

عنوان مقاله:

Inevitability of Losing Most Traders in the Foreign Exchange Market: New Evidence

محل انتشار:

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خلاصه مقاله:

The foreign exchange market (FX market) accounts for 40% of the total volume of the world's e-commerce by its own. Based on statistics, sometimes up to 90 per cent of the traders lose their total capital in this market just within six months to one year and leave this market. The probability of loss in the FX market can be estimated by probability theory. The present paper intends to demonstrate the loss in the FX market within the frameworks of some developed theoretical models using the data on the exchange rates for the currency pairs (EUR/ JPY, USD/ EUR) for the time interval of February-October in 2013. According to the results of simulation of the loss in the FX market, a number of factors including the leverage level, the volatility of the exchange rate for the currency pair, inflation rate, spread, the number of the transactions and the number of sudden stop transactions are directly related to the percentage of the loser traders so that any decrease in the above-mentioned factors is accompanied by a decrease in the percentage of the losers in the FX market. Furthermore, based on experimental results, the loss probability in this market is as much as 60% for the lower leverage levels. This value amounts to 99% for the higher leverage levels.

JEL Classification: CO2, C60, C88, F31

کلمات کلیدی:

Foreign Exchange Market, Probability Theory, Capital Loss, Leverage Coefficient, spread

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