

A Project Report on
“PORTFOLIO MANAGEMENT ON INTERNATIONAL
CURRENCY MARKET”

At ‘STARFING Financial Group’, Hyderabad (Telangana)

BY

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2016BBA003

Submitted In Partial Fulfilment for Award of Bachelors in
Business Administration



JK LAKSHMIPAT UNIVERSITY, JAIPUR

Under The Guidance Of

Dr. Sheetal Mundra

2017-2019

DECLARATION

This is to certify that this is a bona fide project report submitted in partial fulfilment of the requirements of BBA program of J.K Lakshmipat University.

The report document titled "**PORTFOLIO MANAGEMENT ON INTERNATIONAL CURRENCY MARKET**" is a submission of the work done by Anushka Sethi with roll number – 2016BBA003

The internship project report has been formally submitted to

Dr. Sheetal Mundra

It has been verified and authenticated by:

(Signature)



Dr. Sheetal Mundra

J.K LAKSHMIPAT UNIVERSITY

To Whomsoever it may concern

This is to certify that ~~Mr~~ / Ms Anusika Sethi student of MBA ~~1st~~ Year, BBA/B.Com ~~2nd~~ (Hons.) Year JK Lakshmipat University, Jaipur has undertaken summer training in our organization from 2nd May, 2018 to 2nd July, 2018 on the Project titled "Analytical Studies on Currencies & Commodities Market" under my guidance. To the best of my knowledge, the study undertaken by him/her is original and is not replicated in any research paper, report or literature.

I wish him/her all success in life.


Signature of the Project Guide

Name of the Project Guide - PRAKASH JAMATIA

Designation - BUSINESS MANAGER

Date: 4th May, 2018

Address of the Company - SANATH NAGAR,
HYDERABAD -

ACKNOWLEDGEMENT

I would like to express my profound gratitude to all those who have been instrumental in the preparation of my project report. To start with, I would like to thank Star Financial Group (Star Fing) for providing me an opportunity to undertake this internship and allowing me to explore this market.

I wish to place on record, my deep sense of gratitude and sincere appreciation to my company guide, Mr. Prakash Jamatia, Business Manager, Star Fing who played a pivotal role in making every concept clear and helping me to understand this field from scratch. He has been a great mentor while advising on the formation of the report.

I am also thankful to Mr. Murali who always has been available as a mentor and a trainer. His quick help and prompt advises have always led me to a step closer in achieving my objective.

I would also like to mention the unconditional help put forth by the entire team of interns and colleagues who have always been eager to constantly teach and learn; and believed in a strong team work.

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They have served as a beacon of light. Their patience and faith in my abilities always boosted my confidence to achieve an extra mile.

I am assured that this internship would prove to be very beneficial for my future assignments and career in the long run.

Anushka Sethi

Roll no: 2016bba003

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EXECUTIVE SUMMARY

This project report is the outcome of the learnings and techniques adopted by Anushka Sethi during 2-month full-time summer internship program with the Star Financial Group, Hyderabad.

Star Fing is a leading global leading and stock Broking Company that enables emerging financial analysts to understand the financial markets and help their clients to promote wealth maximization.

The motivation for this project titled “**POERTFOLIO MANAGEMENT ON INTERNATIONAL CURRENCY MARKET**” is to study the globally traded currencies and commodities and understand all the factors that influences the movement of the currency or the commodity. In a nutshell, knowing about the Technical, Fundamental and Sentimental factors.

Currency market gives a trader an opportunity to trade in major currencies such as EUR/USD, GBP/USD, USD/CHF, USD/JPY, etc. When the value of one currency goes up, the currency against it falls. Owning the said commodity to trade in this market is not necessary. Traders/investors only need to deposit a certain sum of money with brokerage firms in order to serve the margin requirements

It is, a new analysis and a new strategy was to be formed each day by reading several pieces of news, keeping a track of a nation's important person's speeches to observing the technical indicators, and noticing the candle settlements minutely to learn about the past trends.

CHAPTER 1: INTRODUCTION

Currency market is a globally accepted market, by using currency portfolios we can reduce the risk and have a chance to get more returns, to reduce the risk we need to analyse the market and need to know technical and fundamental news.

