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Forex Traders: Elements that Influence Trading Decisions

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Abstract

This research was conducted to study the main elements that affect FOREX trader's trading decisions. The independent variables in this case were inflation rate, political climate, tools and technical analysis knowledge such as Fibonacci and Elliot wave the dependent variable used was the FOREX trading decision;   Semi-structured interviews of experienced FOREX market traders were used for data collection. Hypothesis testing showed some differences in tools used by respondents for technical analysis in the FOREX market .Various tool differences featured in the hypothesis were Fibonacci and Elliot wave and the Meta Trader 4 platform and other applications. Core factors influencing FOREX market trading were inflation rate, political climate actions, technical analysis tools such as Fibonacci and Elliot Wave and the Meta Trader 4 platform. These were applied to study respondents' FOREX market knowledge. Evidence of the study showed that most respondents used hedging tools or technical analysis to study market conditions before making decisions.

Keywords: Political climate, Inflation rate, Fibonacci and Elliot wave analysis, Meta Trader 4 software, Technical analysis

Introduction

1.1 FOREX Market and Trading

Currency trading has been around since ancient Egyptian times. During this time, the market was very primitive and no advanced tools were available for trading. The first currency coins were used by pharaohs, while the first paper notes were introduced by the Babylonians. The Roman coin Aureus was later introduced and used, followed by the denarius. Both coins had a worldwide effect making them the first global foreign currency coins (Lindsay, n. d). Lindsay further argues that the first online currency trading was introduced into FOREX history in 1994, largely influencing Euro currency development. This introduced a major new contender into the market which controlled the USD in the FOREX history. Modern FOREX trading online began in 1973 (Lindsay, n. d.). It is an exciting, fast-paced, currency trading market, 24-hour billion-dollar trades, global geopolitical tensions and macroeconomic forces. Today the FOREX market is the largest money exchange market in the world with trading transactions exceeding four million US dollars per day. FOREX market value is about three times the total world stock exchange markets. Significant profits can materialize, but can also vanish in a matter of seconds. A trader needs to understand basic forces of supply and demand that drive currency prices. Traders also need to understand global factors influencing these basic forces, how to predict where currencies are going to move, personality of each individual currency, reactions to economic announcements and many other news.

These factors help traders better understand the aspects of FOREX and international online trading (Jagerson & Wade, 2011). A number of myths are associated with FOREX and international online trading (Alex & Walter, 2012). The first is that successful trading is based on indicators such as EMA, MACD, RSI, Volume, ADX, etc. The second myth is that successful trading must be complex. The last myth is that successful trading depends on the trading system. Personal beliefs and attitude towards risk associated with particular investments are two major predictors of trading success.

The Foreign Exchange Market or international currency exchange market, abbreviated as FOREX or FX is a platform that allows people worldwide to trade online using order placed through a broker, agency or dealer. Money comes through an electronic portfolio to the owner of the online account. Before going into FOREX trading, it helps to do research and analyze market, price, signal and implied risks. This helps traders understand how the market works. The trader can trade a particular currency in FOREX Market through a broker or a dealer with buy/sell orders showing the pair of currencies depending on country.

Under normal circumstances, exchange currency rates are based on the economic conditions of different countries. FOREX is different from the stock exchange in New York in that it doesn't have a center, main office or headquarters as the stock market, but are counters in some areas of agencies allowing customers to open online or electronic accounts. The FOREX is categorized under the Over the Counter (OTC) or Interbank, with real-time banking information flowing online 24 hours.

Currencies abbreviations and FOREX market trading times are shown in Table 1.1 and Table 1.2, respectively. In order to trade in FOREX or open a trading account, the potential trader needs a computer, tablet, smartphone or device connected to the internet. The device should have the Meta Trader 4 application running. As well, the trader needs to find a broker or dealer who will provide the necessary portfolio for investing. FOREX is a spot market service allowing anyone with an internet connection to trade any currency in the FOREX market real-time (24 hours), Monday through Friday.

There are no commissions, clearing fees, exchange fees or taxes with a FOREX trade and no middlemen. While the silver market has limited trade lots of 5,000 oz., the FOREX market has no lot limit. An account can be opened with 250 USD or more in a portfolio. Speculation in the FOREX market is not possible as in the stock exchange, since calculating money flows in different currencies is difficult. Leverage in the FOREX market can be margin or credit that is paid to the broker and that allows the trader to trade more money they have. For example, a broker may give leverage of 200:1 meaning that with 50 USD, the trader can trade or buy/sell up to 10,000 USD.

