

A Project Report on
“Fundamental Analysis on International Currency market”

At

StarFing

Submitted In partial fulfillment for the award of
BACHELORS IN BUSINESS ADMINISTRATION

BY

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ROLL NO: 2016BBA008



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ACKNOWLEDGEMENT

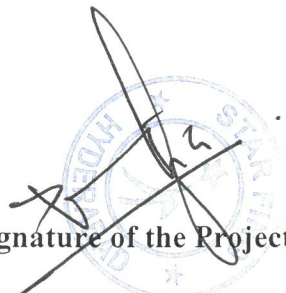
I would like to extend my sincere thank towards PRAKASH JAMATIA, my company guide in Hyderabad for helping me to understand the various concepts and process of Trading in Currency Markets. I am also grateful to Murali Mohan, Manager at Star Fing for taking out his valuable time to make me understand the trading platforms.

I would also like to thank J.K Lakshmipat University for giving me a platform to polish my skills and accomplish better in the future.

To Whomsoever it may concern

This is to certify that Mr / ~~Ms~~ Ishu Jain 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 "Fundamental Studies on Currencies 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: 7th May, 2018

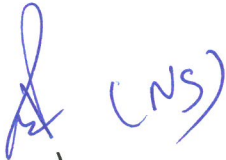
Address of the Company - SANATH NAGAR,
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AUTHORIZATION

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

The report document titled "Fundamental Analysis on International Currency Market" is a submission of the work done by Ishan Jain with roll number : 2016bba008

It has been verified and authenticated by:



(signature)

Dr. Punam Mishra

J.K Lakshmipat University

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EXECUTIVE SUMMARY

I was working as financial analysts in StarFing Company which basically deals in currency market, NSE, BSE, MCDX, NCX etc. We have to analyze the market and forecast the future trends. This project helped me to know about currency market.

It helps to understand the factors influencing the market and what are the significant tools we can use to make predictions. As there is lot of risk involved in the market this knowledge will definitely help us to reduce risk.

Currency market is a market where pair of currencies is traded in the platform. The major currencies are USD, AUD, JPY, NZD, CAD, EUR, GBP, CHF etc. When the value of one currency goes up, other currency's value goes down. Technical analysis is currency market in which we have to see or observe the trend is whether uptrend or downtrend. So, if the trend is upward we have to go for buy and vice-versa.

INTRODUCTION TO THE TOPIC

“TECHNICAL ANALYSIS ON AUD/USD (International currency market)”

OVERVIEW OF INTERNATIONAL CURRENCY MARKET

The International currency market is a global world-wide decentralized market where participants from all around the world can buy and sell different currencies. The currency market is also known as Foreign Currency market or Forex market. The international Currency market is the largest financial markets in the world, with an average daily trading volume of \$7.2trillion. The Foreign market was created to facilitate the buying of one currency by selling other currency. For example for buying 1 dollar of United States, you have to give 68 INR.

This market is unique because of:-

- There is no commission in this market. No clearing charges, no exchange fees, no government fees are being paid
- It is a 24 hour market (continuous). There is no waiting for the opening of the market, you can trade anytime.
- The Forex market is so huge that no single entity can do any kind of manipulation with the market prices.
- The variety of factors that affects the exchange rates
- The Forex market has high liquidity.
- There are no middlemen in this market, so the trader gets an opportunity of trading directly with the market.

HISTORY OF AUSTRALIAN DOLLAR(AUD)

AUD (Australian Dollar) is the currency abbreviation for the Australian dollar (AUD), the currency for the Commonwealth of Australia. The Australian dollar is made up of 100 cents and is often presented with the symbol \$, A\$, or AU\$. The Australian dollar is also the currency for Pacific Island states of Nauru, Tuvalu and Kiribati. The Australian dollar was first seen on February 14, 1966, when it replaced the Australian pound.

As of 2016, the Australian dollar ranked as the fifth most traded currency in the world, according to worldwide foreign exchange transactions, accounting for approximately 6.9% of trade.

