

FOREIGN EXCHANGE WITH REFERENCE TO BAJAJ CAPITAL LIMITED

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ABSTRACT

The foreign exchange market (forex, FX, or currency market) is a global, worldwide-decentralized financial market for trading currencies. Financial centers around the world function as anchors of trading between a wide range of different types of buyers and sellers around the clock, with the exception of weekends. The foreign exchange market determines the relative values of different currencies. The foreign exchange market assists international trade and investment by enabling currency conversion. For example, it permits a business in the United States to import goods from the European Union member states especially Eurozone members and pay Euros, even though its income is in United States dollars. It also supports direct speculation in the value of currencies, and the carry trade, speculation on the change in interest rates in two currencies.

Keywords: Foreign Exchange, Bajaj Capital.

1. INTRODUCTION

In a typical foreign exchange transaction, a party purchases a quantity of one currency by paying a quantity of another currency. The modern foreign exchange market began forming during the 1970s after three decades of government restrictions on foreign exchange transactions (the Bretton Woods system of monetary management established the rules for commercial and financial relations among the world's major industrial states after World War II), when countries gradually switched to floating exchange rates from the previous exchange rate regime, which remained fixed as per the Bretton Woods system.

The foreign exchange market is unique because of

- Its huge trading volume representing the largest asset class in the world leading to high liquidity;
- Its geographical dispersion;
- Its continuous operation: 24 hours a day except weekends, i.e. trading from 20:15 GMT on Sunday until 22:00 GMT Friday;
- The variety of factors that affect exchange rates;
- The low margins of relative profit compared with other markets of fixed income; and The use of leverage to enhance profit and loss margins and with respect to account size.

As such, it has been referred to as the market closest to the ideal of perfect competition, notwithstanding currency intervention by central banks. According to the Bank for International Settlements, as of April 2010, average daily turnover in global foreign exchange markets is estimated at \$3.98 trillion, a growth of approximately 20% over the \$3.21 trillion daily volume as of April 2007. Some firms specializing on foreign exchange market had put the average daily turnover in excess of US\$4 trillion.

The \$3.98 trillion break-down is as follows:

- \$1.490 trillion in spot transactions
- \$475 billion in outright forwards
- \$1.765 trillion in foreign exchange swaps
- \$43 billion currency swaps
- \$207 billion in options and other products

The simple definition of Foreign Exchange is the exchange of one currency for another. The foreign exchange market allows Companies, Banks and individuals to buy and sell foreign currency. Unlike other financial market, the foreign exchange market has no single location-trading is done globally via telephone and computer links. The forex market is huge: the trading volume is in excess of 1.9 trillion USD per day, providing the greatest liquidity to the investors.

In the past small investors have limited access to the lucrative forex market. The inter bank market is no longer the exclusive domain of large players. Technological leaps (such as state of the art deal boo FX2 trading software) have

opened up this exciting market to small speculations. Real-time inter bank dealing rates allow the trader to place a buy or sell order and see it executed within a fraction of a second.

There are always buyers and sellers in the forex market. The market absorbs trading volumes. A trader is never struck in a position due to a lack of market interest, volume and/or liquidity.

2. REVIEW OF LITERATURE

1. Method and system for delivering foreign exchange risk management advisory solutions to a designated market, Dec 2001

Authors! Lois "cheirer

In this paper they suggest a Consistent with principles of the present invention, a method and system for delivering foreign exchange risk management advisory solutions to a designated marked is disclosed. For each user, the disclosed system generates an exposure model that is consistent with that user's risk management policy and a budget/pricing determination made in response to user information and external pricing information. The disclosed system may further operate to determine an appropriate measurement of risk and associated hedge alternative for a user, consistent with economic forecasts, and process a request for a hedge instrument from the user. Various hedge instruments may be analyzed and/or obtained through the disclosed system, including spot contracts, forward contracts, option contracts, and money market instruments. The disclosed system further provides extensive training, compliance and sales related features.

2. Dependence structure between the equity market and the foreign exchange market

Copula approach

Authors! Cathy Ning

In this paper they suggest that the dependence structure between the equity market and the foreign exchange market by using copulas.

