month of trading - is module 3's territory; this lesson's job is the mechanic. The tool below shows what your own pair and size pay per crossing.

Try it yourself with the spread-cost calculator: https://ticksprout.com/tools/spread-cost

Check your understanding

1. EUR/USD shows 1.0999 / 1.1000. You place a market buy. Which price do you get?

a. 1.1000 - buyers pay the ask
b. 1.0999 - buyers pay the bid
c. The midpoint, 1.09995
d. Whichever the dealer chooses at that moment

Answer: a. Buying takes the dealer's selling price, the ask. The bid is what sellers receive, the midpoint is a reference no one trades at, and the quote is the dealer's committed choice - published before you clicked.

2. Why does a dealer quote two prices instead of one?

a. Buying from you and selling to you are different services, and the gap pays for standing behind both
b. Regulation requires two prices
c. One price is for banks and one is for retail
d. To hide the real price, which sits in the middle

Answer: a. The two prices are the dealer's committed terms for each direction, and the spread compensates permanent availability. No rule mandates the structure, both prices are for whoever is quoted, and the midpoint is an average - not a real price anyone will deal at.

3. You buy a position and sell it back one second later, with the market unmoved. What happened to your account?

a. It is down by the spread on your size
b. Nothing - the market did not move
c. It is down by one commission only
d. It depends which direction the market was about to move

Answer: a. You bought at the ask and sold at the bid, so you paid the gap between them even though the quote never changed. The chart moving and the spread being crossed are separate events. Commission is a further cost where charged, and the market's next move never entered this arithmetic.

4. A news release is due in two minutes and the spread on your pair widens sharply. What is the widening?

a. Dealers repricing the risk of standing behind quotes seconds before a surprise
b. Your broker adding a news fee
c. A malfunction in the price feed
d. Proof the market already knows the number

Answer: a. A standing quote just before news is a free option for whoever reads the release first, so dealers charge more for immediacy or step away. It is risk pricing, not a fee schedule or a fault - and if the number were truly known, the price would move, not just the gap.