MONETARY AND FISCAL POLICY

The **RESERVE BANK OF AUSTRALIA** (RBA) is the main governing body of Australia when it comes to monetary and fiscal policy. The RBA's aim is three-fold:

1. Keep exchange rates stable
2. Ensure growth
3. Maintain full employment

The bank believes that the country's annual inflation rate must be kept within 2-3%. By keeping a tight rein on inflation, the value of their domestic currency is secured, which will eventually lead to sustainable economic growth.

PURPOSE OF THE STUDY

Technical analysis is the framework in which forex traders study price movement. A person can use the technical theory by analysis at historical price movements and determine the current trading conditions and potential price movement.

Technical analysis involves the uses of charts as a tool to identify patterns or trends in a currency market.

OBJECTIVES OF THE STUDY

- To analyze the performance of AUD/USD
- To study the performance of AUD/USD in terms of currency
- To analyze the future option of buy or sell

CHAPTER-2

THEORITICAL BACKGROUND

What is Forex?

Forex is the largest financial market in the world with an estimated \$5-7 trillion in currencies traded daily. To grasp the vast size of the volume in this market, it would take the (NYSE) New York Stock Exchange at least three months to reach the amount traded in one day on the Forex market. One of the reasons for this vast volume is that unlike other financial markets, forex is not tied to an actual stock exchange, it is an over the over the contract (OTC) market. Also, this is a 24 hour market, meaning there is

no closing time or opening time and individuals/institutions can trade the whole day if they wanted to.

The major currencies which are deal in the forex market are:-

SYMBOL	COUNTRY	CURRENCY	NICKNAME
USD	United States	Dollar	Buck
EUR	Eurozone	Euro	Fiber
JPY	Japan	Yen	Yen
GBP	Great Britain	Pound	Cable
CHF	Switzerland	Franc	Swiss
CAD	Canada	Dollar	Loonie
AUD	Australia	Dollar	Aussie
NZD	New Zealand	Dollar	Kiwi

THE TIMINGS OF THE FOREIGN EXCHANGE MARKET

GOOD TIME TO TRADE

In foreign exchange market the best time is to trade when the market is overlapping with the other market

- 5:30AM -12:30PM ASIA MARKET
- 12:30PM-6:30PM EURO MARKET & GBP
- 6:30PM -8:30PM EUR, GBP, USA
- 8:30AM-9:30PM GBP, USA
- 9:30PM-1:30AM USA
- 2:30AM-4:30AM NORTH AMERICA

Trading terms:-

For a better understanding of the Forex market a brief explanation on the most commonly used terms in this market are given below:

Base/quote Currency- For example, if the currency pair is EUR/USD, the Euro would be the base currency and the US dollar would be the quote currency.

Pips: Generally, pip is the fourth decimal place of the currency. But in Jpy like currency it is the 2nd decimal place.

Pipette: Pipette is the fifth decimal place in the currency exchange market

Spread: The spread is the difference between the bid and ask prices.

Lot: Standard unit of a transaction

1. Micro – 0.01 to 0.09 (1000 units of base currency)
2. Mini – 0.1 to 0.9 (10,000 units of base currency)
3. Standard – 1 to infinite (1, 00,000 units of base currency)

Bid: Denotes the lower price in the Quote at which “Sell” order can be placed.

Ask: Denotes the higher price in the Quote at which “Buy” order can be placed.

Leverage: Denotes the virtual credit given to the Client by the Company (i.e., the broking house). For example, 1:100 leverage means that the initial investment of the Client will be 100 times less than the transaction size

Downtrend: Represents a “Bearish” Market which means the Prices are going down.

Uptrend: Represents a “Bullish” Market which means the Prices are going up

Margin: It is the amount which our present Equity in the running transaction

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Long Position: Denotes a buy order that is buying the base currency against the quote currency.

Short Position: Denotes a sell order that is selling the base currency against the quote currency.

Open Position: Denotes a Long Position or Short Position which is not yet closed

TYPE OF PARTICIPANTS:

- Banks-
Generally the biggest counter parties in trading as they trade on the back of their own proprietary trading accounts, corporations, funds and governments.
- Commercial companies-
These are the type of companies that are exposed to foreign exchange in the paying or selling of their goods or services coming in from abroad. Foreign exchange will be used by them for either hedging or settlement of trading balances.
- Central banks-
These are major contributors to the forex market. They use tools such as interest rates and fiscal policy to control inflation, money supply and the value of their currency. They can attempt to stabilize the market using their own reserves. When trying to manipulate the markets they are limited by their own reserves and fear of going bankrupt.
- Hedge funds and speculators-
A common statistic is that 70%-90% of all forex transactions are speculative; meaning the only reason the currency is bought or sold is to create a profit from the price fluctuations. Hedge funds play a massive role using the power of leveraging. Big hedge funds are able to overwhelm central banks when they are attempting to intervene in the market.