In particular, several copulas with different dependence structure are compared and used to directly model the underlying dependence structure. We find that there exists significant symmetric upper and lower tail dependence between the two financial markets, and the dependence remains significant but weaker after the launch of the euro. Our findings have important implications for both global investment risk management and international asset pricing by taking into account Joint tail risk.

3. Concept, Definition and Type of Foreign Exchange Risk Exposure The general concept of exposure refers to the degree of change in the firm or industry's value due to the changes in exchange rates (El-Masry, 2006). Foreign exchange exposure is commonly defined as the sensitivity of firm value or stock returns to the exchange rate movement (Verschoor and Muller, 2007; Jorion, 1990).

The foreign exchange risk is also represented by the possibility of losses as a result of the adverse evolution of the foreign exchange rate (Florentina and Daniel, 2005). In conclusion, the foreign exchange risk exposure is basically the level of risk or uncertainty driven by changes in foreign exchange rates. These changes affect a firm's stock returns, profitability and cash flow.

4. Relationship between Firm Value and Foreign Exchange Rate Foreign exchange rate fluctuations appear to be affecting the performance of firms and industries with an increase in competitiveness through structural changes in the economic and business environment.

The flexibility of the exchange rate has also increased the financial instability and insolvency of the firm (Besancenot and Vranceanu, 2007). The unpredictable movement of the foreign exchange rate is expected to affect export and import activities where the firm is required to closely monitor exchange rates or hedge to minimize the exchange loss from dealings. As time evolves, firms that are domestically or internationally oriented discover that their firm value becomes more sensitive to exchange rate movements, and that is a challenging issue. Besides that, the volatility that influences trade flows between countries increases the risk exposure in international trade and financial transactions, which subsequently raises business expenses.

RESEARCH GAP:

In this project they suggest a Consistent with principles of the present invention, a method and system for delivering foreign exchange risk management advisory solutions to a designated marked is disclosed.

OBJECTIVES:

- ❖ To study the functioning and structure of foreign market.
- ❖ To study the exchange rate determination.
- ❖ To evaluate critically exchange control methods.
- ❖ To show volatility of foreign currency.

3. RESEARCH METHODOLOGY

Need For the Study

Let us say that the businessman who operates in more than one country needs to understand not only the mechanism of the foreign exchange system, but also why changes in monetary values occur and how to cope with them. Foreign exchange is the monetary mechanism by which transactions in two or more currencies are affected. In the beginning, trade took place on a barter basis. That had an obvious disadvantage: each of the parties in a transaction had to have something the other wanted. The basis of the alternative, a monetary exchange system, is a material that has an intrinsic value that is relatively stable and so is wanted by both parties in a transaction. Therefore the need of foreign exchange has been a raised.

Need For the Study

With the development of nations, each with its own monetary system, and international trade, a foreign exchange mechanism became necessary and was developed. By means of foreign exchange, goods produced in one country can be purchased in another country. Regardless of its direction, such an international transaction must be denominated in a currency other than that of either the seller or buyer; that is, one party to the transaction must either buy or sell a foreign currency. It does so through the international banking system, and the result is a foreign exchange transaction. The problem that then arises is convertibility, or the relative values of two different currencies. Despite the existence of an international monetary system, changes in the value of one currency in relation to another are common, and they make the management of international business more complex.

Methodology

For the preparation of any project report the collection of relevant data is very much essential there are basically two board methods for collecting data, which are followed in a new report these methods are Secondary data collection. Secondary data is collected from sites: NSEINDIA, FX MARKET TRACKER and X-RATES. The collection of data is done through two principles sources viz

1. Primary Data
2. Secondary Data

PRIMARY DATA

It is the information collected directly without any reference. In the study, it mainly interviews with concerned officers and staff either individually or collectively. Some of the information had been verified or supplemented with personal observation, the data collected through conducting personal interview with the officer of the India bulls.

SECONDARY DATA:

The data that is used in this project is of secondary nature. The data has been collected from secondary sources such as various websites, journals, newspapers, books, etc.