An emerging and transactional economies a safe foreign currency like US Dollar or the D mark socialises as a medium of discussion alongside the risky domestic currency. This occurrence is frequently called Dollarization besides, there is active domestic currency exchange at well-defined nominal exchange rates. A method that we can be applied in order to maximise profits and at the same time instantaneously minimising the risk factor giving to the portfolios, to describe detailed rules of buying and selling securities. Rules that will be able to forecast exactly the further movements of the market. These formulate the so called trading strategy or system. The most common trading strategies are based on fundamental or technical analysis this work is focused on technical trading strategies that rely on the assumption that historical data can create patterns that repeat themselves in the future.

This study concentrates upon foreign exchange risk and not upon overall corporate risk. As such the analysis conducted here should be viewed as preliminary to an overall analysis of corporate risk for a firm operating in a multicurrency environment. In an analysis of corporate risk the activity of managing foreign exchange risk would be included in a portfolio including all corporate functions with the shares of corporate assets devoted to each activity determined by the expected levels, variances and covariance of returns from each activity. An understanding of the role to be played by portfolio theory in managing foreign exchange risk requires first a careful description of the hedge-no-hedge decision with respect to the forward markets and of the role played by exchange rate forecasts in that decision.

1.2 NEED AND SCOPE OF THE STUDY:

The scope of this research project would be trading in currency market would be easier when we found the ways to reduce risk and maximise the returns to cover different set of important fundamentals given by the chief advisors of a nation. It is important to analyse their statements and what impact would it leave on the purchasing power of their residents, and also how positively they take the new norms introduced.

These amendments strongly affect the value of a currency when compared against the others. Studying about these helps the analysts to judge if that currency is going to favour the bullish market or the bearish market.

Currency movements are always hitting the financial headlines. In the past few months a fall in the US dollar and a recovery in the euro have been recurrent themes. The foreign exchange or forex market is the biggest in the world with daily trading volumes of around 5 trillion. The New York Stock Exchange holds biggest turns over around 200 billion a day. The US dollar is the world's most reserved currency and also on one side of 85% of currency transactions and the most commonly traded currency pair is the dollar against the euro.

The forex market is notoriously volatile, unpredictable and risky, so it is largely the preserve of institutional investors. Large movements in both the short and the long term are common. For instance in the immediate aftermath of the EU referendum last year sterling fell by just over 10% against the dollar. Its value has ranged from near-parity with the greenback in the mid-1980s to over 2 in 2008.

1.3 INDUSTRY AND COMPANY PROFILE:

Company Name : STAR FING (STARFINANCIAL GROUP)

Registered Date : 5/6/17

Category : COMPANY LISTED BY SHARES

Sun Category : Private

Managing Director : SANTOSH

Address : 7-2-4/D, old canteen building, Opposite of SBI Bank,
Industrial

Estate branch back side of Post Office, Sanath Nagar,
Hyderabad

Telephone : +916309748982

E-MAIL : WWW.STARFINGHYDERABAD.COM

BACKGROUND OF THE COMPANY

Star Fing (star financial Group) is one of the leading stock, currency & commodity broking company which is headquartered in India it provides one of the best trading platforms like grand bloom . Grand bloom is the broker for the company.

The company is registered under:

Bombay stock exchange

National stock exchange

Multi commodity exchange

National commodity and derivatives exchange (NCDEX) Securities and exchange board of India (SEBI).

The company will help the investor to learn and how to invest money and make profits from his investments. They teach with you with different indicators and how to use them and to be consistently making profits. In star Fing you will be trading on commodities and currencies.

They believe in training traders and they will offer them very best training, coaching and follow up mentorship available anywhere.

MISSION

Star Fing mission is to provide comprehensive and innovative brokerage solutions backed up by reliable support services at extremely competitive prices to our clients.

VISION

Star Fing vision is to remove 'complexity' out of the 'trading equation'. They also envision becoming one of the leading financial service providers in the country.

