



Would you agree to jump off a bridge without knowing whether the bungee was the correct length?

Probably not. The most important procedure in bungee jumping is the measuring of the cord. Tie it too short and you risk springing back up too far and banging your head on the launch platform. Tie it too long and the consequences are dreadful. The same could be said about Automated Currency Orders although the consequences are less physically harmful but often more costly.

But just as the bungee master will weigh the jumper and ensure you're harnessed to a bungee of the correct length, a currency expert will weigh up market factors and adjust the positioning of market orders to match the range within which an exchange rate is expected to trade.

Exchange rate movements, for a variety of reasons, have a tendency to repeat the patterns of the past. If this were not the case, then countless currency traders would be out of business. These patterns can be identified with the right technical analysis software plus a high degree of skill and experience and these are the patterns that will best determine the accurate placing of Automated Currency Orders and thereby reduce your currency risk and maximise your profits.

This document is intended to help you understand how Automated Currency Orders can assist you with managing currency risk. We will show you what tools can be employed to improve your exchange rate and reduce your currency risk and how best they can be utilised for maximum gain.

SO WHAT ARE MARKET ORDERS?

Automated Currency Orders are verbal instructions to buy or sell currency at predetermined target levels to enable you to capture exchange rates round the clock. They allow you to use currency volatility to your advantage, gaining protection against currency loss and maximising on any currency gain.

Their flexibility allows them to be used independently or strategically in pairs and adjusted as market conditions allow. Used together, the setting of upper and lower thresholds provides a complete 'ring fenced' risk management solution, making currency transactions more controllable.

Automated Currency Orders are not contracts in the same way as Spot and Forward contracts are. They are market tools that enable you to protect and target exchange rates which once achieved can be used to transact immediately on a Spot contract or with delayed settlements on a Forward contract basis.

Stop Loss Orders

As the name suggests, a Stop Loss Order stops losses. It is an Automated Currency Order to buy or sell currency at a predetermined 'worst case' exchange rate and is commonly used to protect bottom line profit margins and costing levels. A transaction would only be executed if the exchange rate trades at the agreed level and triggers the automatic buy/sell of currency. What's more, if the exchange rate is moving in your favour, you can choose to adjust your Stop Loss Order to a better level, locking in more profit.

Customer benefits:

- Protect and enhance profit margins on international deals or tenders
- Protect against adverse foreign exchange rate movements
- Flexible solution with potential to benefit from a favourable move in the exchange rate
- 24-hour risk protection
- FREE. No premium cost

Limit Orders

A Limit Order enables clients to target advantageous exchange rates for increased profit. It is an Automated Currency Order to buy or sell currency at a predetermined 'best case' exchange rate and is commonly used to enhance profit margins. A transaction would only be executed if the exchange rate trades through the agreed target level and triggers the automatic buy/sell of currency. What's more, if the exchange rate is moving in your favour, you can choose to adjust your Limit Order to a better level capturing additional gains.



Customer benefits:

- Increase profit margins on international deals or tenders
- 24-hour take profit opportunity
- Flexible solution
- FREE. No premium cost

SCENARIO – STOP LOSS ORDERS

A Stop Loss Order is typically used to reduce currency risk, especially important when exchange rates are fluctuating significantly and when the future direction of the exchange rate is uncertain. They are often used to prevent additional expense by protecting an important exchange rate level that may have been used to cost the purchase or sale of an international transaction. Companies may use them to protect budgeted levels used for the costing of a tender whilst private individuals might use them to prevent the exchange rate from adding to the cost of buying an overseas property.

Effective positioning

The accurate positioning of Stop Loss Order within the market is crucial to its effectiveness. It requires careful consideration of market sentiment, the prevailing exchange rate, the client's budgeted level and risk persuasion, amongst other factors.

Ideally, a Stop Loss Order should be positioned far enough below the prevailing exchange rate to ensure the automated instruction is not triggered before the upward trend has a chance to develop.

