

The cost of currency volatility

FX fluctuations can impact your bottom line

A brief guide to why currency markets move, recent changes in the value of sterling, and how to mitigate risk.



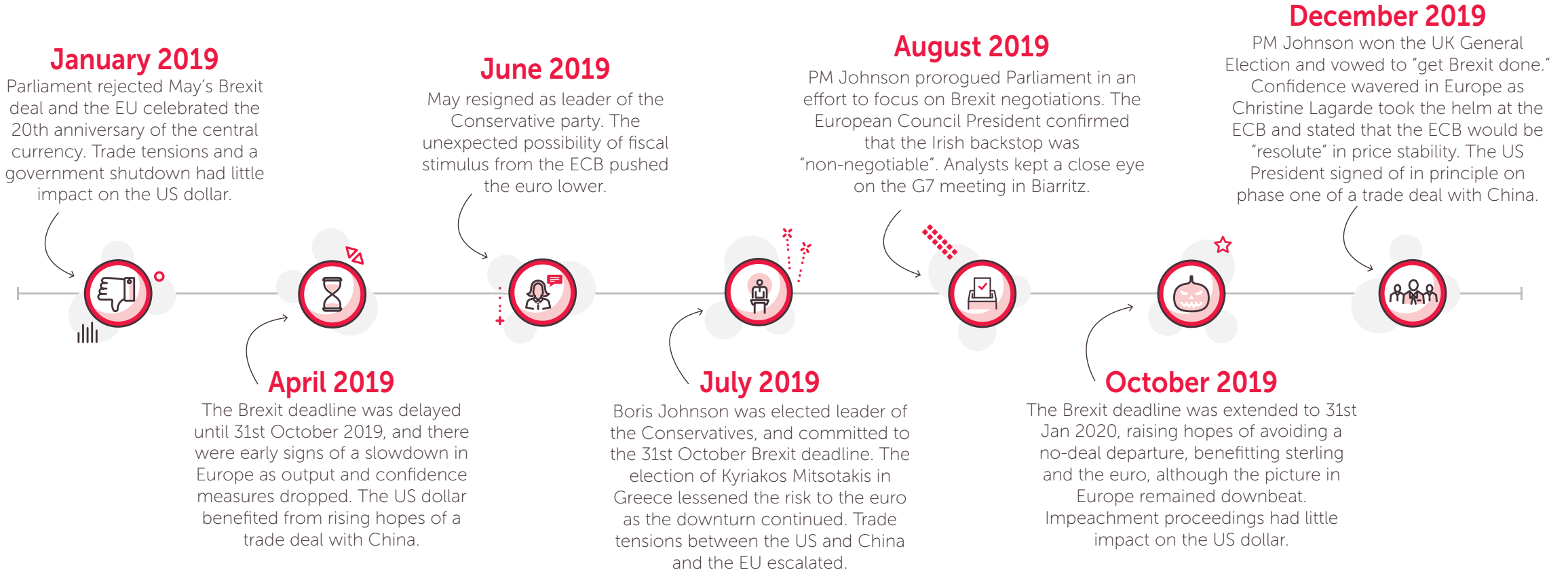
Addressing the impact of currency volatility