- Investment Management firms-
These are generally smaller participants. They invest money into markets from around the world and will require currency to purchase foreign assets. They are the type of institutional investor that invests on the behalf of others, such as pension funds.
- Others players-
Retail forex brokers, non-banking companies (offering forex to private individuals and companies) and money transfer/remittance companies.

MAJOR CURRENCIES:

- US DOLLAR(USD)-
The US dollar refers to be the supreme currency over all other currencies of the world. The price of the majority of traded commodities such as oil is quoted in US dollars and the US dollar represents over 60% of the world currency reserves (the currency held by the central banks). Combining this with the fact that the US economy is by far the largest economy in the world results in a market where over 80% of all currency transactions involve the US dollar.
- The EURO(EUR)-
Introduced in 1999 as part of an overall plan to unify Europe into something known as the European Union. The differing laws and currencies of the European countries were making them less competitive in the global market place. To try and fix this problem and create one entity with a common set of laws and a common currency, 15 countries joined what is now referred to as European Union and 12 of those countries adopted the Euro as their common currency.
- Japanese Yen(JPY)-
Japan, which is the second largest individual economy in the world, has the third most actively traded currency. After experiencing impressive growth in the 60's, 70's and early 80's Japan's economy began to stagnate in the late 1980's and has yet to fully recover. To try and stimulate economic growth, the central bank of japan has kept

interest rates close to zero. It is also important to understand at this stage that Japan is a country with few natural energy resources and an export oriented economy, so it relies heavily on energy imports and international trade.

- British Pound(GBP)-

While the United Kingdom is a member of the European Union, it was one of the three countries that opted out of joining the European monetary policy which is made up of the 12 countries that did adopt the Euro. The UK's currency is known as the pound sterling and is a well-respected currency of the world because of the Central bank's reputation for sound monetary policy.

- Swiss Franc(CHF)-

While Switzerland is not one of the major economies of the world, the country is known for its sound banking system and Swiss bank accounts, which are basically famous for banking confidentially. This, combined with the country's history of remaining neutral in times of war, makes the Swiss Franc a safe haven currency, or one which attracts capital flows during times of uncertainty.

- Australian Dollar(AUD)-

"The Aussie" is heavily dependent upon the price of gold as the Australian economy is the world's 3rd largest producer of gold. As of this lesson interest rates in Australia are also among the highest in the industrialized world; creating significant demand for Australian dollars from speculators looking to profit from the high yield currency.

- Canadian Dollar(CAD)-

"The Loony", like its commodity currency brothers, the Canadian economy and therefore the currency is also heavily linked to what happens with commodity prices. Canada is the 5th largest producer of gold and while only 14th largest producer of oil. It is also the largest foreign supplier of oil to the United States. Its relationship with the

US does not end here either as the country exports over 80% of its goods to the United States, making the economy and currency very susceptible to what happens not only with commodity prices, but to the overall health of the US economy as well.

- **New Zealand Dollar(NZD)-**
“The Kiwi” is heavily dependent on commodity prices, with commodities representing over 40% of the country’s total exports. The economy is also heavily dependent on Australia who is the largest trading partner. Like Australia, as of this lesson New Zealand also has one of the highest interest rates in the industrialized world, creating significant demand from speculators in this case as well.

Types of forex orders:-

1. Market execution
2. Pending orders

- **Market Execution**

It is placing the orders at that moment only the traders will be entering at the current market and they exit when they get desired profits.

- **Pending orders-** There are four types of pending orders

1. Buy Limit – an order to open a Buy position if Ask price becomes lower or equal to the order price. The current price at the moment of placing an order is higher than the Buy Limit order price.

2. Buy Stop – an order to open a Buy position if Ask price becomes higher or equal to the order price. The current price at the moment of placing an order is lower than the Buy Stop order price.

