

Title:

Forex Case Study: The Canadian Dollar

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546

Summary:

Foregin Exchange is one of the most popular investing markets, and with a proper understanding of the markets and factors influencing it it is possible to enjoy great success in terms of returns. A case study which highlights all of the areas and considerations when it comes to Forex investments is not hard to come by- in fact, recent years have shown that even countries which may be overlooked by traditional investors may provide the greatest opportunities when it comes to i...

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Article Body:

Foregin Exchange is one of the most popular investing markets, and with a proper understanding of the markets and factors influencing it it is possible to enjoy great success in terms of returns. A case study which highlights all of the areas and considerations when it comes to Forex investments is not hard to come by- in fact, recent years have shown that even countries which may be overlooked by traditional investors may provide the greatest opportunities when it comes to investment.

A good example of the success that can be had in the foreign currency exchange is that set by the Canadian dollar. Most Americans pay little mind to Canada- it is the big country up North, most of the time it creates no problems and can be a compliant ally. Taking a nation and its economy for granted can be a huge mistake when it comes to foreign exchange, however.

Six years ago, the Canadian dollar was worth sixty cents when compared to the American greenback. This fact was intrinsically noted by many Americans, who began buying Canadian products cheaply; everything from cars to medication. This observation was not, for the most part, carried forward into the foreign exchange market. Canada, as a developed and established democracy, was not foreseen to provide any real change in the dollar amount, at least not when compared to potential through the roof opportunities such as China, India, or even countries with great development potential such as the Czech Republic.

Presently, the Canadian loonie sits at just over ninety cents compared to the American dollar- an increase of thirty-two cents in just six years. The growth continues to be surprising; the currency has gained a further four cents in the past week. Potential investors coming even late into the game were therefore assured of some profit, although not nearly equal to those they would have enjoyed if they had realized the potential a few years earlier.

The study of the loonie provides a good case for forex speculators. A country should not be eliminated from consideration when it comes to currency speculation just because it seems to be static developmentally in terms of market of commodities, government, and expansion. The Canadian economic boom has come about as a result of a combination of many factors.

The first and possibly the most important factor is the change in focus of the Canadian government. A new Liberal government was elected in 1994, and one of the key ideas on the election platform was the elimination of the government spending deficit. They achieved this goal against all expectations, and the end of deficit spending provided the basic groundwork when it came to an improved economy.

Even with sound fiscal policies, a country's economy can only be as strong as its export and import abilities. Canada possesses one of the most valuable resources in the world today- oil reserves in the province of Alberta are equal to those of the United States, and thus rising prices have contributed to an economic booster that is currently driving a lot of the Canadian GDP.

When it comes to forex investing, there are many factors which can determine profit margins. Make sure to take these all into account before talking to your broker or bank.