Forex as an investment of the future

What is Forex, what is investing, what is the future?

Origins of Modern Finance

We must reference regulations, because regulations are the framework that the majority of finance operates in. Theories, strategies, and products, which do not fit into regulatory framework, are only hypothetical.

Financial regulations are based on a series of laws created during and after the Great Depression, such as "The Securities Act of 1933" [1] and "The Federal Reserve Act (of 1913)[2] and others. In 1933:

- Technology: The modern day computer did not exist, nor did lasers, the iPod, stealth, satellites, and most importantly, the internet
- Society: Roughly 2 Billion people on the planet compared to today's 6.7 Billion. Hitler was coming to power.
- Health: Life expectancy of the average American (male and female) was 59, compared to today's 76. Since 1980, there has been a greater than 30% decrease in deaths due to Stroke in Heart Disease[3], presumably due to advances in medicine.
- Finance: The derivative didn't exist, markets were not electronic and real-time, and credit cards didn't exist, nor did check cashing and instantaneous international payment.

You wouldn't drive an automobile made in 1933 unless you are an antique collector. Most people wouldn't drive a car that's more than 10 years old. Most users wouldn't use a computer that's more than 5 years old. Banks are using state of the art supercomputers to run a 75 year old system – with origins over 200 years old. In fact, the leading banking computer is the mainframe system IBM System Z, originally developed as System/390 in 1964[4]. While the Federal Reserve Act was enacted in 1913, its origins of design are much older, as the bankers who designed the Fed were influenced by the European system, dominated by the British Bank of England, originally established in 1694[5].

History of Forex

How many people know why Forex exists at all? They know about the "Nixon Shock"[6], but why did Nixon float the dollar, who suggested it, and how does that impact modern Forex? The simplest solution being the most likely would indicate the US Administration was politically stretched out and had few options in response to demands by the French for payment in Gold, and the West German removal from Breton Woods. According to the Wikipedia entry:

By the early 1970s, as the costs of the Vietnam War and increased domestic spending accelerated inflation, [3] *the U.S. was running a balance of payments deficit and a trade deficit, the first in the 20th century. The year*

1970 was the crucial turning point, which, because of foreign arbitrage of the U.S. dollar, caused governmental gold coverage of the paper dollar to decline 33%, from 55% to 22%. That, in the view of Neoclassical Economists and the Austrian School, represented the point where holders of the U.S. dollar lost faith in the U.S. government's ability to cut its budget and trade deficits.

In 1971, the U.S. government again printed more dollars (a 10% increase) [3] and then sent them overseas, to pay for the nation's military spending and private investments. In the first six months of 1971, $22 billion dollars in assets left the U.S.[citation needed] In May 1971, inflation-wary West Germany was the first member country to leave the Bretton Woods system — unwilling to deflate the deutsche mark to prop up the dollar.[3] In order to prevent the dumping of the deutsche mark on the open market, West Germany did not consult with the international monetary community before making the change. In the next three months, West Germany's move strengthened their economy; simultaneously, the dollar dropped 7.5% against the deutsche mark.[3]

Because of the excess printed dollars, and the negative U.S. trade balance, other nations began demanding fulfilment of America's "promise to pay" — in the form of gold from the U.S., in exchange for paper dollars, thus, did Switzerland trade $50 million of paper for gold in July. [3] France, in particular, repeatedly made aggressive demands, and acquired large amounts of gold ($191 million), further depleting the gold reserves of the U.S. [3] On 5 August 1971, Congress released a report recommending devaluation of the dollar, in an effort to protect the dollar against foreign price-gougers. [3] Still, on 9 August 1971, as the dollar dropped in value against European currencies, Switzerland withdrew the Swiss franc from the Bretton Woods system.[3]

Arbitrage can be painful if you are on the wrong side of it. Nixon may have had few options but to float the dollar; the market is a powerful force even with government regulations.