Table 1.1 Currencies abbreviation

Abbreviation	Country	Currency	Called
USD	United States	Dollar	Buck
EUR	Euro members	Euro	Fiber
JPY	Japan	Yen	Yen
GBP	Great Britain	Pound	Cable
CHF	Switzerland	Franc	Swissy
CAD	Canada	Dollar	Loonie
AUD	Australia	Dollar	Aussie
NZD	New Zealand	Dollar	Kiwi
CNY	China	Yuan	Yuan

Table 1.2 FOREX Market Trading Time

Market Status	New York Time	Universal Time	All Market Closed
Tokyo Opened	7:00 PM	0:00	SAT-SUN
Tokyo Closed	4:00 AM	9:00	SAT-SUN
London Opened	3:00 AM	8:00	SAT-SUN
London Closed	12:00 PM	17:00	SAT-SUN
New York Opened	8:00 AM	13:00	SAT-SUN
New York Closed	5:00 PM	22:00	SAT-SUN

1.2 Statement of the problem

The tourism industry has substantially boosted FOREX trading in Thailand (Chancharat, 2011). It has also come with its own share of challenges. FOREX trading brings hotel and holiday bookings in foreign currency. Currency strength is a factor that will determine how much of FOREX earnings will be brought into the economy. Another condition is the ability to adapt Information Technology for better FOREX trading, since traders require foreign currency whenever they are travelling outside their home countries.

Noticeable investment risks such as currency fluctuations may work against the home country currency causing losses. Exchange rates can be very volatile and move rapidly within a brief period of time. FOREX markets are open 24 hours a day, so time and devotion is needed in tracking down investment (Blue Capital Markets Limited, 2015). Therefore, this research is aimed at examining elements that affect trading decisions made by traders such as inflation, political climate, financial institutions and the use of knowledge in applications, indicators and technical analysis tools.

1.3 Objectives

1. To study elements that impact FOREX trading decisions.
2. To investigate the knowledge and the use of technical analytical tools, indicators among traders in FOREX market.
3. To investigate use of information among traders in FOREX market.

1.4 Significance of the study

The findings from this research were used to advise management of FOREX traders and aspiring traders on the major aspects involved in FOREX trading in Thailand and to help them to understand their role in boosting FOREX trading among potential traders. It is important for anyone interested in FOREX trading to first carry out a FOREX research before embarking on it. These research findings were used to understand the workings and intricacies of the FOREX market in the quest by traders to maximize profits and reduce risks of losses.

1.5 Scope and the Limitation of the study

Regulation of the FOREX market is difficult as FOREX trading involves international markets. It is largely unregulated with no centralized exchange guaranteeing risk free execution of trades. The scope of this study was to investigate the relationship between the FOREX and international online trading. To carry out this research a number of variables were studied: inflation rate, U.S. political climate influence and other financial institutions actions, the use of information, applications, indicators and technical analytical tools. Respondents were traders in Thailand and interviewed through related questions.