FEAUTURES OF THE COMPANY

- Competitive rates and Flexible plans

With a view to make bulk trading cost-effective, we have strategically planned our pricing our pricing with no commission charges so that our customers benefit immensely without having to worry about excessive brokerage fees. We also offer personalized pricing plans to suit individual trader preferences. Therefore, with fortune, customers not only get rates at competitive prices, but also get the option to avail customized rate plans to suit their trading styles and requirements.

- Unlimited leverage and unlimited trading

We offer customized aggressive plans that allow substantial leverage for our customers through the benefit incurred by our cost-effective business model.

- 24/7 services provided to clients

SERVICES

Advisory Services :

Training & Education

StarFing focuses on training and educating individuals about financial market and to sharpen their skills to participate in the financial world. Star Fing came alive with the intention to provide support and guidance to new comers of the trading world, with knowledge and years of experience in trading they have customized the training program and made it simple for everyone to understand the financial market.

These courses offer a complete education and training experience focus on trading fundamentals technical analysis, risk management. Star Fing has simple aim to provide knowledge for the investors where to invest and to gain profits on their investment.

SERVICES OFFERD BY THE STAR FING

FINANCIAL SERVICES

- Financial planning

Financial planning is all about considering current and future needs of an individual and the individuals risk profile and income to create a road map to meet the anticipated needs.

- Investment planning

Placing of funds into the proper investment is based on the investors future goals, and priorities. This also considers safety of the investment as well as and level of liquidity return the proper investment planning will allow the investor funds to produce financial rewards over time.

- Risk Management

Risk management is the continuous process to identify, analyze, evaluate, and treat loss exposures risk control to mitigate the adverse effects of loss. While a variety different strategy can eliminate risk, the process of identifying and managing the risk is standard first, identifying threats or risks.

- Risk control

1. They try to avoid certain activities which causes losses
2. They try to reduce risk as much as possible that would create incontinence to investor.
3. They have a method called trailing stop use to minimize risk.

- Approach

The clients benefit always comes first. Experience has taught us that customer is the key to success. To be successful one must understand the risks and objectivise of each client and guide them.

- Franchisee services

Starfing also provide an opportunity to grow the business and take the financial markets by storm. They offer a franchise of their broking business arm in collaboration with familiar brokers. They are providing comprehensive and innovative brokerage solution backed up by reliable support services at extremely competitive prices to their clients.

Trading software

Trading platform

Trading executives to address all clients concerns

- Other services

Real estate & insurance

2.1 OBJECTIVES OF THE STUDY:

- 1) To learn the fundamentals of forex market.**
- 2) To study the technical and fundamental tools.**
- 3) To analyze the currency market and its functioning.**

3.1 RESEARCH METHODOLOGY OF THE STUDY:

- Type of study:- Descriptive Study
- Area of study:- Capital Market
- Unit of Study:- StarFing, Hyderabad
- Tools used for analysis:- Graphs, Formulas
- Sources of Data Collection:-
-Secondary Data: www.starfing.com

This project is based on secondary data. The data is collected from GrandBloom, metaTrader 5 of last 5 years. The study mainly depends upon the published secondary data and research papers in international journals.

4.1) DATA ANALYSIS

SECTION 'A'

Before a trader starts to trade in this market, it is very important for them to know about the technical terminologies and fundamental terminologies that are widely used across the globe. This helps them to understand the international currencies and commodities market better. The value of our investments is significantly impacted by changes in global currency exchange rates. It's important for investors to consider the dramatic influence that the foreign exchange market has on the stocks they own.

Investors have currency exposure because of the transaction risk faced by companies involved in international trade. This is the risk that currency exchange rates will change after financial obligations have already been entered into. The currency exposure of an asset, such as stocks, is the sensitivity of that asset's return, measured in the investor's domestic currency, to fluctuations in exchange rates.

Investors, as owners of companies and assets, have currency exposure through exchange rate fluctuations. With an understanding of this exposure, investors should know how these factors could affect the performance of the assets in their portfolio

1) Base/Quote currency

This is how a currency is called when they are written in pairs. For example, when the pair GBP/USD is seen, we would call GBP the base currency and USD the quote or the counter currency. Similarly, when we see the pair USD/CAD, we would call USD the base currency and CAD the quote or the counter currency.