This implies that it was a reaction, not an action. In other words, it wasn't part of a grand master plan, a scheme designed by international bankers to make the world's financial markets crumble 35 years later. It seems that it was a random, haphazard solution, as they say "Crisis Management". But while waiting for Bonanza to finish, to announce the new global Forex regime, Nixon's team actually spent more time debating how to announce and when to announce to the public than the plan itself:

To stabilize the economy and combat runaway inflation, on August 15, 1971, President Nixon imposed a 90-day wage and price freeze, a 10 per cent import surcharge, and, most important, "closed the gold window", making the dollar non-convertible to gold — except on the open market. The President and fifteen advisors took that decision, without consulting the members of the international monetary system, thus, the international community informally named it the Nixon shock. Given the importance of the announcement — and its impact upon foreign currencies — presidential advisors recalled that they spent more time, at Camp David, deciding when to publicly announce the controversial plan, than they spent creating the plan. [4]

As a politician, the President did not want to interrupt television viewers watching the tremendously popular TV series Bonanza, not wishing to potentially alienate those voters who fanatically followed the cowboy series. He was advised that the practical decision was to make an announcement before the stock markets opened on Monday (and just when Asian markets also were opening trading for the day). On 15 August 1971, that speech and the price-control plans proved very popular and raised the public's spirit. The President was credited with finally rescuing the American public from price-gougers, and from a foreign-caused exchange crisis. [4][5]

This would also hint it was a knee-jerk reaction more than a carefully planned event. Since then, banks have been creating models 'on the fly' based on what seems to be working, with little or no understanding of the underlying forces. And being as banks are for profit private institutions, any available data or models they have is not public.

No Forex Model

Since the Nixon Shock, economic theories were not redesigned. Although there are some fresh ideas about what Forex is, there isn't any unified theory of Forex, a model that describes it for what it is, mathematically. In fact, several papers have been written with the hypothesis that existing 'models' are severely flawed, and provide evidence; here's one:

Roger D. Huang published a paper in 1981 for the American Finance Association (http://www.afajof.org/) with the following abstract:

The variance bounds on exchange rate movements implied by the monetary approach to exchange rate in an efficient foreign exchange market is shown to be violated by sample data. The paper also presents evidence showing that the forecast errors implied by the monetary model can be forecasted using historical data. The results are interpreted to suggest either the incompatibility of the monetary approach with sample data, or an inefficient foreign exchange market or both.[7]

Richard J. Sweeny, in 1986, goes on to claim that there is Alpha in Forex not explainable by risk:

Filter rule profits found in foreign exchange markets in the early days of the current managed float persist in later periods, as shown by statistical tests developed and implemented here. The test is consistent with, but independent of, a wide variety of asset pricing models. The profits found cannot be explained by risk if risk premia are constant over time. Inclusion of the home-foreign interest rate differential in computing profits has little effect on the comparison of filter returns to those of buy-and-hold[8]*.*

If Forex is truly a reactive solution to a pressured Nixon administration, and still no unified model exists, this indicates that there are large opportunities in trading Forex, like an asset class. These opportunities will exist, and persist, until the floating currency system is replaced by something else (not likely anytime soon), or there is a unified Forex model that becomes widely proliferated as much as "Modern Portfolio Theory[9]" is.

Rembrandt: The Moneychanger 1626

Up late, pouring over account statements, under the dim glow of candlelight? Is this an audit or a daily routine, not enough day-time to do all the calculations? Or does he do this at night so no one can question the numbers?

UBS Trading floor: modern times. Who is running the show, the humans, or the computers? Are the humans telling the computers what to do or are values on the computer screen telling the humans how to behave?

Purpose of Capital Markets

What's the point of investing?

- To achieve a return not possible by other activities – (i.e. someone else can do something better than you and achieve a larger profit than if I did myself)
- To act as a savings account for the future

Investors all have an underlying assumption: someone else can do a better job than me. Small businesses, and farmers, and other types of businesses, would never think of investing somewhere outside of their family run business. Corporatism has turned investing into something you outsource to Wall St.

Those from the Greatest Generation[10] would rarely invest in stocks, except maybe in the company they worked for. They bought Government bonds (mostly as a store of value and wealth for the future not to achieve a return), Gold or Silver, and they may have invested in a vacation home or some tools. They didn't buy stocks, but they didn't have electronic access to the markets or a means to freely educate them, such as exists with the internet.

Trading as an investment

Traders are seen by the retail market as gamblers, high frequency spread betters[11]. Funds, institutions, and some savvy investors know better, but they are the minority. Can active day trading strategies, and other types of real-time trading strategies such as automated Forex systems, penetrate our commonly accepted views of investing?

