

CURRENCY MARKET NEVER QUILTS

By DANIEL STRACHMAN

March 3, 2002 -- As opportunities in the equity markets have evaporated, savvy investors have been turning to other markets, such as currency, in search of positive returns.

The foreign exchange markets are the most liquid and widely traded in the world, with an average daily volume of over \$1.1 trillion, roughly 30 times the combined volume of all U.S. stock markets. And while institutions and professional money managers have been trading currencies for years, the currency markets have often been considered off limits to individuals because of the high cost to get in.

Now that's changing. It all started in 1999, when Gain Capital set up an online platform to allow individual investors to access currency trading markets in a commission-free trading environment.

Individual investors can set up a trading account at Gain Capital for as little as \$5,000 and start trading in six major foreign exchange markets: the U.S. dollar, the euro, the yen, the Swiss franc, the Canadian dollar and the Australian dollar.

Gain posts real-time information about those markets on the Internet, and investors can literally point and click to place a trade.

"This is not for the mom and pop or casual investor," said Samantha Roady, vice president of marketing.

"Our clients are experienced self-directed traders who did not get caught riding the online investing wave and are still standing, but because the opportunity in equity markets has dried up they are looking for new markets to trade."

The foreign currency market is also a good one for night owls, or people who cannot trade during normal stock market hours because they are working.

That's because the foreign currency market is a true 24-hour market, which offers a major advantage over stock and futures trading.

Whether it's 6 p.m. or 6 a.m., somewhere in the world there are always buyers and sellers actively trading foreign currencies. Traders may respond to breaking news immediately.

If President Bush accidentally says "devaluation" instead of "deflation," as he did last month during a visit to Japan, the foreign currency trader can immediately start selling yen and buying dollars for a quick profit.

There are other advantages over stock trading - specifically, profit potential in both rising and falling markets.

In every open FX position, an investor is long in one currency and short the other. A short position is one in which the trader sells the base currency in anticipation that it will depreciate. This means that potential exists in a rising as well as a falling market. The ability to sell currencies without any limitations is another distinct advantage.

By contrast, in the U.S. equity markets, it is much more difficult to establish a short position because of the "zero uptick" rule, which prevents investors from shorting a stock unless the immediately preceding trade was equal to or lower than the price of the short sale.