2) Pip

Point in percentage (PIP), also known as basis points is the smallest measure of change in the price of a currency. For example, the buying price of AUD/USD is 0.74562. When the price moves from 56 to 60, then it means that there has been a movement of 4 pips. Similarly, when the number in numerator moves from 2 to 6, it means there was a movement of 4 pipets in the currency.

3) Spread

Spread is the difference between the bid and ask price of a currency. When a trader wants to buy a currency, he is going to hit the bid/buy side which is placed just after the ask/sell price.

4) Currency portfolio

A portfolio is a grouping of financial assets such as stocks, bonds, commodities, currencies and cash equivalents, as well as their fund counterparts, including mutual, exchange-traded and closed funds. Portfolios are held directly by investors and/or managed by financial professionals and money managers.

5) Hedging

This is the ability of an investor/trader to hold their buy position and sell position together. This is usually done when a trader feels that either of his call is not working and hence to compensate for the losses, he takes the opposite call immediately.

6) Lots

This is the size of the order a trader punches at the time of taking calls. In layman's terms it could also be called the number of units. For example, for someone who has an account with good balance and can take greater risks than the others, would punch a standard lot size of 1, 2 and so on. In 1 standard lot, with every movement of pips in currencies, it would benefit the trader with \$10 if the market is moving in his favour. Whereas 1 standard lot gives the trader \$10 with each pip favourable movement in gold. However, for someone who punches mini lot such as 0.1, 0.2 etc, gets \$1 for 1 pip movement in his favour (currency) and \$10 for 1 pip favourable movement (gold).

7) Swap/Rollover charges

When a trader holds her position in the market for more than one trading day, they either have to pay these charges or receive these, in the form of interest. This solely depends on the currency pairs for which the position is held by the trader.

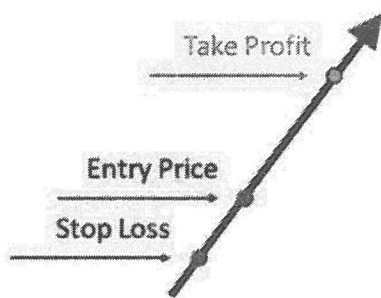
8) Going long

This denotes purchasing or buying a security, stock, commodity or a currency whilst expecting it to rise in the near future

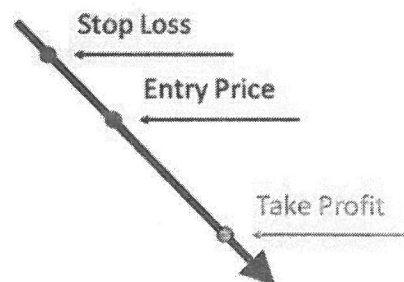
Buy when you expect the price will go up.

Sell when you expect the price will go down.

LONG = BUY



SHORT = SELL



9) Going short

This denotes selling of a security, stock, commodity or a currency whilst expecting it to see a downfall in the near future

9) Leverage

It denotes the virtual credit given to the client by the company. For example, 1:100 leverage means that the initial margin for the client will be 100 times less than the transaction size.

10) Margin

It denotes the amount of funds required to maintain the open positions, as determined in the contract specifications for each instrument.

After knowing what each term denotes and knowing the overview of this market, a trader then has to explore the market conditions in which it is presently operating. Then they have to get the knack of the analysis.

Upon analysing the various fundamental news of a country, a trader can clearly see how the value of the currency gets affected in the international market when compared with wide range of currencies being traded. This said news helps an analyst to speculate the flow of the currency and accordingly take a buy or sell call. Along with the currencies, an analyst can view the gold bullion market internationally and know about its prevailing market price across the globe. Gold no longer is just an asset to be held physically.

It can also be traded just like how currencies are. Even gold is a two-way market and its movement (bullish or bearish) helps the trader to maximize their wealth. Gold faces usually more volatility than the currencies as the rewards associated are higher comparatively.

This volatility can be observed when the Asian markets open. Foreign Exchange market is gaining popularity now in India after having itself established internationally. With diverse investment capacities in a country like India, Indians want an assured investment with higher returns when compared to the prevailing market rate.