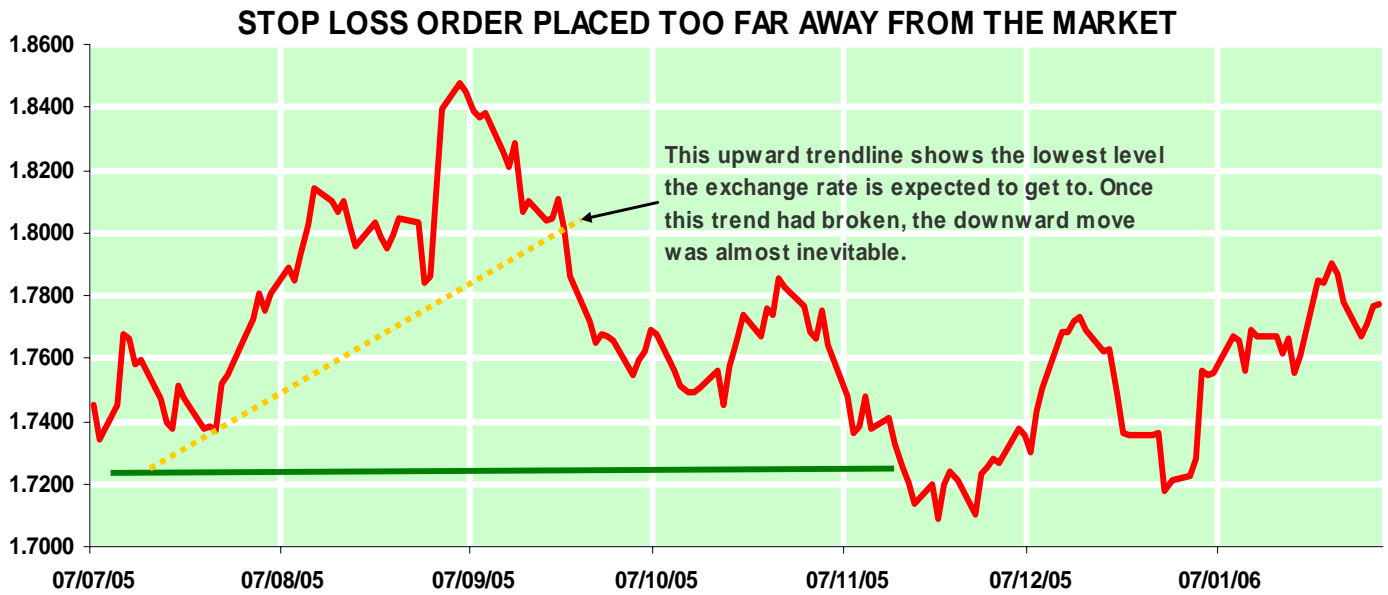
The following chart illustrates the point:



