What is Foreign Exchange?

DEFINING FOREIGN EXCHANGE

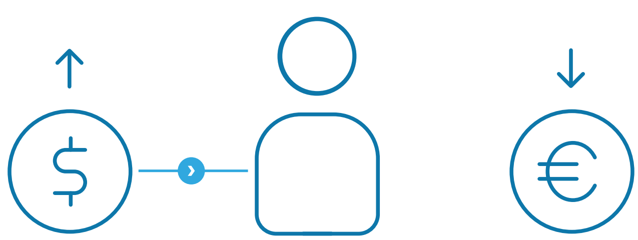
The foreign exchange market, also known as the Forex Market or simply FX, is the global market for trading currencies. At its most basic level, FX trading involves the buying and selling of currencies with the goal of either generating a profit or reducing risk in a portfolio. Each individual trade involves a pair of currencies and an exchange rate, which is the price at which one currency will be exchanged for the other.

FOREIGN EXCHANGE TRADING INSTRUMENTS

SPOT	FORWARDS	FUTURES	SWAPS	OPTIONS
Spot transactions involve the purchase or sale of a currency for instant delivery on a specified date.	A negotiated contract between two parties to exchange a pair of currencies at an agreed upon rate at a specific time in the future.	A standardized contract between two parties to exchange a pair of currencies at a specific rate and time in the future.	A negotiated transaction where two parties exchange principal and interest payments in different currencies for a specified period.	A standardized contract that gives the buyer the right to exchange a certain currency at a specific exchange rate on or before a certain date.

HYPOTHETICAL FX TRADE

An FX trader believes the U.S. economy is going to grow faster than consensus expectations and that the Federal Reserve will raise interest rates to counter the resulting inflation. Meanwhile, economic activity in the eurozone is likely to meet or fall below expectations. With these assumptions, an FX trader buys the U.S. dollar against the Euro, anticipating that better-than-expected growth and the potential for higher interest rates will lift the value of the U.S. dollar relative to the Euro.



BENEFITS

- Hedge or reduce short-term and/or unwanted portfolio exposures
- Diversify current portfolio exposures
- Create exposure to a different asset class for the potential to enhance returns

KEY RISK CONSIDERATIONS

Key risk considerations may include, but are not limited to, the following:

- **Loss of Capital:** The loss of capital may be greater than the amount initially invested.
- **Complex Securities:** FX instruments require specialized knowledge or expertise given the complexity involved and the number of factors affecting a trade.
- **Country Risk:** The general structure and stability of the issuing country will impact the underlying exchange rate.
- **Counterparty Risk:** The probablity that one party in a transaction defaults or does not fulfill their contractual obligation.

Please contact your financial professional or wealth management platform to learn more.

iCapital

IMPORTANT INFORMATION

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