Introducing the concept of Global as an investment showcases their acceptance and attitude towards considering Global as a stable investment option. When the prospective clients learn about the risks associated, they are assured that the analysts do not take risk but take 'calculated risk'. There are several risk mitigation strategies that were introduced at the beginning of the report. However, one should know about the exact mechanisms developed behind these.

To get accustomed to the sure shot way of successful trading, traders usually debate amongst themselves as to which form of analysis is better. However, some fail to realize that all 3 of them hold equal importance and impact in the foreign exchange market.

Section 'B'

This commodity market analysis is done by using various technical indicators. Technical analysis is the scope of a framework within which the global traders learn about the price movements with the help of few indicators on the candlestick patterns. These indicators shall be explained in detail below. However, knowing about the basics of the technical analysis, a trader needs to be observe the movements in prices in the past, judge the current trading conditions and determine how much the potential price movement could be. If one observes the historic movements, they would witness how the market information (theory) has been affecting the price movements. And once, a trader has these levels, he could easily take a call based on the saying "history repeats itself". If a trader finds that there is a price that is acting as a strong support (below which the currency doesn't fall) then she would logically keep an order for that price expecting the market to be bullish once it touches the support price. The same applies for resistance levels. A resistance point is the one wherein the currency finds it difficult to break that point and go further above. A trader would hence take a sell call from this resistance point. This is known as following the historic patterns. The traders would then build their strategies around these prices in order to get a successful trade.

The following are the technical indicators that help us to predict the market :

1. Ichimoku Kinko Hyo
2. Bollinger Bands
3. RSI
4. Pivot Points Calculation
5. Fibonacci Retracement

Amongst all indicators mentioned above, RSI proves to be the most accurate and useful indicator in order to analyze the movement of currency market.

Relative Strength Index:

The RSI is an indicator of the momentum. It was developed by an esteemed technical analyst Welles Wilder. He was mainly focused on comparing the magnitude that is the intense effect of the most recent wins and losses over a certain period of time to calculate the speed along with the changes in the price movements of an asset (currency/commodity). It is primarily aimed at identifying the overbought and oversold situation. The most commonly used levels are 70 and 30.

An overbought situation is the one wherein a currency or the commodity is overly bought. Because of which the price of the asset is higher than expected. The RSI trend line goes beyond 70. Once this situation occurs – it means that the underlying asset is expected to fall. Hence, this is a signal for the upcoming trend reversal.

An oversold situation is the one wherein a currency or the



Strength Index:

$$RSI = 100 - 100 / (1 + RS)$$

Here, RS is the average gain of the bullish period during a certain frame of time (divided by) average loss of the bearish period during a certain frame of time.

The RSI helps a speculator with the relative evaluation of how strong the security's recent price performance is. This, thus, makes it a momentum indicator. RSI's values range from 0 to 100. The most used time frames for comparison is 14 trading days.

The very first calculations for average gain and average loss are simple 14-period averages.

First Average Gain = Sum of Gains over the past 14 periods / 14. First
Average Loss = Sum of Losses over the past 14 periods / 14

The second, and subsequent, calculations are based on the prior averages and the current gain loss:

Average Gain = [(previous Average Gain) x 13 + current Gain] / 14.

Average Loss = [(previous Average Loss) x 13 + current Loss] / 14.

5.1 OBSERVATIONS & CONCLUSION

1) Forex trading is very profitable and also can be very risky, but there are various foreign exchange risk management strategies, that can be used to limit risk and financial exposure.

2) According to the Bank for International Settlements as of April 2010, average daily turnover in global foreign exchange markets is estimated at \$3.98 trillion

The \$3.98 trillion breakdown is as follows:-

- i) \$1.490 trillion in spot transactions
- ii) \$475 billion in outright forwards
- iii) \$1.765 trillion in foreign exchange swaps
- iv) \$43 billion currency swaps
- v) \$207 billion in options and other products

6.1 Learnings

- 1) I learnt about the working environment of the corporate world.
- 2) I gathered skills to communicate effectively in formal environment.
- 3) I was trained to trade in currency market smartly.
- 4) This internship made me learn how to handle clients.
- 4) I am able to take decisions regarding investments.

7.1 References

www.babypips.com

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www.investing.com

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