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*“Where your
currency exchange is
concerned; don’t watch it – limit it!”*

published in Portugal Resident November 2005

The next time you have to get up early to get to an appointment or a morning flight question this. Will you sit up all night watching the minutes tick away until 5:30am comes around and you are ready to dress and leave or will you set an alarm clock to wake you at the appropriate time and sleep through the night, happy in the knowledge that the alarm is designed to do exactly that job for you?

The answer is obvious. What is the point of having a clock that you can program to wake you up at the precisely the right moment if you refuse to use it and miss out on your beauty sleep in stead?

Such inefficient time wasting goes on all the time in other areas of peoples lives and is most evident when they need to exchange their funds from one currency into another. So often, we come across new clients who understand the volatility of exchange rates and recognise the value in exchanging their funds at the right time to secure the right exchange rate but have never been introduced to the markets very own alarm clock.

In the absence of this piece of market insight, these clients will spend an inordinate amount of time watching exchange rates, willing the rates to throw up a signal that says the exchange rate is as good as it is going to get and you should buy or sell ‘NOW’. In 13 years of trading foreign exchange, I have yet to see such a signal and if I trade for another 50 years, I have no expectation that I will.

Instead, what happens is that the exchange rate rises and looks ready to rise further and so the watcher waits; then it unexpectedly falls and looks like it will stop and the watcher waits; then it falls further and the watcher is panicked into trading in case the worsening exchange rate collapses and costs them more money.

What makes life so much less stressful and frees up so much leisure time is a combination of technical analysis and Automated Market Orders. Technical analysis is the method I use and most currency trading rooms use to target the expected highs and lows in exchange rates. These exchange rate charts throw up all manner of patterns and trends to follow as well as mathematical calculations that determine where the traders on bank dealing desks will be happy to buy and sell their currencies.

Their actions cause the market to rally, stop, turn and fall, so knowing where these levels are allows us to take advantage of the market ranges that develop through traders actions. It would be odd if a private client had the interest or the inclination to undertake years of technical analysis training just to be able to chart the market but, as a currency specialist that is exactly what my company provides for our clients whom consist of both companies dealing in cross-border trade and private individuals typically buying overseas property, migrating or importing high value assets.

So, armed with an educated estimate of where the top and bottom of the exchange rate range is, the currency alarm clock can be set. The tool for the job is called a ‘Limit Order’ and it is a very simple market device that has been used by speculative traders for many years. In fact, anyone who has traded stocks and shares may have come across such a tool. A Limit Order is placed to target and buy a certain amount of currency against another at a predetermined level and is most effective when that level coincides with the top of a technical range.

Like the alarm clock it remains silent, ticking away inconspicuously until it reaches the desired level and then it triggers to activate the transaction. This not only gives the buyer time off from screen watching duties to have a life but it also means that whenever the right exchange rate is reached, the Limit Order won’t be out shopping or relaxing by the pool. It will be there, ever vigilant, ready to take advantage of the exchange rate and save you money.

As my father always said, the right tool for the job will save you time and effort every time. He also said, “That’s done then, let’s get to the pub” quite regularly, so I guess he was probably right.

David Johnson is an FX Consultant with Halo Financial Ltd, a specialist foreign exchange company providing expert currency exchange services to both companies and private individuals. If you are at the start of buying an overseas property or in the process of buying currency to migrate, it is never too soon or too late to save money on foreign exchange. Halo Financial can be contacted on +44 (0)20 7350 5474 and their website can be viewed at www.halofinancial.com