

THE FOREIGN EXCHANGE MARKETS (РИНКИ ІНОЗЕМНОЇ ВАЛЮТИ)

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Розкрито сутність валютного ринку як фінансового центру, де здійснюються операції з купівлі-продажу іноземної валюти. Простежуються основні закономірності його розвитку, формування валютного курсу як важливої частини міжнародної системи.

The foreign exchange market is a market for converting the currency of one country into that of another country. An exchange rate is simply the rate at which one currency is converted into another. Without the foreign exchange market international trade and international investment on the scale that we see today would be impossible; companies would have to resort to barter. The foreign exchange market enables companies based in countries that use different currencies to trade with each other.

The rate at which one currency is converted into another typically changes overtime. Currency fluctuations can make seemingly profitable trade and investment deals unprofitable, and vice versa.

In addition to altering the value of trade deals and foreign investments, currency movement scan also open or shut export opportunities and alter the attractiveness of imports. While the existence of foreign exchange markets is a necessary precondition for large-scale international trade and investment, the movement of exchange rates over time introduces many risks into international trade and investment. Some of these risks can be insured.

Thus, the foreign exchange market serves two main functions. The first is to convert the currency of one country into the currency of another. The second is to provide some insurance against foreign exchange risk, by which we mean the adverse consequences of unpredictable changes in exchange rates. To explain how the market performs this function, we must first distinguish among spot exchange rates, forward exchange rates, and currency swaps.

A currency swap is the simultaneous purchase and sale of a given amount of foreign exchange for two different value dates. Swaps are transacted between international businesses and their banks, between banks and between governments when it's desirable to move out of one currency into another for a limited period without incurring foreign exchange risk. A common kind of swap is spot against forward.