

Background Information on Historical FX Rates

The Federal Reserve Bank of New York will be the host of a conference June 3 and 4, 2010. The topic will be "Global Dimensions of the Financial Crisis." Various presenters and topics will appear before the body with the main discussion to focus on the historical fx rates. This discussion will closely follow the past and present exchange rates and how they daily have an impact on the world economy.

The historical fx rates, also known as the foreign-exchange rate, the forex rate, or FX rate basically involves the exchange rate between two types of currencies. For example, what is the value of the United States dollar in exchange for the Mexican peso? It is a staggering figure, however, it is estimated that about 3.2 trillion U.S. dollars worth of currently changes hands every day.

When we consider the historical fx rates and how these historical fx rates impinge on our daily activities it is imperative for the parties involved to understand the different orders such as EUR - GBP - AUD - USD - and others. Therefore, if you are doing a conversion from USD to EUR the parties need to be aware of the base currency.

When a quote is offered using a country's home currency, as the price currency (for example: USD 1.00 = 1.30 MXP) this is known as the direct quotation or price quotation. The historical fx rates fluctuate on such a steady increase or decrease that it is imperative that parties involved stay abreast of the current currency value. For example, it is possible for the Mexican peso to change value many times in one day.

In the early 1980's to 2006 the market convention was that most currency pairs were given to four decimal places for spot transactions. However, this followed with up to six decimal places for forward outright or swaps. The historical fx rates played a role in this also. Although there is not a set rule, exchange rates with a greater value than 20 were often quoted to three decimal places while currencies greater than 80 were give to two decimal places. Finally, currencies more than 5000 were often quoted with no decimal places. This follows through with the historical fx rates.

The historical fx rates has seen an explosion in trading financial assets, such as stocks and bonds, and has changed the way many analysts and traders view currencies. Economic growth, along with inflation and productivity no longer are the only drivers of currency movements. Thus, like the stock exchange, money can be earned, money can be lost on the foreign exchange market by speculators as well as investors by buying or selling at the right times - or, at the wrong times.

The foreign exchange market is a worldwide decentralized over-the-counter market for the trading of currencies. The many financial centers located worldwide, function as the anchors for trading. The purpose of the foreign exchange market is to help the international trade and investment arena. The foreign exchange markets allows businesses to change one currency to another.