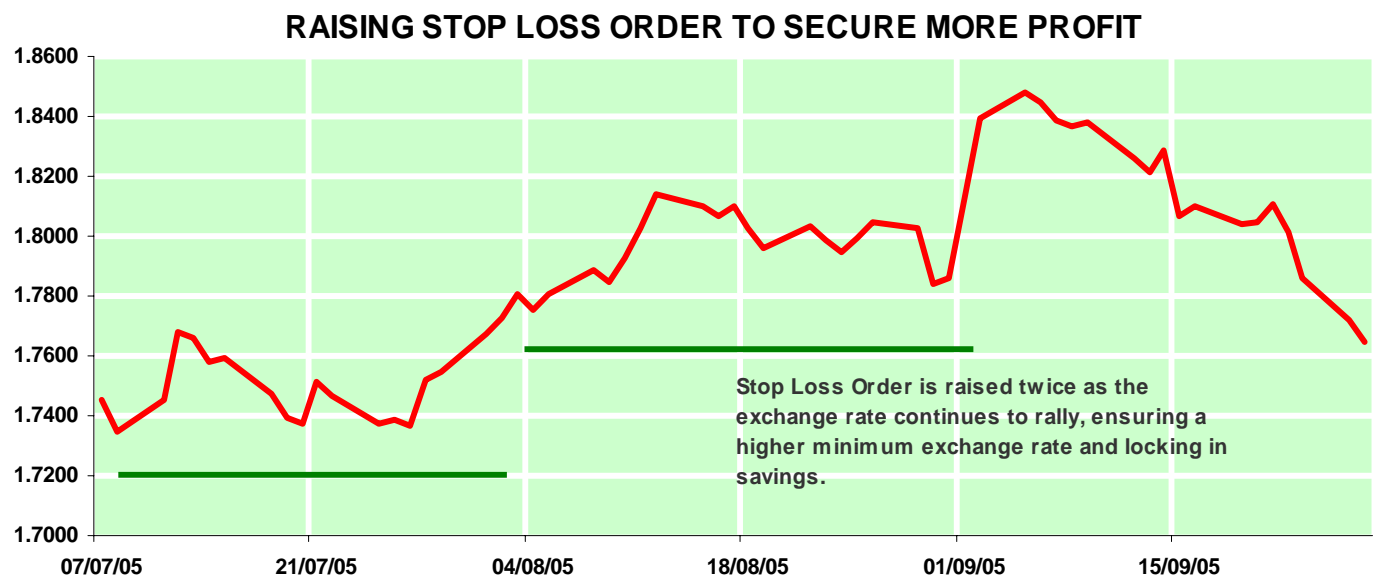
However, positioning the Stop Loss Order too far from the prevailing exchange rate may only result in you giving money away unnecessarily. If a downward trend in the exchange rate unexpectedly develops and trades below the forecast lowest price, then the exchange rate will almost certainly continue to trade lower and activate the Stop Loss Order.



The following chart illustrates the point:



A correctly placed Stop Loss Order will not only protect key exchange rate levels against an adverse movement in a currency but can, assuming the prevailing rate improves, be repositioned to better exchange rate levels. Each time the Stop Loss Order is raised, the better your 'worst case' exchange rate and the greater the financial savings at no additional risk or cost.



SCENARIO – LIMIT ORDERS

A Limit Order is typically used to target better exchange rates than those available in the foreign exchange market at the time of giving the instruction and is therefore used as a tool to increase profit margins and save money. They are



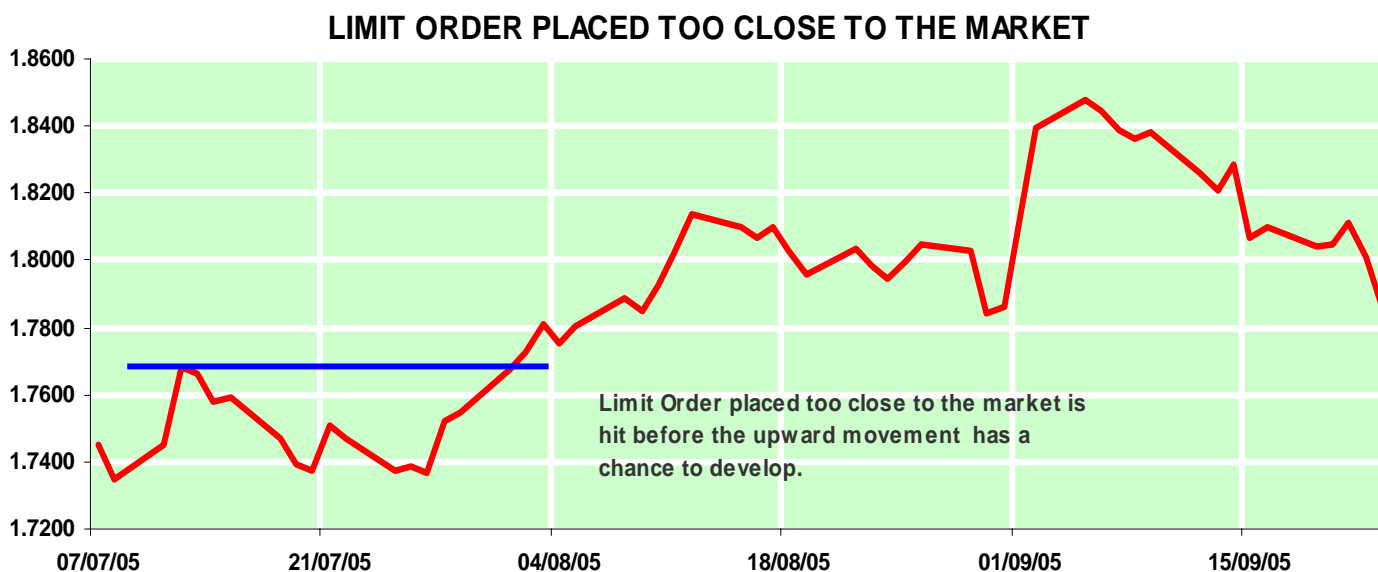
best utilised when an exchange rate starts to develop an upward trend and presents an opportunity to capture an exchange rate toward the very top of a currency's range.