DBFX, the FX division of Deutche Bank, stated in an October 2008 press release that this is already happening:

dbFX.com sees sharp increase in managed accounts as individual investors and managers turn to FX to diversify portfolios.[12]

A managed account is one way that an investor can turn a trading strategy into an investment. There are thousands of managed accounts in the world, each offering a unique strategy and approach to the markets. Although managed accounts are currently mostly dominated by commodities traders, there is a growing emergence of FX managed accounts.

There are other ways investors can turn trading into investing, such as the active investor who purchases an automated trading system to trade their own account. There are a growing amount of companies that offer fully automated systems investors can lease or purchase that can be executed on their own account.

Modern day hedge fund is a family farm

What is a farmer? A farmer is similar to a hedge fund manager. Farmers are seen as old men with pickup trucks, straw hats and mud on their shirts. Aside from this stigma, farmers are actually some of the most sophisticated investors; a farmer must decide constantly where to invest and when to hedge. His family, and possibly the entire town, depends on the farms' survival. There isn't any room for creativity or unnecessary investments (such as purchasing a decorative rug).

The origins of the futures markets are based on agricultural and eventually industrial demands for hedging 'organic' business[13]. Many family 'mom and pop' businesses are run in this style, but farms illustrate the basic needs of knowing when to hedge due to a bad growing season, crop rotation, and investment in farming machinery.

The future of investing could see a return to family run hedge funds, what Trusts refer to as 'family offices' and boutique investment firms offering niche specialized services to a small elite group of clients. This trend is already taking place, as London based boutique broker Shore Capital revenues are up 12 percent, beating larger rivals[14].

"I think there's a change in the attitudes of fund managers – they used to give a significant proportion of business to the bigger houses because they thought they were a better counter-party risk.

"I think the institutions no longer think they are a superior counter-party risk, having had the experience of last September and October. Although, the overall volume of business available has reduced, more of it's going to the medium-sized brokers." Shore believes financial services

staff disillusioned with life in London following the banking crisis may opt to work in Edinburgh instead.

Who is to blame: regulators or customers?

In 2005 Harry Markopolos sent a letter to the SEC outlining a logical analysis why in his opinion, Madoff was running a ponzi scheme[15]. The SEC didn't act on his letter, but many questions are raised by this action, such as:

- How was a private individual, representing Rampart Investment Management Co. able to obtain and analyze data sufficient to conclude that Madoff was running a Ponzi scheme, using NO private, confidential information from Madoff Securities (the SEC and other regulators are privy to certain confidential records that are not public)
- Why didn't other customers, or at least a few others, take the time to do their own due diligence and come to similar conclusions? What was so special about Mr. Markopolos?

Clients have unreasonable expectations about many of their investments. Why is this so? A survey conducted by PricewaterhouseCoopers in Switzerland identified two related problems: clients poorly understand investment reports and 2) they make unrealistic reporting demands[16].

It goes on to present the obvious solution for global regulation: a standard in documentation and reporting. Investors are bombarded with reports designed differently according to different standards and yet with the designers own interpretations of their standards.

Would a fair conclusion be, that regulation could simply be a 'database' that could be accessed by 'clients' (investors) served by 'servers' (money managers), administrated by 'admins' (regulators).

Forex Forums a form of Self-Regulation

While Forex trading itself is unregulated, Forex has a means of self-regulation for highly sophisticated investors, for those who are willing to do their homework. Work is required (in the form of time, reading, and understanding), and there is no vertical subordination, and no official authorities in this space. Admins monitor the discussion to make sure it's focused on topic, but they don't normally intervene in discussions (such as deleting posts they don't like).

The forums do not provide any type of identification proofing, so there isn't stopping anyone from spreading misinformation anonymously. For all the value they provide, and they do provide a unique critique service untouched by commercial interests, they seem to have an equally devastating counterbalance, the 'rotten apple that spoils the bunch'.

The significance of the forums is they represent a powerful new force defining how information is exchanged among the investing public. Some investors may remember 'investment clubs' popular in the 80's and 90's. Now, investors can read forum posts without anyone ever knowing – comments, opinions, and some facts, are out there for all to see. Although much of the content is unsubstantiated babbling, there are many hidden gems. Sites such as WikiLeaks (http://wikileaks.org/) and Zero Hedge (http://www.zerohedge.com/) have been significant forces in disseminating information that otherwise would have been kept from the public.