4. DATA ANALYSIS & INTERPRETATION

USDINR from 1stAug 2023 to 30th Jan 2023

Trade Date	Close Price	% Change
1-Aug-23	60.68	0
2-Aug-23	61.385	1.151832564
5-Aug-23	61.285	-0.152906247
6-Aug-23	61.5425	0.420158067
7-Aug-23	61.465	-0.125929236
8-Aug-23	61.15	-0.528756203
12-Aug-23	61.3025	0.265783448
13-Aug-23	61.3275	0.040781371
15-Aug-23	61.5175	0.309812075
15-Aug-23	61.9525	0.707115861
19-Aug-23	63.19	1.997498083

Trade Date	Close Price	% Change
2-Sep-23	66.6575	-0.08244332
3-Sep-23	68.66	3.004153072
4-Sep-23	67.3575	-1.897028838
5-Sep-23	66.6235	-1.091192518
6-Sep-23	65.7175	-1.35839994
10-Sep-23	64.245	-2.240651272
11-Sep-23	63.5575	-1.070123188
12-Sep-23	64.0525	0.778823236
13-Sep-23	63.755	-0.464462745
15-Sep-23	63.125	-0.988157792
17-Sep-23	63.505	0.601980198

20-Aug-23	63.43	0.379806931	18-Sep-23	63.45	-0.086607354
21-Aug-23	64.4525	1.612013243	19-Sep-23	61.985	-2.308904649
23-Aug-23	64.745	0.453823583	20-Sep-23	62.4825	0.802613536
23-Aug-23	63.99	-1.156113213	23-Sep-23	62.6425	0.2560717
26-Aug-23	64.5025	0.800906392	24-Sep-23	63.0475	0.646525921
27-Aug-23	66.15	2.554154567	25-Sep-23	62.555	-0.781157064
28-Aug-23	68.34	3.310657596	26-Sep-23	62.21	-0.551515667
29-Aug-23	67.0975	-1.818115306	27-Sep-23	63.155	1.519048385
30-Aug-23	66.7125	-0.57379187	30-Sep-23	63.23	0.102921384

Trade Date	Close Price	% Change
1-Oct-23	63.04	-0.284720025
3-Oct-23	62.1325	-1.439562183
4-Oct-23	61.9325	-0.321892729
7-Oct-23	62.2325	0.484398337
8-Oct-23	62.1725	-0.096412646
9-Oct-23	62.19	0.028157493
10-Oct-23	61.7	-0.787908024
11-Oct-23	61.325	-0.607779579
15-Oct-23	61.675	0.570729719
15-Oct-23	62.005	0.535062829
17-Oct-23	61.3925	-0.987823563
18-Oct-23	61.35	-0.069236697
21-Oct-23	61.615	0.43194784
23-Oct-23	61.6825	0.109551246
23-Oct-23	61.685	0.004053013
24-Oct-23	61.4875	-0.320175083
25-Oct-23	61.5575	0.113844277
28-Oct-23	61.4925	-0.105592332
29-Oct-23	61.47	-0.036589828
30-Oct-23	61.6075	0.232686351
31-Oct-23	61.815	0.336809642

Trade Date	Close Price	% Change
1-Nov-23	62.1575	0.570249939
3-Nov-23	62.5125	0.554952346
5-Nov-23	62.0275	-0.775844831
6-Nov-23	62.68	1.051952763
7-Nov-23	62.8425	0.25925335
8-Nov-23	63.025	0.290408561
11-Nov-23	63.68	1.039270131
12-Nov-23	64.0525	0.58495603
13-Nov-23	63.6625	-0.608875532
15-Nov-23	63.515	-0.231590556
18-Nov-23	62.625	-1.401243801
19-Nov-23	62.435	-0.303393215
20-Nov-23	62.6175	0.292303996
21-Nov-23	63.0025	0.615844093
23-Nov-23	62.95	-0.083330027
25-Nov-23	62.4875	-0.734710087
26-Nov-23	62.4925	0.0080015
27-Nov-23	62.325	-0.268032154
28-Nov-23	62.8425	0.83032491
29-Nov-23	62.9125	0.111389585