Effective positioning

As with Stop Loss Orders, the accurate positioning of a Limit Order within the market is crucial to its effectiveness. It requires careful consideration of market sentiment, the prevailing exchange rate, the clients target level and risk persuasion, amongst other factors.

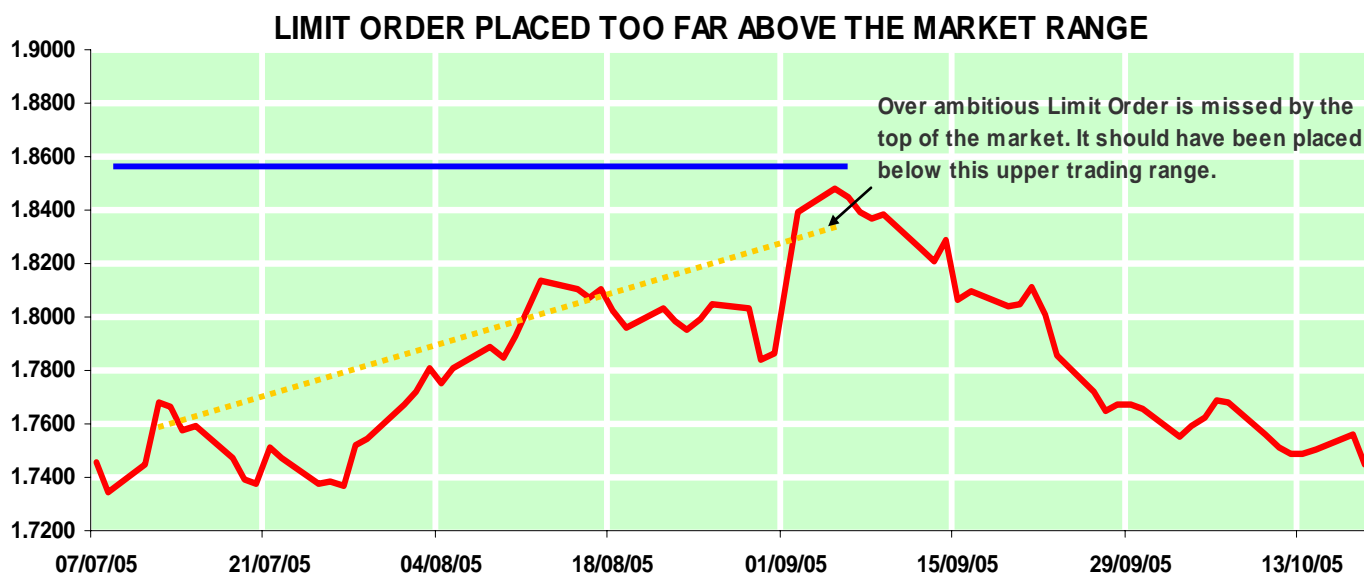
Ideally, a Limit Order should be positioned far enough above the prevailing exchange rate to capture the best the market has to offer but not so low that the automated order is triggered too early in the upward trend.