3. Sell Limit – an order to open a Sell position if Bid price becomes higher or equal to the order price. The current price at the moment of placing an order is lower than the Sell Limit order price.

4. Sell Stop – an order to open a Sell position if Bid price becomes lower or equal to the order price. The current price at the moment of placing an order is higher than the Sell Stop order price.

Stop Loss – An order to close and open position at a certain price in case the position generates losses.

Take Profit – An order to close an open position at a certain price in case the position generates profits

Chapter-3

COMPANY PROFILE

Company Name : STARFING (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

StarFing (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 StarFing 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

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

VISION

StarFing 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

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CHAPTER-4

DATA ANALYSIS

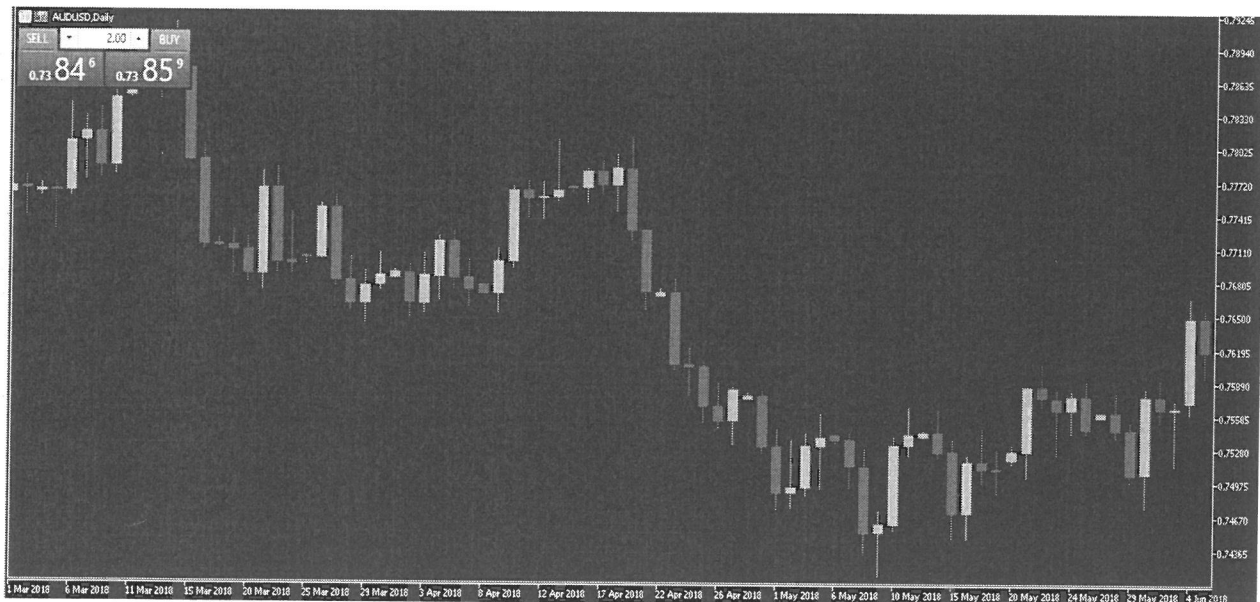
Technical analysis considers various factors for prediction of trends. It includes different technical tools for analyzing trends.

Technical tools-

- Moving average
- Relative strength index
- Pivot points

We are considering the data of past 3 months for the currency pair AUD/USD.

Graph 1.1: Graphical presentation of AUD/USD from 1st march2018 to 31st may 2018



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Moving Average-

A moving average is simply a way to smooth out price action over time.

