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**PRINCIPLES AND BENEFITS OF USING THE FUNDAMENTAL
METHOD FOR ANALYSIS OF PRICE ON THE INTERNATIONAL
FOREIGN EXCHANGE MARKET**

The aim of this paper is to examine the characteristics and principles of one of the methods used in the analysis of price movements on the foreign exchange market. The economic indicators that affect the movement of currencies in the Forex. The essence of fundamental analysis and a list of the data that affect the price of the currency when using it. Through the analysis of deficiencies in fundamental analysis marked out by the supporters of technical method of investing, the advantages of fundamental analysis are marked out compared with the technical one. In the conclusion the main points of fundamental analysis (in particular the time-critical news and market reaction to it) are highlighted, which should draw the attention of any investor who works in the international currency market.

Keywords: Forex, fundamental analysis, monetary investment, the international monetary market.

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**ПРИНЦИПИ ТА ПЕРЕВАГИ ВИКОРИСТАННЯ
ФУНДАМЕНТАЛЬНОГО МЕТОДУ АНАЛІЗУ ЦІНИ НА
МІЖНАРОДНОМУ ВАЛЮТНОМУ РИНКУ**

Метою статті є розгляд особливостей використання та принципів одного з методів, що застосовуються при аналізі руху ціни на міжнародному валютному ринку. Розглянуто економічні показники, які впливають на зміну курсів валют на ринку Форекс. Розкрита сутність фундаментального аналізу та перелік даних, які впливають на ціну валюти при його використанні. Через аналіз недоліків, які виділяють у фундаментальному аналізі прихильники технічного методу інвестування, виділено переваги фундаментального аналізу у порівнянні з технічним. У висновках виділено основні моменти фундаментального аналізу (зокрема, час виходу важливої новини та реакція ринку на неї), на які має звертати увагу будь-який інвестор, що працює на міжнародному валютному ринку.

Ключові слова: Forex, фундаментальний аналіз, валютне інвестування, міжнародний валютний ринок.

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ПРИНЦИПЫ И ПРЕИМУЩЕСТВА ИСПОЛЬЗОВАНИЯ ФУНДАМЕНТАЛЬНОГО МЕТОДА АНАЛИЗА ЦЕНЫ НА МЕЖДУНАРОДНОМ ВАЛЮТНОМ РЫНКЕ

Целью статьи является рассмотрение особенностей использования и принципов одного из методов, применяемых при анализе движения цены на международном валютном рынке. Рассмотрены экономические показатели, которые влияют на изменение курсов валют на рынке Форекс. Раскрыта сущность фундаментального анализа и перечень данных, которые влияют на цену валюты при его использовании. Через анализ недостатков, которые выделяют в фундаментальном анализе сторонники технического метода инвестирования, выделено преимущества

фундаментального анализа по сравнению с техническим. В заключении выделены основные моменты фундаментального анализа (в частности, время выхода важной новости и реакция рынка на нее), на которые должен обращать внимание любой инвестор, работающий на международном валютном рынке.

Ключевые слова: Forex, фундаментальный анализ, валютное инвестирование, международный валютный рынок.

Setting the problem. Active integration of Ukraine in the field of international financial trade, namely growth of volumes of export-import operations and realization by banks and individual investors of exchange operations and investments in the international currency market enhance the importance of management of currency assets. In this connection the problem of analysis and prognostication of currency market becomes quite essential. [1].

Practice shows that currently only methods of technical analysis are widely applied which reduces quality of decisions, accepted due to incompleteness of the analysis. One of the reasons of such state is a low level of understanding of methods and models of analysis of fundamental macroeconomic indicators, and application of fundamental analysis by analogy with a stock-exchange market.

All of it causes the necessity of development of new approaches to the interpretation of the results of fundamental analysis and making prognoses of movements of rates of exchange.

The analysis of recent research and publications. Questions of prognostication of currency market with the use of separate elements of fundamental analysis and research of influence of the state of macroeconomic indicators in the financial market on the dynamics of quotations of currency instruments have been investigated in the works by Dzh. Zhoukosky, Dzh. Soros etc. Methods of construction of formal econometric models of money and credit market have been presented in the works of such prominent scientists as T. Neylor, E. Keyn, Dzh. Dzhonston, Yu. Chizhov, R. Fer and others.

