Forex Forward Curve

FOREX forward curve is also called FOREX implied forward curve or FOREX derived curve. It is derived from USD zero rate curve and FOREX forward spreads and used to value FOREX trades.

Market standard is to use FOREX quoted forward spreads and USD zero rate curve to generate FOREX implied forward curve. In other words, FOREX curve construction generates an interest rate curve of the quoting currency from the interest rate curve of the base currency. The construction methodology is based on the arbitrage-free relationship between forward FOREX rates and the discount rates of the two currencies.

The term structure of FOREX forward curve, also known as FOREX implied forward curve, is defined as the relationship between the currency zero rate and maturity. The settlement dates for the given underlying tenors.

Application of the market conventions for O/N and T/N points. O/N is overnight rate and T/N is tomorrow next. FOREX forward cure is derived using the arbitrage-free relationship between forward FOREX rates and the discount rates of two currencies. It is also called interest rate parity.

Reference:
https://finpricing.com/lib/EqConvertible.html