At the most recent TED conference, Gordon Brown quipped that:

"Foreign policy can never be the same again." The power of technology - such as blogs - meant that the world could no longer be run by "elites", Mr Brown said.

Policies must instead be formed by listening to the opinions of people "who are blogging and communicating with people around the world", he said[17].

This implicates a new user-driven de-centralized internet model will lead new paradigms, not the 20th century, centralized model. The current debate about regulation is all centered on a centralized government authorized regulator.

The problem with the centralized approach, with modern technology including the internet and modern government systems, a company can relocate its offices in a matter of hours in another legal jurisdiction. For example, after the NFA enacted rules affecting the way trades must be accounted for, such as the hedging rule and the FIFO rule[18], many Forex FCMs shifted their operations to London due to customer request[19]. This was not to thumb the NFA for their rules, but in response to angry customer emails demanding they continue to allow hedging or they would simply move their accounts to London based firms who wouldn't ban hedging anyway. It's a conundrum of control, the more they squeeze the more customers will move overseas, or cease to exist (result is the same).

The internet has a downside – unsavory marketing groups can register 'private' domains which sell 'sham' products, competing with legitimate providers. For those who don't know what to look for, the marketing sites can be deceptive and misleading. But since criminals usually don't register with the police, there is little regulators can do.

In some cases, vigilante groups have sprung up with the sole purpose of having the scam sites shut down while providing a review service similar to consumer reports.

The Forex Metaphor

A metaphor is an appropriate tool to explain something from another dimension, not easily explainable in the first dimension. George Lakoff states:

"We are neural beings," Lakoff states, "Our brains take their input from the rest of our bodies. What our bodies are like and how they function in the world thus structures the very concepts we can use to think. We cannot think just anything — only what our embodied brains permit."[2]

In his 1980 book “Metaphors we live by” with Mark Johnson, he explains ‘the great metaphor’ known as a conceptual metaphor:

There are two main roles for the conceptual domains posited in conceptual metaphors:

- ***Source domain**: the conceptual domain from which we draw metaphorical expressions (e.g., love is a journey).*
- ***Target domain**: the conceptual domain that we try to understand (e.g., love is a journey).*

*A **mapping** is the systematic set of correspondences that exist between constituent elements of the source and the target domain. Many elements of target concepts come from source domains and are not preexisting. To know a conceptual metaphor is to know the set of mappings that applies to a given source-target pairing. The same idea of mapping between source and target is used to describe analogical reasoning and inferences.*

A primary tenet of this theory is that metaphors are matter of thought and not merely of language: hence, the term conceptual metaphor. The metaphor may seem to consist of words or other linguistic expressions that come from the terminology of the more concrete conceptual domain, but conceptual metaphors underlie a system of related metaphorical expressions that appear on the linguistic surface. Similarly, the mappings of a conceptual metaphor are themselves motivated by image schemas which are pre-linguistic schemas concerning space, time, moving, controlling, and other core elements of embodied human experience.

Conceptual metaphors typically employ a more abstract concept as target and a more concrete or physical concept as their source. For instance, metaphors such as 'the days [the more abstract or target concept] ahead' or 'giving my time' rely on more concrete concepts, thus expressing time as a path into physical space, or as a substance that can be handled and offered as a gift. Different conceptual metaphors tend to be invoked when the speaker is trying to make a case for a certain point of view or course of action. For instance, one might associate "the days ahead" with leadership, whereas the phrase "giving my time" carries stronger connotations of bargaining. Selection of such metaphors tends to be directed by a subconscious or implicit habit in the mind of the person employing them.

The principle of unidirectionality states that the metaphorical process typically goes from the more concrete to the more abstract, and not the other way around. Accordingly, abstract concepts are understood in terms of prototype concrete processes. The term "concrete," in this theory, has been further specified by Lakoff and Johnson as more closely related to the developmental, physical neural, and interactive body (see embodied philosophy). One manifestation of this view is found in the cognitive science of mathematics, where it is proposed that mathematics itself, the most widely accepted means of abstraction in the human community, is largely metaphorically constructed, and thereby reflects a cognitive bias unique to humans that uses embodied prototypical processes (e.g. counting, moving along a path) that are understood by all human beings through their experiences[20].

