

FX ■ Week

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Retail FX booms at NY show

NEW YORK – Online FX trading firms in the US are undergoing a mini-boom, according to firms exhibiting at a retail trading show in New York last month.

Firms at the International Online Trading Expo in February said interest in forex among attendees has grown markedly in the past year. As a result, most companies expect to double their FX transaction volumes by year-end.

“Retail FX is a new animal for the US markets. It’s becoming much more within the grasp of the retail trader,” said a spokesperson at the stand for Forex Capital Markets (FXCM) – one of the biggest firms in the online retail market in the US.

Rapid growth

The New York-based firm has 4,000 clients and transacts \$12 billion in forex a month. Zoltan Cass at FXCM in Toronto said: “It’s tough to project what we’ll do by year-end, but I wouldn’t be surprised if we doubled that.”

A smaller company, First Financial Exchange in LA, projects even more rapid growth, said James Whyte, vice-president. Currently transacting \$500 million a month, the firm expects to quadruple turnover by the end of the year to “a couple of billion, maybe 2.5 billion”, said Whyte, an ex-Bank of America FX manager.

He believes the growing demand from retail customers is such that firms need not fight for market share – despite the explosion of firms springing up to cater for online retail FX.

Gain Capital, based in New Jersey, has also seen a “significant increase” in the past year, said Samantha Roady, vice-president of marketing at Gain. “This is the fourth time we’ve exhibited at this show. Awareness is building among the retail crowd, and people are now much more interested in FX.”

Growth in the US among retail traders is partly in response to events in other – more traditional – day-trading markets. “The decline in the equity markets has had a positive impact on our business,” said Roady.

“These equity day traders understand how markets work, how to use technical analysis, and how to trade in volatile markets,” she added. “Now they realise they can use their knowledge and experience in FX.”

FXCM’s Cass agreed. “As stock markets become more and more difficult to trade, people will look for other markets,” he explained – and, he said, they find FX ideal for the day trader.

“This is the right market for technical traders,” said Cass. “It’s open 24 hours, it’s fully electronic, it’s economy-proof because there is no bull or bear market. And it has great leverage –

you can do a lot more with your money.”

He added that, with greater transparency in the forex market as a whole, “it’s no longer a privilege for the elite banks. You can’t hide the prices.”

Increased sophistication

Growth in interest in retail FX during the past year has coincided with a growth in sophistication among retail traders, as the bursting of the dotcom bubble removed many dabbling investors in the forex market.

“A year and a half ago, the online investing boom was in full swing, and everyone thought it was easy to make money trading in the stock market,” said Roady. “Now the online investing population has decreased dramatically, but what remains is a group of traders who are much more sophisticated and active. This group is coming over to the FX market.”

The boom has extended to the many training and educational firms exhibiting at the show.

Training firm E-cademy said it would launch forex training in the next month, in response to growing demand, while educational firm Tradingschool.com reported interest in day traders wanting to learn about the FX market. ■