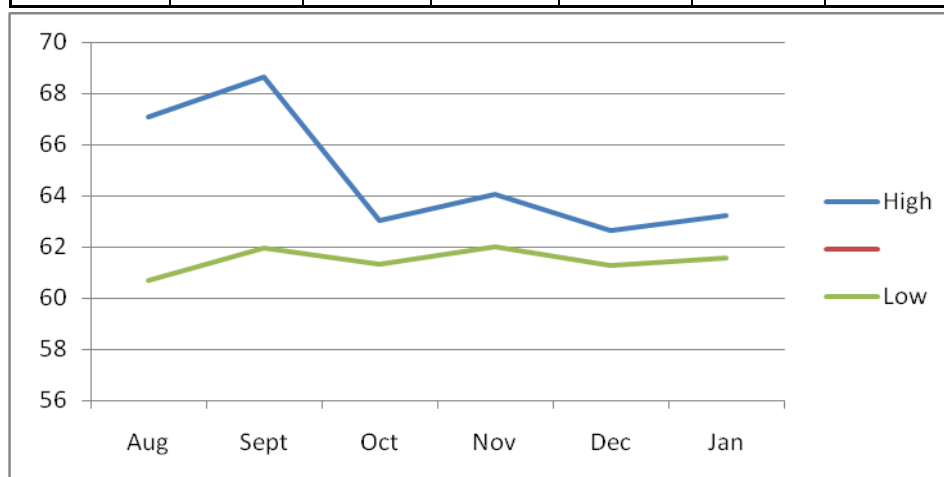
5	Close Price	% Change
2-Dec-23	62.625	-0.456983906
3-Dec-23	62.72	0.151596607
4-Dec-23	62.4925	-0.362723215
5-Dec-23	62.0425	-0.72008641
6-Dec-23	61.86	-0.294153201
9-Dec-23	61.2575	-0.973973489

Trade Date	Close Price	% Change
1-Jan-23	62.2375	0.115643874
2-Jan-23	62.615	0.623715038
3-Jan-23	62.5475	-0.107801545
6-Jan-23	62.6125	0.10392102
7-Jan-23	62.555	-0.091834698
8-Jan-23	62.3575	-0.315723154

10-Dec-23	61.305	0.077541526	9-Jan-23	62.265	-0.158338211
11-Dec-23	61.4775	0.281379985	10-Jan-23	62.045	-0.353328515
12-Dec-23	61.9875	0.829571795	13-Jan-23	61.63	-0.668869369
13-Dec-23	62.3625	0.604960678	15-Jan-23	61.6375	0.012159398
15-Dec-23	61.92	-0.709561034	15-Jan-23	61.6	-0.060839586
17-Dec-23	62.1	0.290697674	17-Jan-23	61.6325	0.05275974
18-Dec-23	62.205	0.159082126	20-Jan-23	61.6975	0.105463838
19-Dec-23	62.3125	0.17281569	21-Jan-23	61.9475	0.405202804
20-Dec-23	62.235	-0.150421264	23-Jan-23	61.9375	-0.015152701
23-Dec-23	62.0235	-0.3254319	23-Jan-23	61.935	-0.004036327
24-Dec-23	61.8925	-0.209601354	24-Jan-23	62.7175	1.263421329
26-Dec-23	62.0925	0.32315093	27-Jan-23	63.1925	0.757364372
27-Dec-23	62.0625	-0.048315015	28-Jan-23	62.6075	-0.92574277
30-Dec-23	62.255	0.310171198	29-Jan-23	62.1975	-0.654873617
31-Dec-23	62.155	-0.150629668	30-Jan-23	62.965	1.233972427

Month-Wise Price Variation USDINR

USDINR	Aug	Sept	Oct	Nov	Dec	Jan
High	67.0975	69.66	63.04	64.0525	62.625	63.1925
Low	60.68	61.985	61.35	62.0275	61.2575	61.6



Interpretation:

The above table and graph are showing the percentage change of USD dollar for a period from 1st Aug 2023 to 30th Jan 2023. USD has peaked in September 2023 at 69.66 and tailed in December 2023 at 61.2575, Over the 6 month period, the USDINR average variation is 0.035011588% and stands at an average INR value of 62.7097379.