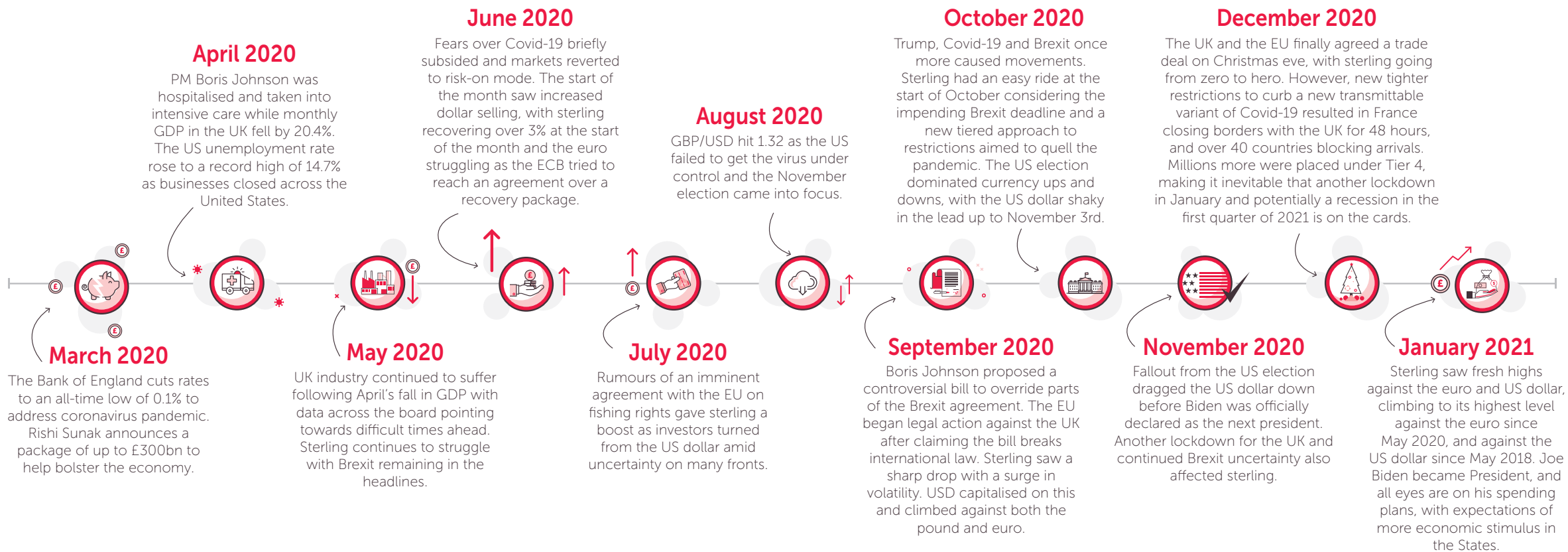
Currency volatility happens during periods of economic and/or political uncertainty. The value of the pound may fluctuate in response to unexpected economic results and in the run-up to a General Election. Recently, the effects of volatility have been compounded by the major issues of Brexit, the Pandemic and US elections. The more unpredictable the world becomes, the more volatile the currency market is, which can lead to higher FX costs even if the market moves suddenly in your favour.



Events causing volatility in the value of sterling

A number of events can cause market movements. Here are a few examples of some of the major moments, and how currency was affected, over the last two years.