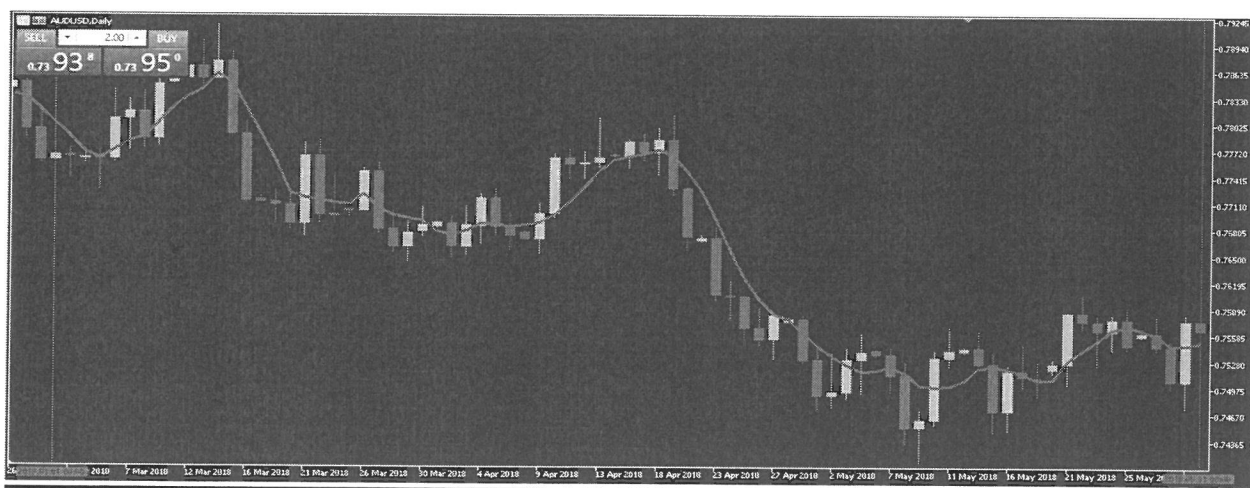
As per Moving Average, when the candlesticks are above the line which predicts that the trend is upward i.e. bullish market. And when the candlesticks are below the line which predicts that the trend is downward i.e. bearish market.

To have a correct analysis, we have to wait for the second candlestick to form. So, when the second candlestick is formed which gives a clear indication of the following trend.

When the line crosses the candle stick from below or above which indicates that there will be a trend reversal which means that if the trend is upward then the next trend will be downward i.e. trend reversal.

Here in this case we are using red line which is an average of 5 candlesticks which helps in giving an early prediction.

Graph 1.2: Graphical representation of moving average



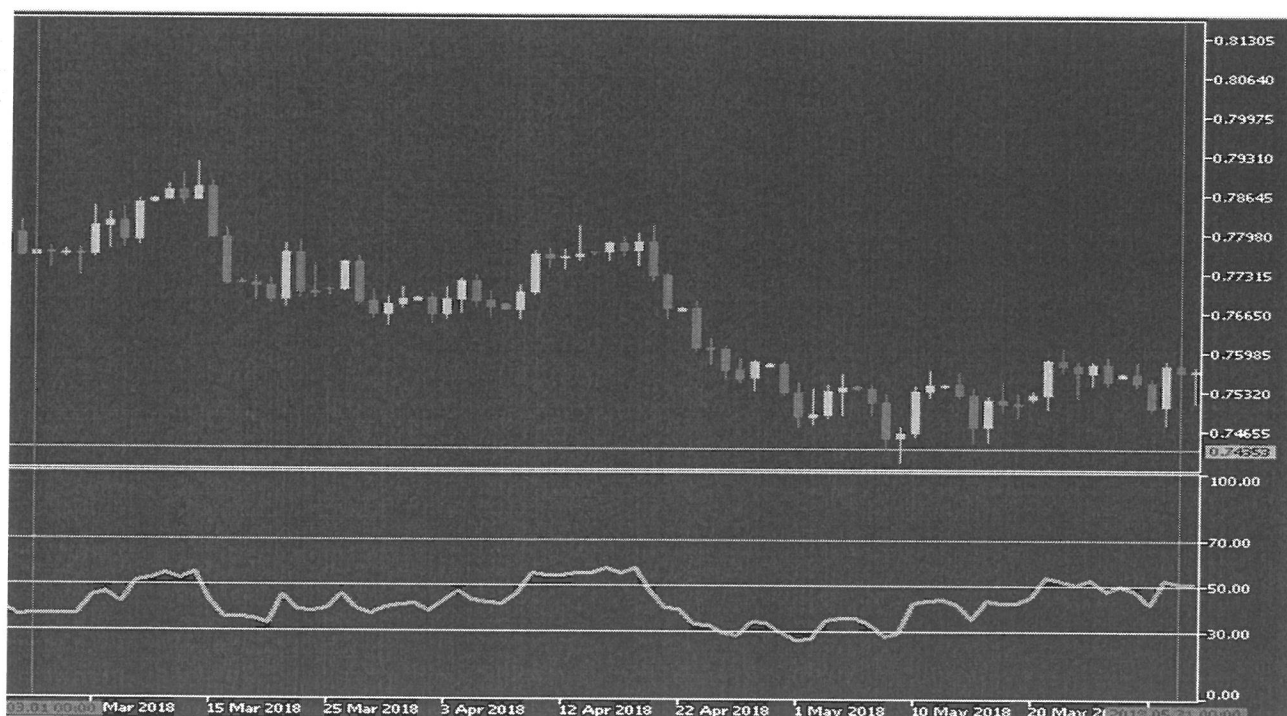
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Relative strength Index:

