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MAIN CURRENCIES ON THE FOREX MARKET

Annotation. The nature and characteristics of the value of the U.S. dollar and the euro are analyzed. The theoretical and practical aspects of choosing the best world's reserve currency for foreign exchange transactions are determined.

Анотація. Розкрито характер і особливості вартості долара США і євро. Визначено теоретичні та практичні аспекти вибору кращої світової резервної валюти для валютних операцій.

Аннотация. Раскрыто характер и особенности стоимости доллара США и евро. Определены теоретические и практические аспекты выбора лучшей мировой резервной валюты для валютных операций.

Key words: foreign exchange transactions; reserve currency; buying and selling; international currency market; exchange rate; exchange rate dynamics.

The aim of this article is to determine the advantages and disadvantages of the euro and the dollar in international currency transactions and to identify the most stable currency with the help of which it will be the best way to conduct transactions.

The topic of the article is FOREX (Foreign Exchange Market) and currency with the help of which foreign exchange transactions are carried out. Theoretical and methodological basis of science of this work are the scientific research works of the Ukrainian and foreign scientists, educational materials on the banking and financial activities, international economy relations and scientific articles.

Nowadays, currency transactions are a "window" to the external economic world and a very promising element for the development of economy of any country in the world.

The most common currencies that were accepted by all countries of the world are the dollar and the euro. Both are hard currencies that can be issued by banking systems and financial and credit institutions of other countries and operate according to international agreements.

The value of the currency exchange rate and its mode of operation affects virtually the entire system of macro and microeconomic indicators of any country, competitive position in the global economy, inflation, redistribution of resources, balance of payments and more. Therefore, determining the optimal exchange rate and management to conduct foreign exchange transactions in foreign currencies are important element of economic policy of each country.

But today, we know that the euro and the dollar, being two trading currencies, always compete with each other. There is some uncertainty among their courses. But the very important factors for currency transactions are reliability and stability. So there is a question: which currency is better, more stable and suitable for carrying out currency transactions in the foreign market?

International currency market is called – FOREX (foreign exchange market) – it is the interbank market that was formed in 1971 when international trade shifted from fixed exchange rates to floating ones. The U.S. Dollar and the Euro is a pair that is the most liquid and volatile enough variable that makes it attractive for speculators of the Forex market. This currency pair is often used by the novice private traders that start their trading in the Forex market [1, p. 45]. The euro and the dollar are both the world's reserve currencies. In foreign currency exchange (also known as 'Forex'), the euro is considered one of the U.S. dollar's major trading partners. Depending upon public policies and business climates, the prices of the euro and the dollar may move in tandem or in opposite directions.

Nowadays the region's economy is not in the best condition, but we can see a rising trend. And it will be able to rise further, except in the outflows due to the instability of the economy of Greece, Spain and Portugal. It means that the euro in 2012 may reach the 1.6037 or even cross it, but we shouldn't transfer all of our savings in this currency, as there are some risks of its recession. If we talk about the U.S. dollar by analyzing the Forex market we can say that the 2012 is not the best time for the position trading. The dollar is pretty weak, but no one wants it to collapse. At the same time the strengthening of the national currency does not satisfy the U.S., as the prices of consumer goods will rise and without it the country has some serious problems with its export. If the U.S. does not take some actions, the rate will be unchangeable.

However, there are subjective ways of solving this problem. At first, we should determine the main settlement currency of the investment portfolio. Let's say you're going to own a real estate in Europe in the future, and you have to maintain it and pay taxes. It is obvious that your accounting currency will be the euro. In this case, the portfolio should be formed in this currency. It is unnecessary to recalculate in dollars, the euro is falling, and vice versa. Secondly, it is necessary to determine the expected rates of yield and risk in the payment currency and make a portfolio, including these parameters. Thirdly, we should think about the ways of hedging, for example, through currency swaps – the instruments that help to protect against adverse changes in exchange rates. Fourthly, and it is the hardest, you need to hold the course.

So before selecting a suitable currency, we should review its current state, to determine the level of its profitability and to consider all the subjective factors that can affect the success of the currency transaction.

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