GBPINR from 1stAug 2023 to 30th Jan 2023

Trade Date	Close Price	% Change
1-Aug-23	92.405	0
2-Aug-23	93.0975	0.749418323
5-Aug-23	94.0275	0.998952711

Trade Date	Close Price	% Change
2-Sep-23	103.8375	0.386707
3-Sep-23	106.765	2.819309
4-Sep-23	105.0475	-1.608673

6-Aug-23	94.5025	0.505171359	5-Sep-23	104.175	-0.830577
7-Aug-23	94.9125	0.433850956	6-Sep-23	102.2175	-1.87905
8-Aug-23	94.865	-0.050046095	10-Sep-23	100.8125	-1.37452
12-Aug-23	94.9575	0.097506984	11-Sep-23	100.1725	-0.634842
13-Aug-23	94.8375	-0.126372324	12-Sep-23	101.2725	1.098106
15-Aug-23	95.3525	0.543034137	13-Sep-23	100.665	-0.599867
15-Aug-23	96.9625	1.688471723	15-Sep-23	100.525	-0.139075
19-Aug-23	98.9875	2.088436251	17-Sep-23	101.005	0.477493
20-Aug-23	99.4425	0.459653997	18-Sep-23	101.3	0.292065
21-Aug-23	101.245	1.812605274	19-Sep-23	99.75	-1.530109
23-Aug-23	100.8675	-0.372857919	20-Sep-23	100.09	0.340852
23-Aug-23	99.715	-1.152588049	23-Sep-23	100.4925	0.402138
26-Aug-23	100.3825	0.669407812	24-Sep-23	100.75	0.256238
27-Aug-23	102.6075	2.215521804	25-Sep-23	100.355	-0.39206
28-Aug-23	106.0825	3.386692006	26-Sep-23	100.0125	-0.341288
29-Aug-23	104.04	-1.925388259	27-Sep-23	101.61	1.5973
30-Aug-23	103.4375	-0.579104191	30-Sep-23	101.9525	0.337073

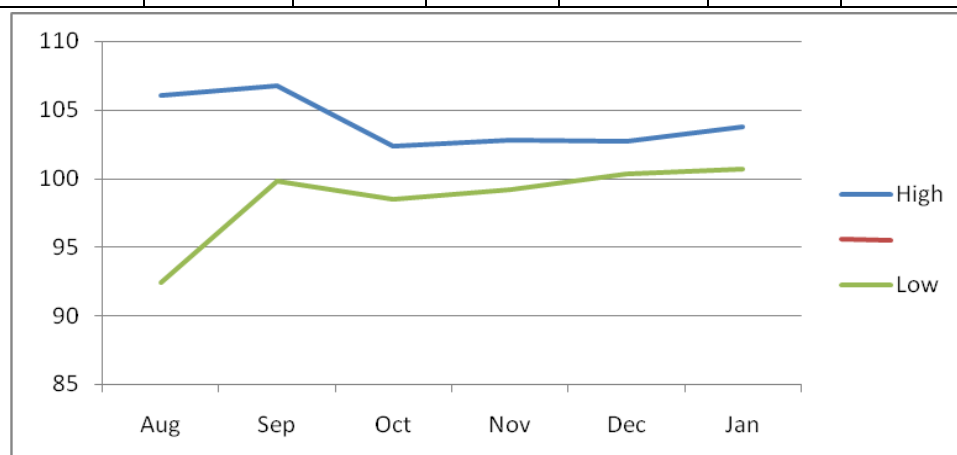
Trade Date	Close Price	% Change
1-Oct-23	102.315	0.355557735
3-Oct-23	100.7075	-1.57112838
4-Oct-23	99.395	-1.3032793
7-Oct-23	100.0675	0.67659339
8-Oct-23	100.05	-0.0174882
9-Oct-23	99.23	-0.8195902
10-Oct-23	98.4325	-0.8036884
11-Oct-23	97.9475	-0.49272344
15-Oct-23	98.5975	0.663620817
15-Oct-23	98.74	0.154526991
17-Oct-23	98.685	-0.05570184
18-Oct-23	99.375	0.699194406
21-Oct-23	99.6025	0.238930818
23-Oct-23	99.5325	-0.07027936
23-Oct-23	99.525	-0.00753523
24-Oct-23	99.42	-0.10550113
25-Oct-23	99.6725	0.253973044
28-Oct-23	99.61	-0.06270536
29-Oct-23	99.025	-0.58729043
30-Oct-23	99.0275	0.002524615
31-Oct-23	99.1	0.073211987