However the above-mentioned works are poorly aimed at the problems of application of the results of analysis of development of the economic systems for prognostication of rates of exchange. Such drawbacks as insufficient flexibility and application of methods of calculations, requiring considerable resources are characteristic of them. These circumstances stipulate the necessity of further development of methods of modeling the economic systems, in particular international currency market, by integration of present developments with modern theoretical approaches in area of construction of the complicated systems on the basis of objectively-oriented logical models which have been investigated in the works by D. Pospelova, Yu.I. Klykova, R. Yagera as well as other home and foreign authors [2].

Setting the objective. The purpose of the article is a research of principles of the use of fundamental analysis on Forex currency market.

A professional trader not only forecasts the conduct of price, but mainly expects a conduct he needs, basing his expectations on the knowledge of reasons of price changes. Such knowledge is based on the ability to define a just price, and also understanding of market psychology. But if the mathematical reflection of psychology is a technical analysis, a just price, as a rule, is defined with the aid of the methods of fundamental analysis.

The main material of research. A fundamental analysis in application to the currency market determines international economic, financial and political factors, their intercommunication and influence on the conduct of rates of exchange [3]. A fundamental analysis presupposes study of intrinsic value of the country's currency on the basis of economic news which reflect strength or weakness of the national economy of the country. The main figures for investors and traders are those known as «fundamental indices», because they reflect strength of the currency in respect to other countries.

Basic reports are the ones including statistical information about such things, as employment, gross domestic product, international trade, retail business, house building, production and interest rates. Stability, economic growth or slump, can

influence in any of these sectors – directly or indirectly – on the cost of the national currency.

Central banks play a key role on Forex market because they are responsible for changes of the national base interest rate. Central bank maintains a thin balance while establishing interest rates, as it must save the economic growth, but at the same time it must be careful, to limit inflation. Whatever decision a bank made to change registration rate, or to leave it unchanged, it would result in speculations on the currency market. Consequently the cost of a currency or a group of currencies changes real-time.

In addition to information about the economy of the country, the cost of currency is related to the national and international political events, elections and changes in the policy of the government of the country currency of which an investor trades in. Costs of such sensible commodities, as oil and petrol, are important fundamental indices, because high prices can increase consumer expenditures and limit the activity of separate enterprises and public institutions

Natural calamities, assassinations, military operations between countries violate stable work of the region in the world and have a considerable influence on Forex currency market. These figures are very important. However it's quite difficult to predict them.

The most devoted technical analysts highlight the following “drawbacks” of fundamental analysis because of which, in their opinion, fundamental analysis cannot be applied to trade:

1. While investors are in a position to work off fundamental information, actually the market has already taken into account this information in the price;
2. Fundamental information does not deserve trust automatically, as countries which have declared it often have personal plans;
3. Reactions to fundamental news are often illogical and appear only in order to misdirect the investors which could make decisions, based on technical analysis.

Basically the first argument is bound to fail. If all fundamental data are acknowledged to have been taken into account in the price, the same can be said

about the price which is the basis of technical analysis. Finally all traders, regardless of analytical approach, believe that the rates of exchange are not always correctly appraised. Therefore the primary objective of any type of analysis is an exposure of such ineffectiveness and turning it in one's own advantage.

The second point of view is a little inappropriate. Regardless of the correctness of official information the market will come to the consensus and information will still serve as the basis for acceptance of investment decisions. In other words, regardless of the correctness of public institutions' figures the investor shouldn't still forget about inflation.

In respect of the last point, it could be agreed with. However the feature of fundamental analysis is that it is intended for a long period of time, and a long-term fundamental analyst cannot be under influence of such short-term vibrations, especially if they are illogical.

All the above-mentioned shows that for an investor trade in the currency market with the use of fundamental analysis is a much more intricate problem than trade at the stock exchange market. Therefore the investor should always remember the following.

1. Even if the investor does not trade on news, it is still worth knowing the date and time of the news to be prepared for possible short-term sharp price movements;
2. Minor fluctuations in prices just before exiting news usually mean significant movement in exchange rates after them;
3. Dramatic price advances due to past trends that occur in a very short period of time – from a few minutes to a few seconds – is the first market reaction to the news;
4. If the price has not brought any "surprises" – unexpected data – the market will not usually show significant movements.

Conclusions and further research. Further study of this problem will increase the efficiency of the analysis of fundamentals and improve the quality of investment on Forex market.

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