

## Forex Market Overview

### Forex- a commonly used word among traders of currencies. But what exactly is Forex ?

Forex also known as foreign exchange (FX) is a decentralized global markets where all the world's currencies trade. The forex market is the world's largest, most liquid market with \$5.3 trillion dollars traded per day.

There are over 170 different currencies around the world that make up the forex market which runs for 24 hours per day. The US dollar is the most traded currency forming part of almost 90% of trades, followed by Euro (33.4%), the Japanese Yen (23%) and British Pound (11.8%) the fourth most traded currency.

### Going down memory lane

It was the Bretton Woods Agreement (Central Banks maintained fixed exchange rate between their currencies and the dollar) that gave way to forex trading. Prior to that currency speculation among markets were not allowed. From there, the forex market has blossomed to become one of the greatest markets in the world. All the world's combined stock markets don't even come close to the volumes traded in FX.

### What does this mean to traders of currencies?

If you have ever travelled overseas or you are a business person indulged in imports and exports of goods, you have made an FX transaction. The volume of retail forex trading represents about 5.5% of the whole FX market.

The foreign exchange rate between the two currencies is determined based on their demand and supply in the market. Buying or selling a foreign currency against the rupee is calculated using a cross rate of the foreign currency against the dollar (vice-versa) which fluctuates continuously.

As an importer if you think a currency will increase in value, you can exchange your rupee against the currency now to make future payments at a lower cost.

As an exporter if you think a currency will increase in value, you can wait to convert your foreign currency into rupee to get greater returns.

### Main Highlights

USD/MUR started the year at an average rate of 34.30 and as at today stands at 36.59. This most traded pair in the local market was influenced by ongoing US-China trade war and several interventions by the Bank of Mauritius. As at June 2019 the rupee depreciated by 3.4% against the dollar compared to last year.

GBP/MUR also edged up significantly opening at an average rate of 43.05 to hike till 48.15 in December. The rupee has depreciated by 3.5% against the Pound. Swinging on the tunes of Brexit with the dismissal of Theresa May and the appointment of Boris Johnson as the new PM, the GBP/USD pair has been very volatile.

The rupee has depreciated by 2.7% against the euro currently trading at an average rate of 40.57 compared to 38.99 at the beginning of the year. Internationally, the euro weakened significantly during the year following gloomy economic data from the Eurozone.

For this upcoming week, most countries will already be in the festive mood with relatively low level of activity in both the local and international markets.

**On that note, it would be interesting to think that if you spent one dollar every second around the clock, it would take you 31,688 years to spend a trillion dollars. Therefore, to spend \$5.3 Trillion, the daily volume of the forex market, would take you 126,118 years.**

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