**Currency Essentials: Bloomberg**

**What is currency?**

As you already know, a currency is an accepted form of money like a coin or paper note. This is issued by the government and circulated within an economy and used to purchase goods/services. Generally, each country has its own currency i.e. Swiss has the franc and Japan the yen. As investors, you can trade currencies on the foreign exchange market.

Foreign exchange refers to the exchange of one currency for another. There is a global market for FX currencies which are traded virtually around the world in a 24/7 environment. The global FX market is by far the largest financial market, with average daily volumes in the trillions of dollars.

Start by clicking on the yellow CRNCY button followed by the Enter or Go (green button). As usual, this will open up a black dashboard from which we can choose several functions.

**FXIP <GO>**: In this monitor, we can track the spot price of the G10 countries. The G10 countries are the 10 top industrialized nations that meet on an annual basis to consult, debate, and cooperate with each other on international financial matters. These countries include U.S., Euro, Japan, UK, Canada, Australia, N. Zealand, Switzerland, Denmark, Norway, and Sweden. You will realize that the prices listed are termed `spot`. Spot represents the current price at which a security can be bought or sold at a specified time and place. In contrast, the future price is the expected value of a security.
You can also use the different sections such as FX Forwards, FX options, and Economics regarding currencies. For instance, under economics, we can check out the current statistics for the U.S. i.e. GDP, CPI, Unemployment etc. This is very important to track when investing in currencies as the value of a currency is heavily tied to the economic state of its country. For instance, as of the writing of this guide (January 2015) the U.S. had seen a dramatic improvement in its labour market whilst receiving healthy future growth rates by the IMF. With this happening, the U.S. dollar had been appreciating greatly in relation to the Canadian dollar and the Euro. It is not surprising that for instance, the Russian rubble had depreciated severely after tensions arose with Ukraine (and the recent down surge with oil).

**FXC <GO>**: This is the currency rates matrix. Essentially, it makes it easier for investors to compare currencies of one country with that of another. It should be noted that when you invest in currencies it is done so in pairs. For instance, with $1 U.S. dollar, how much will that equal to in Swiss francs? To create this transaction, you need the current FX rate.

**WCR <GO>**: As we previously stated, currencies are often paired with others when traded. This function allows you to see the world currency rates and their current respective prices (as well as changes). This monitor is more for the up to date current changes happening in the FX environment.

**FXSW <GO>**: This is an important function for those who want to integrate strategies in their investments. For instance, one strategy you can use is “carry trading”. This is when you buy and hold a currency that pays out high interest against a currency with low interest. This is advantageous when currencies are not moving since you continue earning money from that interest. This function allows you to analyze the impact of going long on respective currencies. In this you can analyze the average return, standard deviation, and sharpe ratio of your strategy across the time span of a year. From this, you can better depict whether or not this strategy will be successful in the future.

**FXFC <GO>**: This is an important monitor is you would like to get Bloomberg's opinion on the forecast of different currencies. For instance, if you are going to buy a forward contract on a currency, you will be obligated to make a payment sometime in the future. Essentially, investors use forwards to lock in the rate at which to buy at. This can be used to hedge future uncertainty on the direction of the currency rate. Let's look at an example: If a U.S. exporter signs a contract today to sell hardware to a French importer, the terms will require the importer to pay euros in six months’ time. The exporter now has a known euro receivable. Over the next six months, the dollar value of the euro receivable will fluctuate depending on the exchange rate. To mitigate the uncertainty of direction, the exporter may lock in the rate at which he will sell euros and buy dollars in six months. To do this, he locks in a forward.

**WCRS <GO>**: To see whether currencies are currently over or under valued, this function is useful. It will rank the top 10 currencies by purchasing power parity on the basis of consumer price index. From this, an investor can determine whether or not an undervalued currency is worth buying. Thus, if at this moment the Canadian dollar is undervalued, it might be prevalent to analyze why this is so and whether or not the dollar may gain value in the future.
IDEA <GO>: To see what other investors in the market are investing and their respective strategies (ideas), this function is great. It will allow you to see the ideas of different people for equities and FX. Here, you can see what the general consensus is about the currencies you may be interested in investing. People are also able to place comments on their strategies and why they have done so.