1.6 Conceptual Framework

Independent Variables   **Dependent Variable**

```
┌─────────────────────────────┐
│  U.S. Political climate      │
├─────────────────────────────┤                    ┌──────────────────────────┐
│  U.S. Inflation rate         │────────────┐       │                          │
└─────────────────────────────┘            │───────│  FOREX trading decisions │
┌─────────────────────────────┐            │       │                          │
│   • Technical analytical     │            │       └──────────────────────────┘
│     tool knowledge           │────────────┘
│                              │
│   • Technical analytical     │
│     tool usage               │
│                              │
└─────────────────────────────┘
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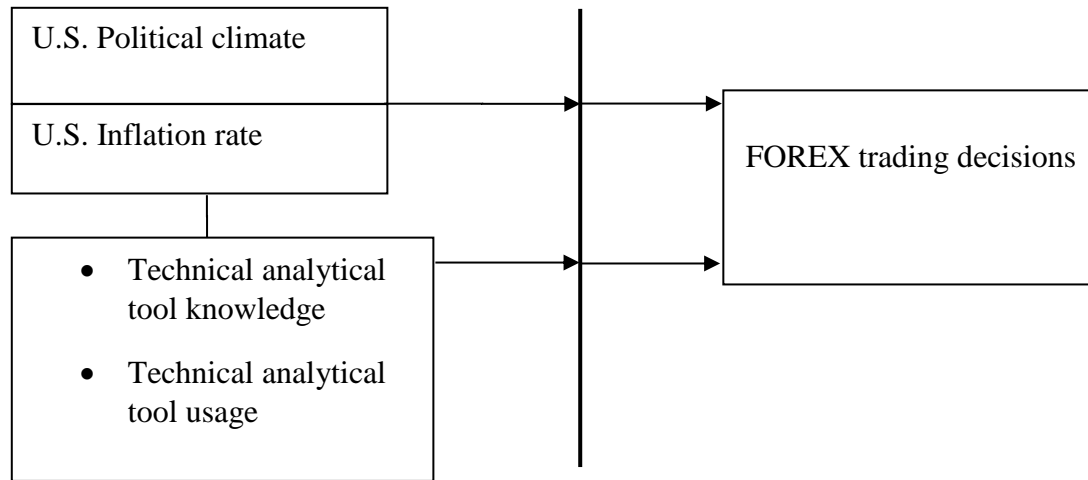
1.7 Research Hypotheses

H1: U.S. Political climate affects FOREX trading decisions.
H2: U.S. Inflation rate affects FOREX trading decisions.
H3: Knowledge and usage of technical analytical tools influence FOREX trading decisions.

Literature Review

2.1 Theoretical Literature Review

FOREX is the world's largest, highest liquidity financial market; it is also referred to as foreign exchange (Cabural, 2013). It is occupied by bank dealers and transnational companies. FOREX can be simply defined as the relative value of one currency against another different currency. What elements affect FOREX trading? The researcher focused on theories, concepts and related researches to apply to the conceptual framework such as inflation rate, political climate, Fibonacci and Elliot wave analysis and Meta Trader 4 software.

There are three kinds of FOREX transactions (Cabural, 2013); Spot, Forward and Swap. Spot transactions, which takes up almost a third of all FOREX market transactions, is where an exchange rate is agreed upon by two parties to trade currencies. With a Forward transaction, money does not change hands until some date that is agreed upon in future by agreement of both buyer and seller regardless of what market rates are at that time. The Swap is the most common forward transaction and involves the simultaneous purchase and sale of a given amount of foreign exchange for two different value dates. Figure 2.1 illustrates various types of transactions in the FOREX market and their global trading rate percentages.
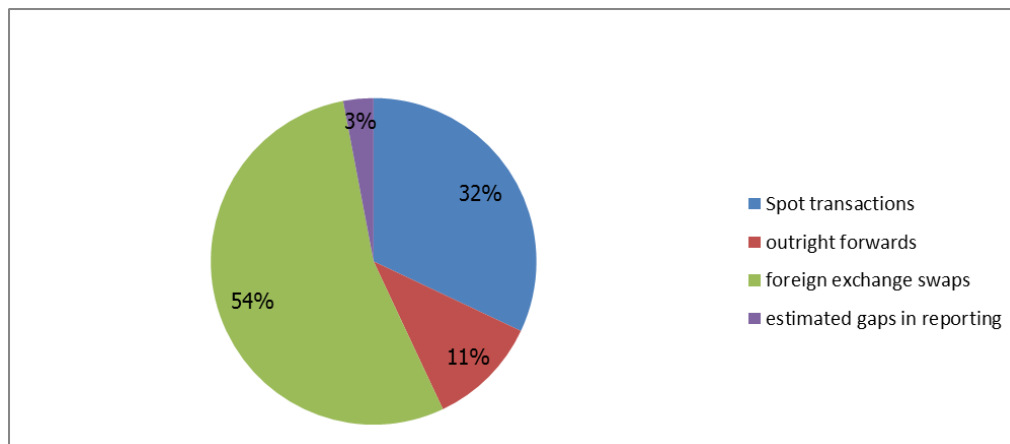
Figure 2.1. Types of transactions chart

2.2 Inflation Rate

Inflation involves continuous rising of prices or continuous falling value of money (Das, 1993). There are also additional conditions such as increase in cost, unemployment and real output. When there is excess demand for commodity, an increase in prices and wages occurs. On the other hand, suppressed inflation takes place when governments employ control measures preventing goods prices and wages from rising, thus excess demand is not reduced, but suppressed. Inflation is generally caused by an increase in money supply rising faster than economic growth rate. Value of money is determined by two things: amount of currency in circulation and public perception of the value of that particular money (Pat, 2011). This can lead to a fall in the value of money because the public perception on the value underlying currency changes, causing devaluation of the currency and subsequent rise of prices. The currency will now be worth less than before. The national debt is another factor that effects inflation rate on FOREX trading (Pat, 2011).

High national debt for a country can drive inflation to higher levels over time. As national debt rises governments can counter this through raising taxes or printing more money to pay off debt. Printing of more money means excess money in circulation which will eventually lead to higher inflation rate and affect the value of the currency in the long run. Once currency value deteriorates FOREX trading will be also affected. Exposure to foreign markets in any country can make inflation worse (Pat, 2011). In U.S., economy functions on the basis of the value of its currency- the dollar. When the FOREX exchange rate suffers, the dollar becomes less valuable in comparison to other foreign currency; foreign commodities and other goods become more expensive to consumers. On the other hand this makes the U.S goods, services and exports cheaper for consumers in other outside countries.

2.3 Political Climate

Political environment refers to government, state, institutions, public, private stakeholders and legislations that operate and in one way or the other influence the system (Gulbinat et al., 2009). The stability of the political climate affects other social amenities such as health, education, and infrastructure as well as commodity prices, currencies and other assets. Political environment also includes people's views, beliefs and attitudes on what governments should to do to improve livelihoods and relationships with its people. Political instability which cause wars is a major concern for FOREX trading market globally (Chan, 2013).