Trade Date	Close Price	% Change
1-Nov-23	99.3175	0.219475
3-Nov-23	99.19	-0.128376
5-Nov-23	99.535	0.347817
6-Nov-23	100.8725	1.343748
7-Nov-23	101.0475	0.173486
8-Nov-23	101.325	0.274623
11-Nov-23	101.755	0.424377
12-Nov-23	101.71	-0.044234
13-Nov-23	101.5725	-0.135188
15-Nov-23	101.6125	0.039381
18-Nov-23	100.855	-0.745479
19-Nov-23	100.39	-0.461058
20-Nov-23	101.0825	0.68981
21-Nov-23	101.4975	0.410556
23-Nov-23	101.91	0.406415
25-Nov-23	101.155	-0.731037
26-Nov-23	101.07	-0.093906
27-Nov-23	101.09	0.019788
28-Nov-23	102.655	1.548125
29-Nov-23	102.7325	0.075496

Trade Date	Close Price	%Change	Trade Date	Close Price	%Change
2-Dec-23	102.6425	-0.0876062	1-Jan-23	102.885	0.209409
3-Dec-23	102.92	0.27035585	2-Jan-23	103.555	0.651213
4-Dec-23	102.2075	-0.6923853	3-Jan-23	103	-0.53595
5-Dec-23	101.42	-0.7704915	6-Jan-23	102.565	-0.42323
6-Dec-23	101.18	-0.2366397	7-Jan-23	102.7675	0.197436
9-Dec-23	100.345	-0.8252619	8-Jan-23	102.3425	-0.41355
10-Dec-23	100.8925	0.54561762	9-Jan-23	102.4235	0.078159
11-Dec-23	100.7575	-0.1338058	10-Jan-23	101.86	-0.5492
12-Dec-23	101.62	0.85601568	13-Jan-23	101.3925	-0.45896
13-Dec-23	101.5	-0.118087	15-Jan-23	101.28	-0.11096
15-Dec-23	101.0235	-0.4704433	15-Jan-23	100.6525	-0.61957
17-Dec-23	101.18	0.15590586	17-Jan-23	101.2375	0.581208
18-Dec-23	101.7325	0.54605653	20-Jan-23	101.4375	0.197555
19-Dec-23	101.9825	0.24574251	21-Jan-23	101.7725	0.330253
20-Dec-23	101.675	-0.3015232	23-Jan-23	102.44	0.655875
23-Dec-23	101.385	-0.2852325	23-Jan-23	102.765	0.317259
24-Dec-23	101.2075	-0.1750752	24-Jan-23	104.1775	1.374495
26-Dec-23	101.6975	0.48415384	27-Jan-23	104.5875	0.393559
27-Dec-23	102.0675	0.36382409	28-Jan-23	103.6275	-0.91789
30-Dec-23	102.56	0.48252382	29-Jan-23	103.125	-0.48491
31-Dec-23	102.67	0.10725429	30-Jan-23	103.6075	0.467879

Month-Wise Price Variation GPB/INR

GBP/INR	Aug	Sep	Oct	Nov	Dec	Jan
High	106.0825	106.765	102.315	102.7325	102.67	103.72
Low	92.405	99.75	98.4325	99.19	100.345	100.6525



Interpretation:

The above table and graph are showing the percentage change of GBP for a period from 1st Aug 2023 to 30th Jan 2023. GBP has peaked in August & September 2023 at 106.765 and tailed in August 2023 at 92.405. Over the 6-month period, the GBPINR average variation is 0.096582415 % and stands at an average INR value of 100.7892137

5. CONCLUSIONS

Improvement in inflation rate, would help lead to strengthening of INR

Improvement BOP deficit would lead to higher economic growth, thereby strengthening the INR. Improvement in faster dealing and liquidity of forex market, as dealing in forex means that you mainly deal in money. Improvement in selecting the options by analyzing and appropriate decision making in forex strategies. Often, foreign ships travel through India and dock their vessels at various ports / harbors in the country. One of the major requirements during such temporary stays, is that of FCY Cash that has to be made available to the Captain of the Ship for covering Crew wages or for other expenses on board the ship. These requirements are usually met through a facility called "Cash to Master". To collect this cash, the master of the ship has to approach the branch with his passport and a duly filled up application form. This product is available only in United States Dollars, Pounds Sterling and Euro Currencies.

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