The following chart illustrates the point:



However, even if the automated order was triggered early, claiming this kind of 'hollow victory' is rather better than placing the Limit Order too high and seeing the market fall before it has the opportunity to achieve the target exchange rate.

The following chart illustrates the point:



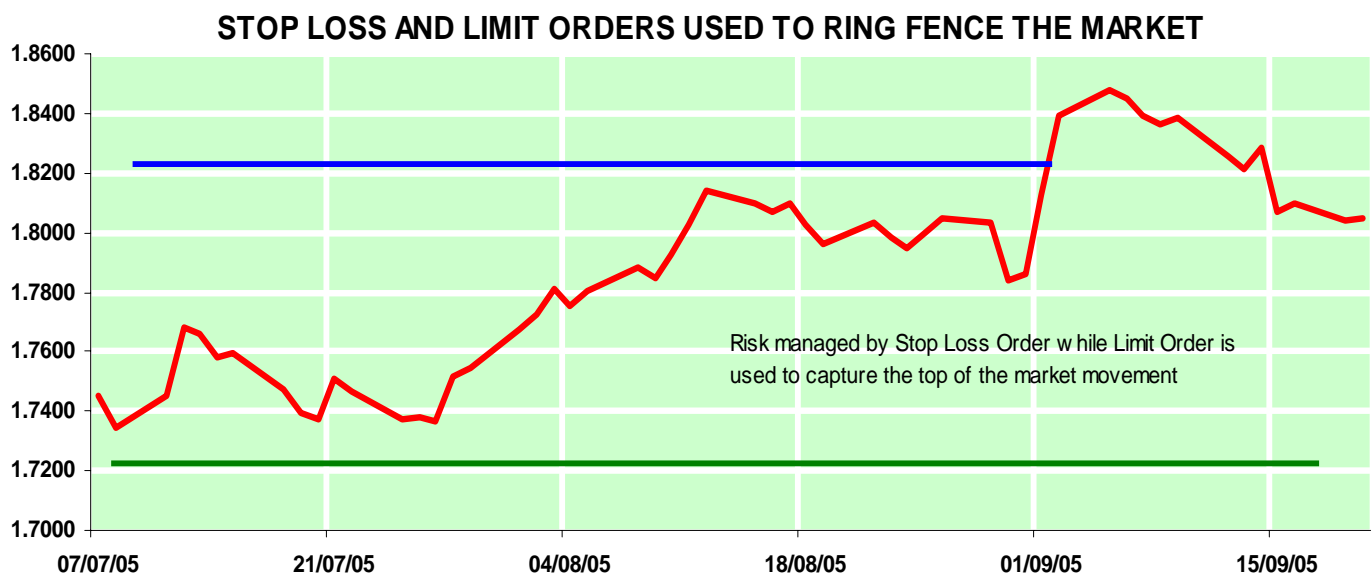


A correctly placed Limit Order enables you to use currency volatility to your advantage by capturing preferential exchange rates when currency's spike to higher levels. If a clearly identifiable upward trend develops some serious momentum a Limit Order may also be revised to an even better target exchange rate when appropriate, thereby increasing your currency saving yet further.

SCENARIO – USING STOP LOSS ORDERS AND LIMIT ORDERS TOGETHER

Just as Stop Loss Orders and Limit Orders can be used independently of one another, for a complete ring-fenced risk management solution, they can be utilised together to offer both risk protection and reward.

The following chart illustrates the point:



OUTCOME

We hope this document illustrates that currency can be very effectively managed by using Automated Currency Orders. They do not cost a premium to implement in the same way as Currency Options and are very effective in protecting against currency losses whilst also offering currency enhancement. The confidence needed to manage currency risk comes from knowledge and guidance, and in this document we hope we have given you a head start. However, your circumstances are likely to be unique and so the solution that best suits you is likely to be similarly so. We recommend you contact Halo Financial for a personal consultation to discuss your individual requirement.

GETTING STARTED

For further information on how Halo Financial can help and to enquire about account opening documentation, please contact us on:

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