Major elements affecting the FOREX market like elections, regime change or political majority in a given country may supporting some policies or favor capital incentives and lower interest rates which devalues the currency of that particular country. Coup d'état could experience a complete devaluation or even revaluation of a currency. Natural disasters such as high level magnitude earthquakes, tornados and floods cause currencies to appreciate. Every country has a government which acts as the captain of the ship called economy and the well-being of its people (Adam, 2014). It is very difficult to establish the connection between the stability of a country and the strength of its currency. Traders will only invest in a country where their return on investment is favored by the policies.

2.4 Fibonacci and Elliot wave in technical analysis

Financial markets have the same mathematical base as the natural phenomena and thus the Fibonacci concept can be applied in finance (Kuepper, 2014). When applied in technical analysis, the golden ratio is typically translated in three forms of percentages: - 38.2%, 50% and 61.8%. However, there are more multiples that can used when need arises example- 23.6%, 161.8%, 423% and so on. There are three methods of applying the Fibonacci sequence in finance. They include: - Fibonacci Retracement, Fibonacci Arcs, and Fibonacci Time Zones.

Fibonacci Retracement (Figure 2.2) is a very popular tool based on key numbers that were identified by mathematician Leonardo Fibonacci in the 13th century (Kuepper, 2014). This tool is used in technical analysis whereby a Fibonacci Retracement is created by taking two extreme points- a peak and a trough on a stock chart for instance and dividing vertical distance by major Fibonacci ratios of 23.6%, 38.2%, 50%, 61.8% and 100%.

Figure 2.2. Fibonacci Retracement Movement

The Fibonacci Arc (Figure 2.3) is developed by finding the high and low of the chart (Kuepper, 2014). Three curved lines are then drawn using a compass like movement at points 38.2%, 50% and 61.8% right from the desired point. These lines give an idea of support and resistance levels and areas of range.

Figure 2.3. Fibonacci Arc

Fibonacci Time Zones (Figure 2.4), is a series of vertical lines composed by dividing the chart into various segments comprised of vertical lines with gaps or spaces that are equal to the Fibonacci Sequence (Kuepper, 2014). The sequence is as follows; 1, 1, 2, 3, 5, 8, 13. The lines are an indicator of expectations in major price movement.

Figure 2.4. Fibonacci Time Zones

The Fibonacci methods are useful in estimating areas of support and resistance. The financial markets, FOREX included conform to the rule of golden rule which states that nature relies on innate proportion in-order to maintain balance (Kuepper, 2014).

The second concept in technical analysis is Elliot Wave Theory (Elliot, 2012). Named after Ralph Nelson Elliot and later advanced and expanded by A.J Frost and Robert Prechter. Elliot's concluded that movement of the stock market could be predicted by observing and identifying a pattern of waves having a repetitive behavior. The theory suggests that the market moves upwards in a series of five waves and downwards in a series of three waves. The stock price movements occur in predictable cycles. Elliot concluded that these movements could predict market movement accurately.
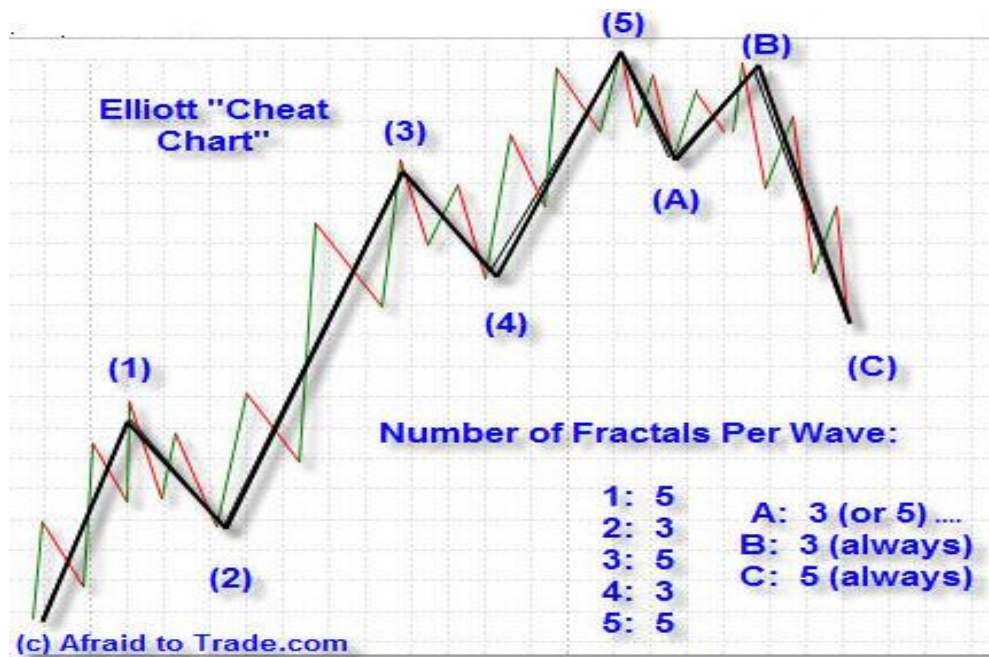
Figure 2.5. Elliot Wave

Elliot wave analysis is a type of technical analysis combining price, time, volume and other information collected from markets to help project the likely direction of future price action. Wave patterns are closely related to market behavior. A failed fifth wave occurs when the fifth leg in an impulse does not get past the preceding third wave extreme point (Poser, 2003). In markets that are going down, it can be explained that a low price reached in the Elliot wave 5 is above the low price achieved by the third wave which is typically falling. Some Elliot wave analysts believe there is no such thing as a failed fifth wave.

2.5 Meta Trader 4 platform

Meta Trader 4 is a platform also used in FOREX trading to analyze financial markets. This platform is composed of trading signals, market, and mobile trading aimed at enhancing FOREX users trading experience. Many global traders of all skill levels use this platform for a variety of reasons: flexible trading system, expert advisors, mobile trading applications, technical analysis and algorithmic trading (FOREX Capital Markets, n.d.). Meta Trader is the most famous trading platform among FOREX traders, since it can easily connect the trader from personal computer to the currency market for free. Two versions of this software are available: Meta Trader 4 and Meta Trader 5 abbreviated as MT4 and MT5, respectively.

