



**CREATE WEALTH WITH
CURRENCY TRADING**

**INTRODUCING
'CURRENCY DERIVATIVES'**

The Sharekhan Guide to Currency Trading

CURRENCY DERIVATIVES

-the Buzz Word

When the currency derivatives markets opened on 29th August, 2008, the turnover at the end of the first trading day was 300 crore. Now, like stocks and commodities, active traders can also trade in currency futures on the NSE, USE and MCX-SX.

Though a new phenomenon in India, currency trading has been in practice across the globe for a very long time now.



WHAT is CURRENCY TRADING?



Like commodities and stocks, currencies have futures contracts that allow you to buy or sell the underlying currency, at a fixed price, at a future date.

You can execute contracts to buy or sell the USD, Euro, Yen & GBP for Indian Rupees, at a future date.

These contracts are derivatives of the Currency Market.

WHAT is IN IT FOR YOU?

For active traders, the Currency Futures Markets offer a constant opportunity to make profits on a dynamic global platform. You can spot opportunities in the volatility arising from global markets and respond to the fluctuations.

In addition to being a very lucrative market to invest in, the currency market gives you the opportunity to be part of the marketplace that shapes the value of the Indian Rupee.



3 OPPORTUNITIES in CURRENCY TRADING

Be the first entrant into this new marketplace and make currency fluctuations work in your favour.

YOU CAN... Speculate in currencies to make money out of your understanding of the market trends. Mitigate financial risks in exports through Hedging. Make risk-free money through Arbitrage trading.

SPECULATION



If you are an investor with exposure to foreign exchange, you can benefit by forecasting exchange rates in the future.

HOW IT WORKS

Like trading in stocks or commodities, speculation in Currency Trading is purely forecasting the exchange rates of the future and either buying or selling the currency futures depending upon that, to make a profit.

ARBITRAGE TRADING



If you are a high-volume trader with proficiency in tracking spot rates and trends, Arbitrage Trading is a totally risk-free means to earn profits.

HOW IT WORKS

In arbitrage trading, you exploit the difference in the exchange rates between money markets, buying from one and selling at another, making a small but assured profit.

If you are trading on the MCX-SX and the NSE at the same time, and you find the exchange rate is 47.57 on the NSE and 47.62 on the MCX-SX, you would buy contracts at one exchange and sell contracts at another, in a proportion that guarantees you a profit irrespective of the direction in which the exchange rates fluctuate.

HEDGING



If you are an international trader or commodities/services exporter, hedging in Currency Futures can help you minimise the losses caused by the frequent currency fluctuations.

HOW IT WORKS

You are an exporter who wants to protect himself from the likely appreciation in the rupee. You have dispatched a consignment on 5th November and are expecting payment of \$25,000 by December end. The current spot rate of USD-INR is 48.80

How should you go about?:

- On 5th November sell 25 units of USD-INR future contracts (each of \$1000) of December month at the prevailing rate of 48.95
- On 28th December cover sell position by purchasing 25 contracts of December month at the then prevailing rate of say 48.45
- Simultaneously sell \$25,000 (receipt from overseas party) in the spot market at the rate of 48.45
- Profit from future contracts = $25,000 \times (48.95 - 48.45) = ₹ 12,500$
- In spot market: Loss due to currency appreciation from 48.80 in September to 48.45 in December = $25,000 \times (48.80 - 48.45) = ₹ 8,750$
- Your notional net profit as a result of Hedging transactions would be: $₹ 12,500 - ₹ 8,750 = ₹ 3,750$
- NOTE: Had you not taken position in the currency futures market, you would have made a loss of ₹ 8,750. By taking position in this market, you have not only covered your loss but also earned a profit from the futures transaction.

10 WAYS YOU BENEFIT with CURRENCY TRADING at Sharekhan

1. Multiple markets for trading: Sharekhan gives you single-point access to all the recognised currency exchanges in India, viz. NSE, USE and MCX-SX.

2. Affordability: The minimum lot size for currency trading is just US\$ 1,000 making it accessible to even retail investors and traders.

3. Eliminate Business Losses: Hedging lets you eliminate losses arising from international business due to fluctuations in the Indian Rupee.

4. Minimum Risk: All contracts are guaranteed by the Clearing Corporation, completely eliminating the non-performance risks.

5. Maximum Availability: Sharekhan has over 1950 outlets across the country, giving you access to a currency trading account no matter where you are.

6. Low Brokerage: Trading with Sharekhan gives you the advantage of low brokerage, helping you maximise profits.

7. Transparent Accounting: The entire process is kept totally transparent, giving you complete access to the trade details.

8. Limited Loss Accumulation: The profit/loss settlement is done everyday, minimising the scope for accumulation of losses.

9. Accurate Research: Sharekhan gives you daily research reports with recommended pivot levels delivered to your inbox.

10. Early Bird Advantage: Being among the first entrants into the Indian currency trading market allows you to master the trade while the market is still in its nascence.

GET STARTED

In the Money Market NOW

To start trading in currency market, you need to open a trading account with Sharekhan with the required documents. Once you get a unique Client Code, you can transfer money into your trading account, and start trading in currency market.

To start CURRENCY TRADING

DialnTrade: 1800-22-7004 / 1800-22-7050 / 1800-270-7050 (Toll Free)

Log on: www.sharekhan.com

Share Shops: Contact your nearest Sharekhan outlet

Email: forex@sharekhan.com



Sharekhan

Your guide to the financial jungle

Disclaimer: The examples given are purely for educational purposes and are not by any means an indicator of the kind of profits that can be made through currency trading.

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