MATCHBOOK FX

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24 HOUR 24 TRADING

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About Forex

What is Forex?

Foreign Exchange (Forex) trading is simply the exchanging of one currency for another - Each Forex trade can theoretically be viewed as a 'spread ' trade where to buy one currency you must sell another.

Convention dictates that currencies are measured in units per 1 USD. For example, 1 USD is worth approximately 125 JPY (Japanese Yen) or 1 USD is worth approximately 1.5000 CHF (Swiss Francs). As a result, when USDJPY appreciates in value, it is the USD which has appreciated in value relative to the JPY and not vice-versa. Position-wise, to own or be 'Long' USDJPY means that you are long the USD and concurrently short the JPY. USD, therefore, is the default 'lead' currency.

There are, however, 4 exceptions to the USD based currency pairs. They are EUR (Euro), GBP (British Pound), AUD (Australian Dollar), and NZD (New Zealand dollar or 'Kiwi'). In these cases, the market is measured in terms of amount of USD per 1 EUR, GBP, AUD and NZD and they are the 'lead' currencies.

USDJPY Daily Bar

About the FX Market

The foreign exchange market is not a "market" in the traditional sense. There is no centralized location for trading as there is in futures or stocks. Trading occurs over the telephone and on computer terminals at thousands of locations worldwide. Foreign Exchange is also the world's largest and between the US dollar and the six major currencies (Japanese Yen, Euro, British Pound, Swiss Franc, Canadian Dollar and Australian Dollar)

The FOREX market is so large and is controlled by so many participants that no one player, governments included, can directly control the direction of the market, which is why the FOREX market is the most exciting market in the world. Central banks, private banks, international corporations, money managers and speculators all deal in FOREX trading.

Benefits of Trading Spot FX

1. Liquidity
2. Leverage
3. 24 hours
4. Quantity-traded flexibility
5. Settlement flexibility
6. Never a 'bear' market
7. Free, fair, more open information

1. LIQUIDITY: FOREX investors never have to worry about being "stuck" in a position due to a lack of market interest. In this US$1.5 trillion dollar per day market, major international banks are always willing to provide both a bid (buying) and ask (selling) price. Liquidity is a powerful attraction to any investor as it suggests the freedom to open or close a position at will. Because the market is highly liquid, most trades can be executed at a single market price. This avoids the problem of slippage found in futures and other exchange-traded instruments where only limited quantities can be traded at one time at a given price. The six major currencies (JPY, EUR, CHF, GBP, CAD & AUD) are generally considered to be the most liquid

2. LEVERAGE: FOREX investors are permitted to trade foreign currencies on a highly leveraged basis - up to 25 times their investment in the case of MatchbookFX. An investment of US $10,000 would permit one to trade up to US $400,000 worth of any particular currency.

3. 24 HOURS: A substantial attraction for participants in the FOREX market is that it is open 24 hours per day. An individual can react to news when it breaks, rather than waiting for the opening bell when everyone else has the same information, as is the case in many markets. This may enable market participants to take positions before an important piece of information is fully factored into the exchange rate. High liquidity and 24 hour trading allow market participants to exit or open a new position regardless of the hour.

4. SIZE FLEXIBILITY: MatchbookFX allows greater flexibility with respect to your desired trade quantity. On MatchbookFX, you can trade ANY DESIRED AMOUNT over $25,000 USD, specifically tailored to your needs or risk tolerance. Size or quantity flexibility can be especially useful to corporate treasurers who need to hedge a future cash flow or portfolio managers who need to hedge foreign equity exposure.

5. SETTLEMENT FLEXIBILITY - This concept, a corollary to point # 4, allows you to trade for various settlement dates or 'maturities' out to 1 year further allowing you to tailor your trades or hedges to your specific needs. This feature of trading forex on MatchbookFX differs from futures where settle dates are relegated to 4 'expirations' per year, and can also be quite useful to corporate treasurers and portfolio managers.

6. NEVER A 'BEAR' MARKET: Another advantage of the FOREX market is involves the selling of one currency and the buying of another. If one believes the Swiss franc will appreciate against the dollar, one can sell dollars and buy Swiss francs. Or if one holds the opposite belief, one can buy dollars for Swiss francs. The potential for profit exists as long as there is movement in the exchange rate or price. One side of the pair is always gaining, and provided the investor picks the right side, a potential for profit ALWAYS exists.

