

## Title:

Poor Man's Access To Foreign Currency Trading

## Word Count:

585

## Summary:

Investors can benefit from the foreign currency markets with surprisingly small amount of money.

## Keywords:

currency trading,foreign currencies,investing

## Article Body:

By far, the largest trading market in the world is the foreign currency market. Speculators make up only a small part of the spot (cash market) and forward (futures market) currency exchange transactions. So if you are considering speculating in this area, be aware that you are trying to out-guess the brightest minds & supercomputers at large banks and hedge funds; along with the political whims & expediency of government treasury departments.

The common portfolio use for holding foreign currencies is to hedge against the fall of your home currency. For most people, their salary and all their assets are based in their home currency - and if that falls in value, so does their entire net worth and future earnings. For Americans, as an example, there has been a growing trade deficit with China for many years. And if China were to allow their currency to fluctuate, the U.S. dollar would fall against the Chinese yuan in concert with this trade deficit.

You can also include currency trading as an additional way to diversify your portfolio. I have read many, many books to learn about currency trading, and even day-traded the Swiss-Franc for six months. If you want to learn how to speculate with trading currencies, you can either try some technical analysis services at the link below, or getting a Phd. in economics and finance, but I can't guarantee that will increase your odds of success.

I made my only 'very poor man' currency trade prior to the establishment of the Euro currency in 2002. While driving in my car, I heard a speech over the radio by the German president that I felt was certain to cause a short-term fall in the German Mark. I drove to the nearest AAA Travel Office, and went to the ATM next door to withdraw \$200 in cash to put in my pocket. Being a AAA member, I

then exchanged the \$200 for American Express Traveler's Cheques that were denominated in German Marks. Four months later, the U.S. dollar had increased by 10% on the German Mark. So I took my German Mark cheques to exchange them back into dollars and cash out with a giant profit. To my disappointment, the fees for the buy & sell transactions added up to about 8%, leaving me with a giant \$4 profit. So if you want to try the "Travelers Cheque" route, you'll need a big trend to offset your transaction fees.

The next step up in initial cost is an ETF that is based on the Euro with the ticker symbol FXE. It is technically a trust, but it is traded exactly like a stock, and it fluctuates very close to the USD/Euro rate. When you think the dollar is going to fall against the Euro, just buy some of these shares to offset your currency risk, and you can start with one share for less than \$200.

The next way to get access to foreign currencies is to get some FDIC insured certificates of deposit from Everbank.com. They offer CDs in over 10 different foreign currencies and a couple indices, and the minimum investment is only \$10,000 for an interest earning account. So if you are tired of your bank's low savings account rate, there are currencies that regularly offer a higher yield without undue currency exchange risk.

Risk a few small steps into foreign currency investments, and anything dollar-based will feel disappointingly tame. Plus, you'll have bragging rights with your friends and dinner parties on your sophisticated investment portfolio.