Meta Trader offers many features and abilities for the FOREX trader (FOREX Capital Markets, n.d.). The trader can access price charts, follow fluctuations in market price and analyze the charts. They can also plot trend lines on charts, locate trade setups and analyze the same charts to understand the market and make predictions. Another feature is the Renko chart indicator, invented by Japanese traders, which considers only price changes. Time and volume are not used. The Renko chart indicator is made up of small boxes with options to change box size. When a special level of price change occurs in the trading pattern, a new box appears. Higher box size means a larger price change is needed to enable appearance of a new box on the chart. When a smaller box size is set, new boxes will appear more quickly. Major features for this platform enable the trader to place orders and set targets and stop losses from occurring by monitoring the market with the required accuracy (Lien, 2009). Platform accuracy is important since it enables market entrance and exit with exact timing.

Within the MT4 platform there is also an option of viewing account information, including account balance, trading history, password information and other access details. The platform is highly secured with encrypted data between trader and server with a 129 bit key and the trader's IP address completely concealed whether using personal computer, laptop, smartphone or tablet. Since FOREX trading is global involving many different currencies there is a need to have flexibility in this kind of platform (Lien, 2009). MT4 supports all major currencies trading as well as trading futures, indexes, equities and commodities. Estimates are that more than 300 brokers use this platform solely or in conjunction with other trading solutions (Binary Tribune, n.d.). Figure 2.6 is an example of MT4 software interface.

Figure 2.6. Meta Trader Software Interface

2.6 Related Research

According to King, Osler and Rime (2011), electronic trading has transformed foreign exchange markets over the past few years. The studied also noted how the pace of innovation has accelerated this transformation, as well as foreign market structure, evolution, players in the FOREX market and how they interact at different engagement levels. Buenrostro, Mateo, and Ramirez (2012) studied the most feasible methodology to establishing a successful FOREX firm. They took samples of trades from different groups and identified common risks and mistakes made by participants while trading.. A trading plan tool was also recommended. The tool was created by traders with guidance from experts, but personalized based on the traders own personality to help traders avoid common mistakes and major risks related to one's own confidence zone.

Nassimi, SazmandAsfaranjan, Keshvarsima, and Baradari (2014) studied factors that affect the consumer's intention within the foreign exchange market among the expatriates who live in Kuala Lumpur. The study measured the level of purchase intention with relation to internet usage, infrastructure of website, content availability, trust and internet usage in the FOREX market. Research results indicated that the factors that affect consumer's purchase intentions were content, trust and the infrastructure in the form of the FOREX website. The results from this research could be used by various stakeholders in developing quality service charters and gain more investors and clients' loyalty to the market. The stakeholders include central banks, FOREX market brokers, FOREX Dealers and other financial institutions.

Research Methodology

3.1 Research Method

The qualitative research method was used in this research study with semi-structured interviews allowing the researcher to acknowledge, get better perceptions and understand the emotion of respondents. Countenance, motion, movement, eyes contact, etc. could also be observed for a broader message to clarify the research data.

3.2 Research Design

The aim of this research was to investigate how elements of inflation rate, political climate, Fibonacci and Elliot wave technical analysis and Meta Trader 4 software influence decision making in the FOREX market.

3.3 Research Instrument

Semi-structured interviews from respondents engaged in FOREX trading as well as secondary sources of information were used to enable the most accurate, reliable information possible and enable establishment of recommendations. Seven experienced FOREX traders in Thailand were interviewed to gather and compare data.

Semi-structured Interviews

Cohen and Crabtree (2006), described semi-structured interviews as follows:

Characteristics of Semi-structured Interviews

The interviewer follows guidelines. However, the interviewer is able to adjust conversations and questions to be flexible from the guidelines when required and appropriated. The interviewer uses and develops questions and topics to be covered during the interview. This method is best used when there will be no more opportunity to interview subjects and when several interviewers will be collecting data.

The semi-structured interview questions consisted of two parts:

