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A Study on Currency Pairs with Reference to Online Trading Platform

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ABSTRACT

In recent years, the foreign exchange market has attracted quite a lot of attention from researchers across the globe. Due to its vulnerable characteristics, different types of research have been conducted to accomplish the task of predicting future forex from the secondary data source of period 1 hour and below 1hour time frame in the market for the currency prices to some extent. In this study, a light was thrown upon a comprehensive review of the recent advancements in forex currency prediction approaches. Under the technical tools (Relative Strength Index, Stochastic Oscillator, Moving Average and Fibanocci Retracement) where it shows huge potential in time series prediction.

KEYWORDS: Foreign exchange(forex) market, time series prediction, currency prediction.

INTRODUCTION

Forex is a global market where a currency pair is determined by the price quoted from the exchange rate of two different currencies traded in forex markets. From the analysis, there is a daily trading volume of over 6.6 trillion dollars in the forex market. The growth of forex trading is gradually increasing day by day. The study is based on the analysis of major currencies in their respective economies, using the dollar as the base currency., as follows

1) EURO-US Dollar (EUR/USD)

2) BRITISH POUND-US DOLLAR(GBP/USD)

3) US-DOLLAR-JAPANESE YEN (USD/JPY)

4) US-DOLLAR-SWISS FRANCE(USD/CHF)

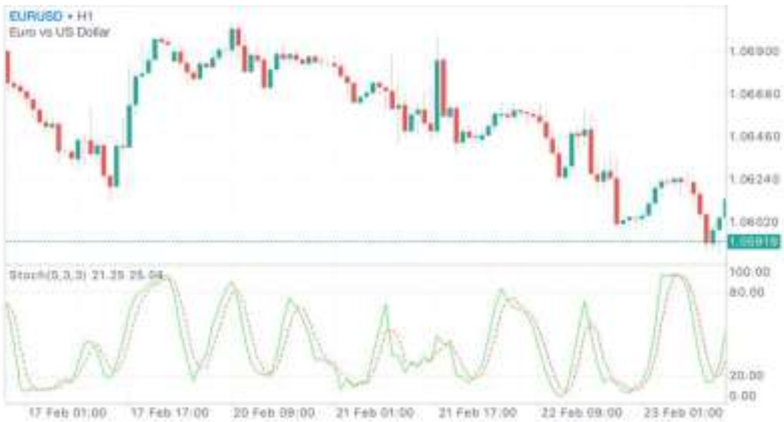
5) AUSTRALIANDOLLAR-US DOLLAR(AUD/USD)

6) US-DOLLAR-CANDIAN DOLLAR(USD/CAD)

RESEARCH METHODOLOGY

This study is described under secondary data in the forex market. To know the trend in market candlesticks, chart patterns and statistical indicators like the relative strength index, moving average exponential, stochastic oscillator, and Fibonacci retracement are used. The historical data is drawn from tradingview.com and a trading chart platform.

STOCHASTIC OSCILLATOR

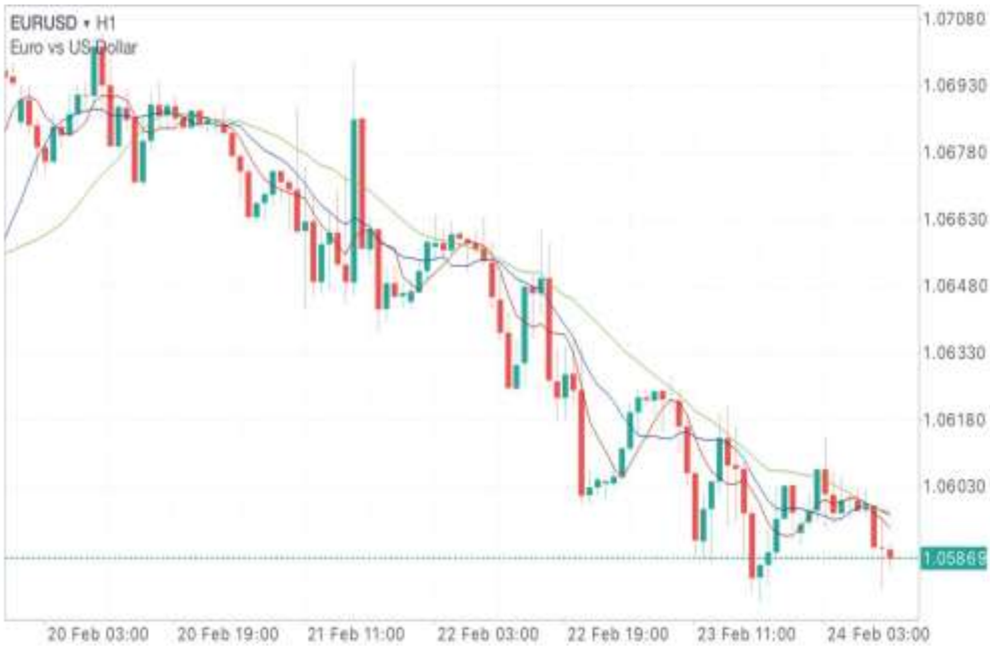


The oscillator follows the speed or momentum of price. The stochastic oscillator's role is to identify overbought and oversold levels. In this, it can be seen that there are two lines: red and blue; the blue line is for the buyers, and the red line is for the sellers. When the blue line is laid upon the red line, it is said that the market is strong for buyers as compared to sellers. One of the finest indications of a stochastic oscillator is to look for overbought areas (above 80) as well as oversold areas (below 20). The above chart shows the stochastic oscillator below 20, which is an oversold reading.

RELATIVE STRENGTH INDEX

It is the best indicator to identify whether a currency is overbought or oversold. When overbought currency shows an uptrend in the market and it is understood that the traders buy the currency for a long time. When the oversold currency shows a downward trend, the traders sell the currency for a long time. RSI is limited between 0 and 100 (above 70 is overbought and below 20 is oversold). One should not take positions only on RSI signals and this should be combined with supplemental signals sent by other indicators.

MOVING AVERAGE



The moving average indicator is the finest trend determination tool for the currency. This indicator helps to determine future prices. On the above chart, the average price over the specified period is indicated by the number of days; in this, it can be seen that there are three lines: red, blue, and green. The green line is for the buyers, and the red line is for the sellers. When the blue line is above the red line, it is said that the market is strong for the buyers as compared to the sellers, and the green line is for strong movement. The basic and popular moving average uptrend is observed when the price moves higher than the moving average. Below the moving average, the price falls, which shows that the average is higher than the price. In the above figure, the bearish trend can be seen, which shows that supply is greater than demand.

FIBONACCI RETRACEMENT

The Fibonacci retracement is a technical indicator used to find the trend of the market by taking the highest point and joining it through the lowest point in the chart. It signifies the numbers 0.23, 0.38, 0.5, 0.61, 0.78, and 0.5 at a halfway level. At some point, the market trend will reverse. which is temporary at a certain level.

CONCLUSION

Global results show that trading in foreign exchange markets averages $5.3 trillion per day. Among the six major currency pairs, traders favor the US-DOLLAR pair for its stability and dependability. Because of market volatility, the hourly category is more sensational technically. Furthermore, the probability of volatility and rapid movement has decreased, resulting in a decrease in the length of position category.

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