Relative Strength Index, sometimes shortened to RSI, is a price oscillator used in technical analysis to show changes in the strength of prices. The Relative Strength Index is considered a popular tool and is a relatively easy one to interpret.

Relative Strength Index is to look for an area on the graph that shows a divergence away from the current trend, in particular seeking an area of divergence in which the currency price seems to be aiming to create a new high, but where the Relative Strength Index has as yet failed to reach a level on par with its previous price high.

Graph 1.3: Graphical representation of relative strength index

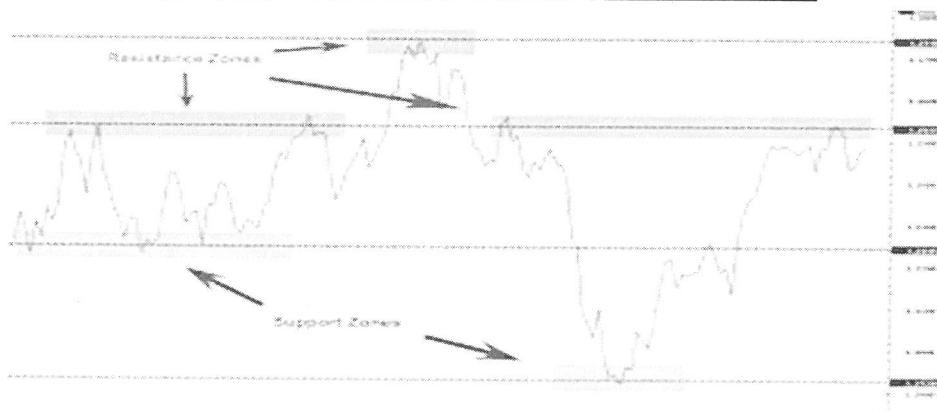


Pivot Point:

Pivot point helps to know the strong support and resistance for the candlesticks. When there will be a strong support usually the traders go for “Buy” call because the trend will be upwards. And when there is a strong resistance then the trader go for “Sell” call because there will be strong resistance for which price will fall.

If the candlesticks break the support and resistance then the trend will be reversal. In case of support if the candlesticks will be in downtrend because the candle have broken the support line so the trader will go for “Sell stop” and same in case of breakage of resistance line the trader will go for “Buy stop”.

Graph 1.4: Graphical representation of support and resistance



For calculation of Pivot point:

Table 1.1: weekly performance of AUD/USD

Date	Open	High	Low	Close
25-02-2018	0.78387	0.78931	0.77123	0.77627
04-03-2018	0.77606	0.78538	0.77255	0.78468
11-03-2018	0.78496	0.79163	0.77096	0.77132
18-03-2018	0.77142	0.77845	0.76721	0.76960
25-03-2018	0.77022	0.77575	0.76428	0.76857
01-04-2018	0.76838	0.77261	0.76470	0.76730
08-04-2018	0.76772	0.78097	0.76520	0.77631
15 -04-2018	0.77669	0.78126	0.76551	0.76713

[Type text]

22-04-2018	0.76676	0.76826	0.75319	0.75818
29-04-2018	0.75740	0.75820	0.74724	0.75387
06-05-2018	0.75406	0.75669	0.74123	0.75413
13-05-2018	0.75396	0.75650	0.74472	0.75096
20-05-2018	0.75192	0.76053	0.75026	0.75475
27-05-2018	0.75578	0.75931	0.74761	0.75662

By using the open, high, low and close prices of candles which are within the duration of 3 months. We need to calculate the respective pivot point, support and resistance point. Here we are considering weekly candle to calculate the pivot points, support and resistance points.