Part 1: General information of the respondent, the age, education level, income bracket, nationality, gender and working experience in years consisting of tape recorded, close-ended questions.

Part 2: Investigated various elements such as inflation rate, political climate, technical analysis tools (Fibonacci and Elliot wave) and trading applications also consisted of recorded, close-ended questions. Content from literature and theoretical framework as well as objectives of this study were transformed into questions. The objectives of the study were translated into content for the interview questions. Interview questions were structured to measure the extent of knowledge people had on elements that affect decisions in FOREX trading.

3.4 Data Collection

3.4.1 Primary data

Primary data was collected from semi-structured interviews. Only responses obtained via interviews, focus groups and additional secondary sources were used to test the hypothesis. All responses were recorded. Seven subjects, representing experienced FOREX traders were interviewed to gather data to support or reject the hypothesis testing.

3.4.2 Secondary data

Secondary data was collected from websites, google scholar, articles, e-journals, academic articles, e-book, e-business articles and online news written by experienced researchers, traders, and academics.

3.5 Data Analysis

Data analysis was conducted through the use of the semi-structured interviews and secondary data. To achieve the objective of the qualitative research, five stages of qualitative analysis (Lacey & Luff, 2009) were used to ensure rigor, reliability and validity as follows.

Triangulation was used to demonstrate rigor by gathering and analyzing data from more than one source to gain more perspective on the circumstance you are investigating (Lacey & Luff, 2009). Reliability refers to a research instrument that concerns the extent to which the instrument yields the same results on repeated trials, while validity, according to (Mason & Bramble, 1989), refer to the degree to which a test measures what it is supposed to measure.

The five stages of qualitative analysis used are as follows:

Stage 1: Transcription

The interviewer collected data by tape recording, handwritten notes and video recording and then transcribing the words verbatim.

Stage 2: Organizing data

After transcription, data was organized into sections by date, code or context. Data was also backed up to prevent loss.

Stage 3: Familiarization

Following Stage 1 and 2, it was necessary to begin familiarization with the handwritten notes and listen to the tape recordings as much as possible to become familiar with the data.

Stage 4: Coding

Data that was not related to the core data was then cut and coded. The coding in this research will be 'Affect' because interviewees may respond with difference ideas to the same question. Codes were divided into sub themes or categories with decoding being done as required.

Stage 5: Themes

After coding was categorized into sub themes, the researcher began to recognize concept and proper themes of the study.

The data analysis was carried out in two stages:

Stage 1: Respondent's demographic information was compiled from the interview; age, occupation, income bracket and level of education among others. Seven FOREX traders were asked four questions in two parts which related to the objectives and hypotheses. The results from semi-structured interviews were analyzed by using content analysis and the five stages of qualitative analysis (Lacey and Luff, 2009).

Stage 2: Secondary data from websites, Google scholar, academic articles, e-journals, e-books, e-business news were used to analyze the objectives and hypotheses. Secondary data was use to do factor analysis to ensure there is a defined pattern in the relationship. Factor analysis also identified various technical analysis tools respondents were aware of in FOREX trading.

3.6 Hypotheses Testing

1. Stated hypothesis was derived from research objectives.
2. A sample was obtained and relevant variables measured.
3. Interview results from experienced FOREX traders and secondary data were then compared to the value either stated or implied in the hypothesis. If the data was found to be consistent with the hypothesis, then the hypothesis was supported; if it is not consistent, then the hypothesis is rejected.

Research Findings

4.1 Describing Demographic information of respondents.

Respondents were asked for demographic information such as nationality, gender, age, education, length of working experience, level in occupation and average income per month.

Table 4.1. General information of respondents

Respondents	Nationality	Gender	Age	Education Level	Experience Years	Income THB
1	Thai	Male	38	Master	10	>50,000
2	Thai	Male	37	Bachelor	11	>80,000
3	Thai	Female	61	Bachelor	>30	>50,000
4	Thai	Male	28	Bachelor	5	>50,000
5	Thai	Male	34	Master	7	>100,000
6	Thai	Female	37	Bachelor	14	>50,000
7	Thai	Male	45	Bachelor	21	>100,000