7. FREE AND FAIR FLOW OF INFORMATION: Ever notice in the stock market that a certain stock is suddenly down 5% or more but you have absolutely no idea what caused such a quick spike? Usually, it's not until the next morning when you read it in the newspaper that you find out that earnings forecasts have been revised downward; or that an insider at a particular company has resigned; or that some other influential piece of information was released that you were not privy to. Imagine how much money you could have saved had you known this vital information at the same time as all other market 'insiders.' - Or how much you could even have earned in profit by acting in a timely manner… Imagine a market where there is little or no 'inside information' and all pertinent, market-moving news is released publicly to everybody in the world at the same time… Welcome to the foreign exchange market. You may easily access it with MatchbookFX.

Cash FX vs. Currency Futures

As an investor it is important for you to understand the differences between cash FOREX and currency futures.

- In currency futures, the contract size is predetermined. With MatchbookFX (SPOT FX), you may trade any desired amount above $25,000 USD
- The futures market closes at the end of the business day (similar to the stock market) If important data is released overseas while the U.S. futures markets is closed, the next day's opening might sustain large gaps with potential for large losses if the direction of the move is against your position. (Note: Recently, Globex ™ introduced overnight currency trading but liquidity is poor and bid/ask spreads are unduly wide) The Spot forex (MATCHBOOK FX) market runs continuously on a 24-hour basis from 7:00 am New Zealand time Monday morning to 5:00 pm New York Time Friday evening. Dealers in every major FX trading center (Sydney, Tokyo, Hong Kong/Singapore, London, Geneva and New York/Toronto) ensure a smooth transition as liquidity migrates from one time-zone to the next.
- Furthermore, currency futures trade in non-USD denominated currency amounts only whereas in spot forex, an investor can trade either in currency denominations, or in the more conventionally-quoted USD amounts.
- The currency futures pit, even during Regular IMM (International Money Market) hours suffers from sporadic lulls in liquidity and constant price gaps. The spot forex market offers constant liquidity and market depth much more consistently than Futures.
- With IMM futures one is limited in the currency pairs he can trade - Most currency futures are traded only versus the USD - With spotforex, (as with MatchbookFX) one may trade foreign currencies vs. USD or vs. each other on a 'cross' basis as well - ex: EURJPY, GBPJPY, CHFJPY, EURGBP and AUDNZD.

USDCAD Weekly Candlestick

What Influences the Market?

The primary factors that influence exchange rates are the balance of international payments for goods and services, the state of the economy, political developments as well as various other psychological factors. In addition, fundamental economic forces such as inflation and interest rates will constantly influence currency prices.

In addition Central banks sometimes participate in the forex market by buying extremely large sums of one currency for another - this is referred to as Central Bank intervention. Central banks can also influence currency prices by changing their country's short-term interest rate to make it relatively more or less attractive to foreigners.

Any of these broad-based economic conditions can cause sudden and dramatic currency price swings. The fastest moves, however, occur usually when information is released that is unexpected by the market at large. This is a key concept because what drives the currency market in many cases is the anticipation of an economic condition rather than the condition itself.

Activities by professional currency managers, generally on behalf of a pool of funds, have also become a factor moving the market. While professional managers may behave independently and view the market from a unique perspective, most, if not all, are at least aware of important technical chart points in each major currency. As the market approaches major 'support' or 'resistance' levels, price-action becomes more technically oriented and the reactions of many managers are often predictable and similar. These market periods may also result in sudden and dramatic price swings. Traders make decisions on both technical factors and economic fundamentals. Technical traders use charts to identify trading opportunities whereas fundamentalists predict movements in exchange rates by interpreting a wide variety of data, which range from breaking news to economic reports.

Internet Trading

Recently, there has been an explosion of online investment accounts as sophisticated investors realize the advantages of trading over the Internet. Business Week reports that there are three million online investment accounts, up from 1.5 million in 1997. Forrester Research Group estimates there will be 14 million online investment accounts by 2002. The Internet, however, is only a modern medium used to facilitate trading. With MatchbookFX as with many respectable financial institutions, there is always more than one method available to execute trades: Over the Internet, or by

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