Table 1.2: Respective support and resistance for each week

DATE	PIVOTPOINT	R1	R2	R3	S1	S2	S3
25-02-2018	0.7789	0.7866	0.7970	0.8047	0.7686	0.7609	0.7505
04-03-2018	0.7809	0.7892	0.7937	0.8020	0.7764	0.7680	0.7635
11-03-2018	0.7780	0.7850	0.7986	0.8057	0.7643	0.7573	0.7436
18-03-2018	0.7718	0.7763	0.7830	0.7875	0.7651	0.7605	0.7538
25-03-2018	0.7695	0.7748	0.7810	0.7863	0.7633	0.7581	0.7518
01-04-2018	0.7682	0.7717	0.7761	0.7796	0.7638	0.7603	0.7559
08-04-2018	0.7742	0.7831	0.7899	0.7989	0.7674	0.7584	0.7516
15-04-2018	0.7713	0.7771	0.7871	0.7928	0.7613	0.7556	0.7456
22-04-2018	0.7599	0.7666	0.7749	0.7816	0.7515	0.7448	0.7364
29-04-2018	0.7531	0.7590	0.7641	0.7699	0.7480	0.7421	0.7370
06-05-2018	0.7507	0.7601	0.7661	0.7756	0.7447	0.7352	0.7292
13-05-2018	0.7507	0.7567	0.7625	0.7685	0.7450	0.7389	0.7332
20-05-2018	0.7552	0.7601	0.7655	0.7704	0.7498	0.7449	0.7396
27-05-2018	0.7545	0.7614	0.7662	0.7731	0.7497	0.7428	0.7380

R1- Resistance 1, R2- Resistance 2 and R3- Resistance 3

S1- Support 1, S2- Support 2 and S3- Support 3

Pivot point= (high point+ low point+ close point)/3

R1= (2*pivot point) – low point

[Type text]

$$R2 = \text{Pivot point} + (R1 - S1)$$

$$R3 = \text{High point} + 2 * (\text{pivot point} - \text{low point})$$

$$S1 = (2 * \text{pivot point}) - \text{high point}$$

$$S2 = \text{pivot point} - (R1 - S1)$$

$$S3 = \text{Low point} - 2 * (\text{high point} - \text{pivot point})$$

Data analysis:

- Buy call at a price of 0.75790 as the price of last candle is 0.75665. So as per the analysis market is going to increase which will form a bullish market.
- If we take a call at a price of 0.75665 we can earn profit till the market turn to be reversal as per the technical indicators.

Conclusion and References

Findings:

1. There is a positive correlation between both the market traders can easily predict the future prices of the commodities and hedge their positions.
2. For gold prices fluctuations main reasons are:
 - A) Dollar depreciation/ Appreciation
 - B) World Distress
 - C) Increase in money supply
 - D) Inflation
3. The investors expect that the brokers should provide them the genuine information regarding the market.
4. Most of the investors says that commodity market is risky market for the investment.

5. Another most important factors that impact on Gold prices Export- Import data of commodities issued by government, if buyers are standing less than the suppliers, red, government policies like Monetary and Fiscal policy, interest rate issued by RBI and Foreign rate effects to commodity price.

Conclusion:

- The currency markets are the largest and most actively traded financial markets in the world with daily trading volume of more than \$5.1 trillion (Triennial Central Bank Survey 2016).
- Each transaction in the currency market involves two different trades: the sale of one currency and the purchase of another.
- As the world's reserve currency, the U.S. dollar is the most actively traded currency; pairs involving the dollar make up 87.6% of transactions.
- Most currency trading strategies fall into two broad categories: hedging and speculating.
- To avoid possible loss from fluctuating currencies, companies can hedge, or protect themselves, by trading currency pairs.

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www.babypips.com
www.forexfactory.com
www.investing.com
www.scribd.com
www.ssrn.com
www.slideshare.net