Respondents were asked to explain different actions and how they deal with these action from financial institutions regarding political climate, inflation rate, technical analysis tools and use of applications that elements of FOREX trading decisions.

4.2 Finding of the research study from respondents

The research questions concentrated on different elements and actions that affect liquidity, price, and FOREX trading decisions and the stock market. Differences of political actions, inflation rate, financial institutions actions affect price, liquidity and buy/sell volume in the FOREX market were examined by the researcher. Fundamental knowledge and use of trading applications, technical analysis tools, indicators, hedging tools, and economic news analysis affect trading decisions were also examined.

4.2.1 Interview question 1:

Do you think political climate actions affect trading decisions making in the FOREX market? How?

Respondents indicated that various political actions in Thailand were elements that affected price, liquidity and buy/sell volume in the Stock Exchange of Thailand (SET). Traders become aware of serious political situations and are hesitant to trade when the nation is in political turmoil. Most respondents mentioned that local political action will not or will have less affect on price, liquidity and buy/sell volume on the market. Because of its large size, the FOREX market, local political situations from insignificant countries will not influence trading considerations of traders.

Hypothesis: H1 Testing

H1: U.S. Political climate affects trading decisions.

Research from FXCM Market Insights (2016) explained that "Equities, futures and FOREX markets are all interested in the relative strength of the United States dollar, and ultimately that strength is based upon the economic health of the nation as a whole. The U.S. presidential election has a great bearing on the direction of the domestic economy, and the potential influence on the USD itself can be substantial." Stewart (n. d.) expressed that another possible effect to support the hypothesis was the Allies a country can have. FOREX traders who have invested in a particular currency in the market, indicated that they may look to the allies from a different country to secure other investments, since allies are considered to be better partners in trade.

Figure 4.1. EURUSD Chart in December 2016

Figure 4.1 shows that America's currency lost ground against the Euro according to Economist (2016), a day after Donald Trump won the U.S election. There was also a decline in the American stock market (Economist, 2016). Traders faced uncertainty after some adverse policy proposals were suggested by Trump on trade and foreign policy. International investor's confidence kept fading due to uncertainty of American economic policy. BBC Business News (2016) mentioned that Asian stocks fell sharply right after the Trump victory. All the major trading regions in Asia closed lower with money flowing into safe haven stocks, gold and stock currencies, including the yen. Margins showed the Japanese Nikkei 225 dropped by 5.4%, mainly due to the reason that most traders had expected a Clinton win.

Figure 4.2. US Dollar – Mexican Peso Chart (BBC Business News, 2016)

The impact of a Trump presidency on the Mexican economy also saw its currency fall more than 13% against the dollar, its lowest level in two decades, as shown in Figure 4.2. Responses from Interview question1 and secondary data found this hypothesis to be **accepted**.

4.2.2 Interview question 2:

Does inflation influence FOREX trading decisions? How? Do you use inflation data to support trading decisions? Why?

Respondents explained that inflation erodes the real value of money. Wealth is then redistributed from those who own monetary assets to those who owe money. Inflation reduced the real value of people's debts used to finance the holding of assets, but increased asset prices. Inflation rate and consumer price index are deemed to be major economic indicators. The index determines the level of inflation in a particular economy by calculating the value of household goods and comparing that value to the previous period.

A rise in inflation is not seen as an indicator that there is surplus money in the economy by FOREX traders. However, in Thailand, traders do not use inflation to trade in the FOREX market as they considered only the inflation rate in Thailand and pay attention only to consumer products, cost of living and the liquidity of assets such as land and cash. Most respondents felt that inflation might not affect the FOREX market due to its size meaning that inflation may have more impact. From this interview question, the researcher determine that inflation is a less effective element in influencing trading decisions. No respondents used inflation information to analyze and support their trading decisions.

Hypothesis: H2 Testing

H2: U.S. inflation rate affects trading decisions.

