

What actually moves a currency price

WHAT MOVES A CURRENCY PRICE

A currency price moves when market orders consume the quotes waiting on one side of the order book faster than they are replaced. Each trade removes liquidity at the best price, and the next quote in line becomes the new price. News changes prices only through this mechanism: traders react to it by pulling quotes and sending orders.

You place no trades all morning and EUR/USD still ticks every second. Someone is trading, and every tick is a record of it. You know from the last lesson that the quote is two standing prices with size behind them - this lesson is about what happens when orders start eating one side.

What is sitting behind the quote?

Stacked at every price level, in both directions, are committed orders with stated sizes: EUR 20m of selling interest at 1.0843, EUR 18m of buying interest at 1.0842, more at every level beyond. That stack is the order book. Opinions, forecasts and headlines move nothing on their own - a price changes when someone turns a view into an order and the order meets the book.

Watch one large order land. A fund buys EUR 40m at market: it takes all EUR 20m offered at 1.0843, all EUR 15m at 1.0844, and the last EUR 5m from the stack at 1.0845. The best ask is now 1.0845 - the price moved 2 pips because orders consumed quotes, and for no other reason. The fund's average fill, 1.08436, was 0.6 pips worse than the screen price when it clicked: moving the price and paying slippage are the same event seen from two sides.

Diagram: The order book behind a EUR/USD quote of 1.0842 / 1.0843. Bar length is committed size at each price.

View it in the web lesson: <https://ticksprout.com/learn/fx/market-foundations/what-moves-a-currency-price>

Worked example - figures in USD

You hold 0.5 lots of EUR/USD when a large order moves the pair 2 pips. A pip on a full lot is worth \$10.

1. The fund's order moved EUR/USD 2 pips. Price that move for your own account: one pip on a full lot of EUR/USD is worth \$10, so on your 0.5 lots position each pip is \$5.
2. The 2-pip move is therefore \$10 across your position - arriving for or against you depending on which side you held. Both were always possible; the book does not know you exist.
3. Scale is the whole difference between you and the fund: your position rides moves through a book that its orders are consuming. The same event is weather to you and a footprint to them.

Why does news move the price so fast?

A dealer quoting EUR 20m seconds before an employment report is offering the whole market a free option: anyone who reads the number first can trade against a stale price. Dealers know this, so they pull or widen quotes moments before the release and re-quote once they've seen it. At 13:29:59 the book is thick. At 13:30:01 it is thin and repositioned, and an order that would have moved the price 1 pip now moves it 15. The report supplies the reason to trade; the emptied book supplies the distance.

What this means for you

Your orders will not move EUR/USD, so every price you trade at was set by flows far larger than yours - and most of those flows, as lesson 2 showed, were never bets at all. What reaches you is the state of the book: depth vanishes around scheduled releases, so a stop resting through a news event can fill several pips past its level. None of this requires predicting the news. You only need to know the timetable, and the timetable is public - the next lesson maps it across the whole trading day.

Try it yourself with the pip-value calculator: <https://ticksprout.com/tools/pip-value>

Check your understanding

1. EUR/USD jumps from 1.0843 to 1.0845 in one second with no scheduled news. What happened?

- a. The euro strengthened, which made the price rise
- b. Buy orders consumed all the quotes offered at 1.0843 and 1.0844
- c. The broker moved the quote to trigger nearby stops
- d. A central bank adjusted the exchange rate

Answer: b. Orders consuming quotes is the only way a traded price changes. "The euro strengthened" describes the move without explaining it. Retail brokers pass through prices set in the wider market, and central banks announce policy decisions - they do not silently re-set spot rates second by second.

2. The fund in this lesson bought EUR 40m and averaged 1.08436 against a screen price of 1.0843. Why the difference?

- a. Its order was larger than the depth at the best price, so later fills came from worse levels
- b. The dealer charged a large-order fee
- c. The price happened to move while the order was travelling
- d. Large buyers always pay the ask plus the spread again

Answer: a. Walking the book is the mechanism: 20m at the best price, then 15m and 5m from worse levels, averaging 0.6 pips above the screen. No fee schedule was involved, the move was caused by the order rather than coincident with it, and there is no double-spread rule - just depth running out.

3. An employment report lands and the price gaps across levels no one traded at. What supplied the distance?

- a. Dealers had pulled their quotes, so the book was thin when the first orders arrived
- b. The size of the economic surprise directly sets the size of the move
- c. Exchanges suspend trading briefly, creating the gap
- d. News reports change prices without any orders being involved

Answer: a. The report supplies the reason; the emptied book supplies the distance. Surprise size matters only through the orders it triggers meeting whatever depth remains. Spot FX has no exchange to suspend anything, and no mechanism exists for news to reprice a pair without a trade.

4. Why can the same 2-pip move matter differently to you and to the fund that caused it?

- a. Pip value scales with position size, so the same move prices differently across sizes
- b. Funds are charged different pip values by the market
- c. It cannot - a pip is worth the same to everyone
- d. Retail platforms round pip values down

Answer: a. A pip's cash value is position size times pip size - £5 a pip on half a lot, thousands a pip on EUR 40m. The market charges nobody differently; the arithmetic does. Nothing is rounded away, and "a pip is a pip" is true of the increment, never of its cash value.