Majors, crosses and exotics

> **MAJORS, CROSSES AND EXOTICS**
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> FX pairs sort into three liquidity classes. Majors pair the US dollar with another heavily traded currency and carry the deepest books and tightest spreads. Crosses pair two major currencies without the dollar, with decent depth and somewhat wider spreads. Exotics pair a major with a thinly traded currency: wide spreads, shallow books, and sharper reactions to their home country's hours and news.

Open your platform's instrument list and dozens of pairs scroll past, all drawn with the same candles at the same sizes. The chart makes them look interchangeable. The book behind each one is not, and the three categories are how the market files that difference.

What sorts a pair into its class?

Flow, from module 1: the operational volume that gives a book its depth. The dollar sits in most of the world's trade and reserves, so dollar pairs against the euro, yen, pound, franc and their peers carry the heaviest flow - those are the majors. Crosses like EUR/GBP pair two heavyweights without the dollar; their flow is real but lighter, and dealers often price them through the two dollar leg, which shows up as a wider spread. Exotics pair a major with a currency the world transacts thinly - their books are shallow at the best of times and near-empty outside their home hours.

On screen, the class reads three ways. Spread: sub-pip on majors in good hours, a few pips on crosses, sometimes dozens on exotics. Movement texture: exotic charts gap and step where major charts flow, because a thin book converts ordinary orders into visible jumps. And hours: every pair breathes with its home sessions from module 1, but exotics practically sleep outside them. The worked example prices the class difference at your own size.

Worked example - figures in USD

You trade one lot of EUR/USD at its usual 0.8 pip spread, against an exotic-class 12 pips. A pip on one lot is worth $10.

1. Cross a deep book: at a 0.8 pip spread on EUR/USD, one lot costs $8 the moment you trade - the class-A price of immediacy, paid whichever direction you deal.
2. Now the same size through an exotic-class spread of 12 pips, priced at this pair's pip value for a like-for-like comparison: $120. Same account, same click, a different order of magnitude.
3. Nothing about the exotic is mispriced - its thin book genuinely costs that much to cross. The category label is the market's shorthand for what the crossing will cost and how the chart will move.

What this means for you

Read the class before you read the chart: it tells you what the spread will cost, how the candles will move, and which hours the pair is actually awake. An exotic chart's dramatic steps are often its book's thinness, not its currency's news - texture you now know how to attribute. None of this ranks the classes: majors, crosses and exotics are different instruments with different costs, and which belongs in front of you is a question about your plan, not a property of the category. The spread tool below prices any class at your own size.

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

Check your understanding

1. What makes a pair a major?

a. The dollar on one side and a heavily traded currency on the other, carrying the deepest flow
b. An official list maintained by regulators
c. Any pair a large broker offers
d. Pairs that move the most pips per day

Answer: a. The category is a description of flow and depth, not a designation: dollar pairs against the most transacted currencies carry the heaviest operational volume. No regulator keeps the list, broker menus include all three classes, and daily range is a different property - some exotics out-travel every major.

2. EUR/GBP contains two heavyweight currencies. Why is its spread usually wider than EUR/USD's?

a. Its direct flow is lighter, and dealers often price it through the two dollar legs
b. The pound is riskier than the dollar
c. Crosses are regulated differently
d. Its pip is larger

Answer: a. Depth follows flow, and the euro-pound corridor carries less direct volume than either currency's dollar pair - so the cross prices wider, often via the legs. Currency riskiness is not the mechanism, no rule distinguishes crosses, and its pip is the standard fourth decimal.

3. An exotic pair's chart shows jumpy, stepping candles while EUR/USD flows smoothly through the same hours. What is the likeliest explanation?

a. A thin book converts ordinary orders into visible jumps
b. The exotic's country has constant breaking news
c. The platform draws exotics differently
d. Manipulation, which concentrates in exotics

Answer: a. Texture is mostly depth: module 1's book mechanics with fewer quotes per level. Constant news would be visible in the calendar, platforms draw every pair with the same renderer, and reaching for manipulation to explain thin-book texture skips the boring mechanism that is actually in the data.

4. Does this lesson's comparison mean exotics are worse instruments than majors?

a. No - they are differently priced instruments, and the fit depends on the trader's plan
b. Yes - higher costs make them objectively worse
c. Yes - professionals avoid them entirely
d. No - the cost difference disappears at small sizes

Answer: a. The lesson prices a difference; it does not rank. Cost is one property among several a plan weighs, plenty of professional flow deals exotics daily - that is why they have books at all - and spread cost scales with size, so smallness dilutes nothing proportionally.