Most respondents disagreed that inflation rate affected their trading decisions in the FOREX market as inflation was only part of national economics. Respondents felt inflation was too complicated and time consuming to calculate. They may also use other, more effective indicators to support their trading decisions, therefore this hypothesis was **rejected**.

4.2.3 Interview question 3: Do you use hedging, technical analysis tools, applications and news analysis to support your trading decisions in the FOREX market?

If you use technical analysis tools, which ones? How?

Respondents used the number of contracts or shares the traded during a particular time frame in the FOREX market, known as volume based results, since volume has significant effects on FOREX trading. High volume of trade indicates an active trading market, while low volume indicates less active trading. Respondents' knowledge of this tool of analysis enabled the conclusion that the use of Fibonacci retracement was used considerably by the respondents. The application used to trade most often by traders is Meta Trader. Interview information indicates traders get help from their brokers who in turn use the Meta Trader software. Analyzing respondent's views and comparing them with secondary sources, it can be said that bid and ask volume relates well with the hypothesis of this study. Respondent's answers indicated the use of graphs helped in analyzing the FOREX market.

Hypothesis: H3 Testing

H3: Knowledge and usage of technical analytical tools influenced trading decision of traders in the FOREX market. Responses showed that most traders used hedging, technical analysis, applications and indicators to support their trading decisions. Knowledge of these tools and applications is very significant. To be a competent trader, the use of applications such as Meta Trader, tools and indicators are factors that help traders make prudent decisions to trade currencies. Literature reviews sources also supported this hypothesis therefore showing that it can be **accepted.**

Summary, Conclusion, And Recommendations

The purpose of this research was to investigate elements that influence affecting trading decisions by traders in the FOREX market. To study elements that might influence inflation rate and political climate and investigate the use of Fibonacci and Elliot wave technical analysis and Meta Trader 4 software and its effect on FOREX trading decision making. This chapter presents the summary of research findings, discussion of study results, findings and suggestions for further research.

Conclusion

Overall respondents perceived the FOREX market as another form of trade that can be understood with time. The hypothesis test showed some significant difference in the respondent's views on FOREX market trading knowledge and technical analysis tools like Fibonacci and Elliot wave. From this study, core factors that might impact trading decisions of traders in FOREX market showed that:

Inflation rate factor in financial markets is important since it affects currencies and also the price of most products. However, most respondents argued that inflation will not impact their trading decisions in FOREX market.

Political climate affects their trading decision in FOREX market since they will consider its impact from the news when creating an order for trading.

The knowledge of applications, indicators, technical analysis tools also affect trading decision of traders. Results indicated the respondents used technical analysis tools, applications and indicators to support their trading decision in the FOREX market, mostly, Fibonacci, MACD, Meta Trader, Meta Stock.

Discussion

This study endeavored to establish the main factors for FOREX trading with focus on variables that will affect trading decisions such as inflation rate, political climate, technical analysis tools, applications and indicators. The study also produced meaningful recommendations on fundamental analysis of the FOREX market among traders. For example, knowing the reaction of a currency due to this research study before it is released requires fundamental analysis knowledge. This also helps to know what the market is expecting to happen by analyzing various FOREX market processes which can be useful to a currency trader when establishing or liquidating a position.

Limitations

In this study the FOREX traders in Thailand were the interview focus. Focus on other countries was excluded. The current study has been examined in detail and a follow-up of the approaches have been involved.

Recommendations

This is a study of FOREX market trading decision making in Thailand. In the future, FOREX traders in other different countries could be studied. In addition more specific tools will be studied in FOREX trading. This study focused on the technical analysis and in the

future, more fundamental analysis could be investigated. Analysts could be interviewed to find out how currency reacts to macro-economic events and central bank monetary policies in different countries apart from Thailand.

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