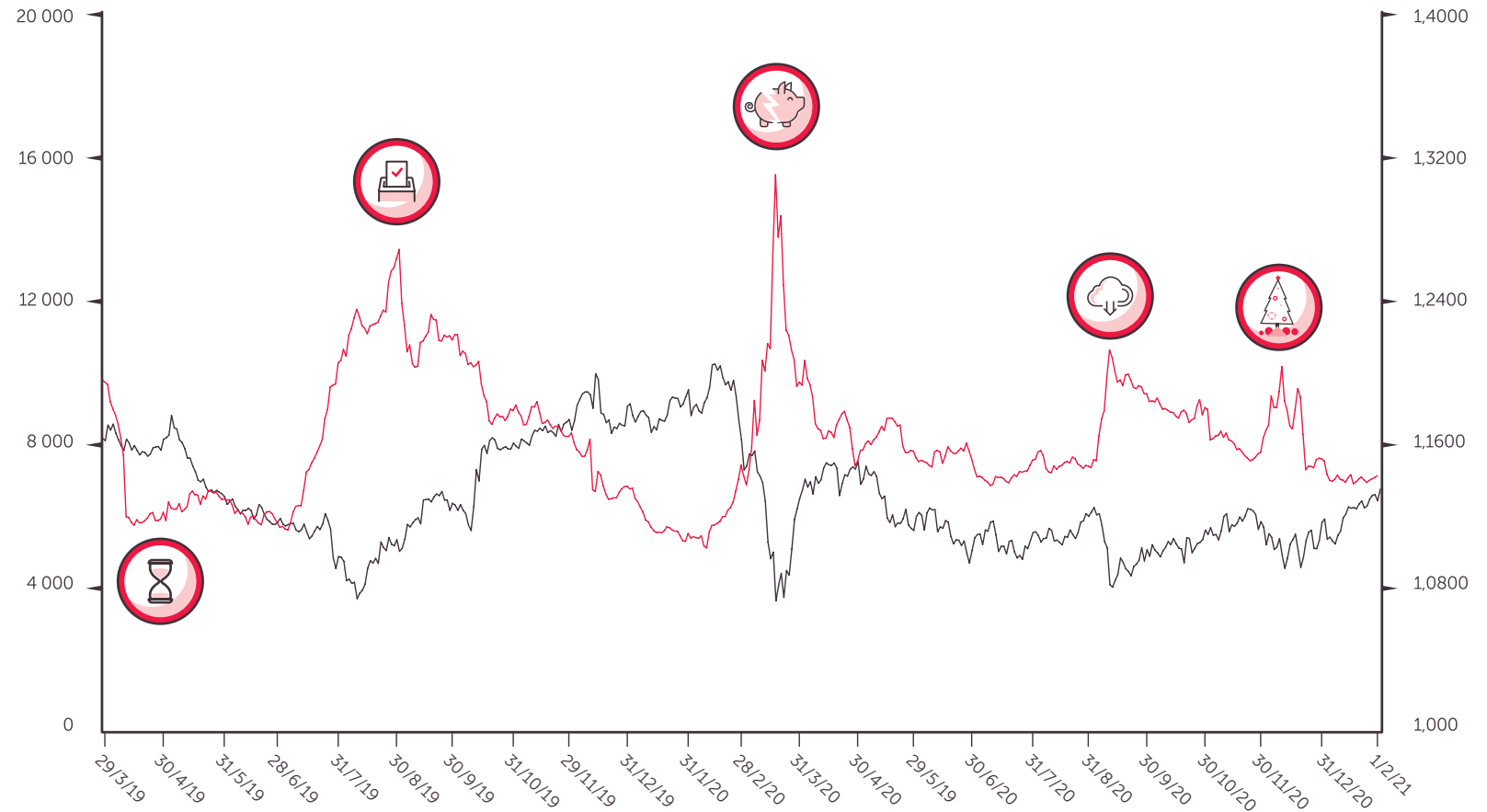
GBP/EUR

Sterling has made gains against the euro, reaching its highest level since May 2020 as a Brexit deal swooped in and vaccination rollout is well underway. However, new post-Brexit border arrangements caused a few sticking points.

SPOT VS. 3M VOL

SPOT
The spot rate is the exchange rate at any given point in time.

3M VOL
The 3M Vol refers to the changing 'Volatility' measure of the currency pair, a calculation of how much it is currently moving, up or down.



GBP/USD

The GBP/USD exchange rate was mostly categorised by ongoing weakness until the pandemic brought the previously unassailable US dollar in check. Sterling saw a fresh high against the dollar, not seen since May 2018. As we see Joe Biden sworn in as president, new spending plans and further economic stimulus is expected.

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Managing FX transactions and currency risk



Invaluable expertise

Movements in the currency market can have a significant impact on your bottom line. In a rapidly changing world, it can be difficult to keep up to date with market movements. That's why we work closely with our clients to ensure they have the latest insights and guidance on the range of tools available to businesses. In partnership with our clients we create a bespoke FX strategy that helps to mitigate the risk of currency transactions. Our expert team is always on hand to help you make the most of overseas revenue and minimise your costs abroad.



Currency tools

Spot Contracts apply the exchange rate on the day of purchase and can be a high risk approach because of the unpredictable nature of the FX market.

Market Orders allows you to target a specific rate. There are no guarantees, so there is some risk, but it is possible to specify maximum and minimum rates to limit potential losses.

Forward Contracts fix a prevailing exchange rate for a set period of time. This may ease pressure on margins and prices but presents some risk if the value of the pound improves and may require a deposit.

Currency Options provide the opportunity but not the obligation to exchange a specified amount on a particular date at a set rate. These regulated investment products carry a higher level of risk and may require an upfront premium.



24/7 online platform

An online multi-currency account allows you to manage funds and currency transfers for 33 major currencies through a convenient and secure online platform. You can make and track payments, view live exchange rates, make use of currency tools such as forward contracts and set alerts for your preferred exchange rate and market updates. You can also manage users and approval workflows and run real-time reports. Our platform includes a suite of APIs for seamless integration, facilities for bulk payments and functionality to reduce administration time and resource by simplifying the process for international payments.



The background features a stylized world map with a grid of latitude and longitude lines. Numerous numerical values are scattered across the map, representing various data points or exchange rates. In the bottom left corner, there is a 3D bar chart with four bars of increasing height. The Moneycorp logo, consisting of the word 'moneycorp' in a white sans-serif font with a red diamond-shaped graphic element above the 'o', is positioned in the upper left quadrant.

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Contact us

If you want to review your FX strategy or plan to make use of currency tools to address FX market volatility, our expert team is happy to help.

Get in touch with your account manager or request a free, no-obligation consultation.

Quote the reference "volatility" and call or email us on:

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