It is difficult to explain philosophy to a dog, because they do not have a means of understanding the language, hence the need for doggie metaphor. Everything to a dog can be equated to throwing the ball (in the case of Labradors, for other dogs a smelly metaphor can be used). Dogs and other animals have an intelligence which can be measured, such as the Monkey who outperformed the human memory champ in a memory test[21]. Modern humans struggle with basic math skills; the understanding of money and finance is 95% numbers and mathematics. Finance is math, not magic, as many would like you to believe. It is possibly the last subject yet to be understood by the scientific method.

Is it ironic that the country with the most money, and the most dynamic capital markets, struggles with basic math skills, and money and finance is understood only by the understanding of math?[22] Why is it that Americans have the highest per capita GDP and some of the lowest scores in mathematics globally? Could this be connected to Consumerism, multiple market bubbles, and a growing problem in financial literacy? Americans nearly flunk financial literacy, says Bankrate.com:

America gets a "D" for the second year in a row in Bankrate.com's Financial Literacy Survey. (See our newest Financial Literacy Survey.)

That's disappointing enough, but the statistically valid survey of 1,000 Americans, conducted for Bankrate by RoperASW, also shows that Americans are in "debt denial." They're unwilling to admit that credit is a problem -- in fact the only thing Americans are more secretive about is their love lives.[23]

Finance is not tree-cutting. Making an investment portfolio is not like chopping a branch of a tree, while the analogy is a powerful tool to educate, it can't turn a caterpillar into a butterfly.

Making a cup of coffee is an algorithm: plug in machine, put filters, put water in tank, put ground coffee in filter, turn on coffee maker, pour coffee into cup, wait to cool down, drink.

Educators use analogies like this to explain algorithms to those who have never been exposed to them. An algorithm is a process, a procedure, a series of steps – it must have a beginning and an end[24].

Just because making coffee is also an algorithm, doesn't mean if you brew a cup of coffee you can design a good Forex algorithm.

Forex Systems as an investment of the future

Forex features:

Forex is Shariah compliant

Finding Shariah compliant investments is not easy. Forex trading is 100% Shariah compliant. A Shariah compliant portfolio could be created using Forex Automated Systems. Also, these types of systems offer a diversity in a particular market. The difference between a "Mean Reversion" Forex system and a "Correlation" Forex system can be as different as investing in emerging markets and Treasuries.

95% of people lose money trading Forex

This would imply that it's 'difficult to make money in Forex' as some claim. From another perspective, is it easy for the 5% who are winning? Also consider in Forex a lot of money is lost due to hedgers, commercial requirements, central bank interventions, and other non-investment losses. That means there are profits that can be obtained by traders in Forex that don't necessarily need a loser on the other side (such as the case with equities).

Comparative statistics: 53% of workers aged 16 and older in Los Angeles county were deemed functionally illiterate[25].

Los Angeles is the home of many famous authors[26], writing clubs such as The LA writers Group[27] and WritersBloc[28].

Considering the high illiteracy rate in Los Angeles, why don't these authors change their profession to something that doesn't require reading, or relocate to another area where there is a higher literacy rate?

The reason is clear; anyone in the world can read their books, not only LA residents. Secondly, they are writing for the 47% that can read, which in a city with a population of over 4 Million[29], is still at least 2 million readers.

Financial Education

Why are people interested in Music, Movies, Gadgets but not Money? Why does the interest in Finance become less as generations grow?[30] They all want it (money), but they don't want to bother understanding how it works. They want to be super-consumers without understanding what consuming is. That's not to suggest that every person who wants to eat should study biology, agricultural science, and the Food & Restaurant business, but you do want to understand what you are digesting. In fact, recent consumer demand has forced food companies and drug companies to display certain information in a standardized format on every box of food sold in the US[31]. Why doesn't something like this exist for financial products?

In the old days, family homes used to be a manufacturing base, a source of entertainment, a vacation spot for other family members, and a large storage and distribution facility. Now the home is a source of wealth and investment (that you shouldn't actually 'live' in), vacation is done on cruise ships and in casinos, and public storage facilities are used like PODS and Public Storage.

Forex lacks hard data

Unlike other markets, there is little data available for Forex. For example, the annual BIS numbers that are commonly referenced when you hear "3 Trillion per day" turnover is conducted by survey[32]. The institutions that are surveyed have no reason to lie, but they also have no reason to be 100% transparent. The problem, like the problem with fraud, is not the honest bankers who report, but those who don't, who have something to hide in off-balance sheet transactions. Other markets have hard facts, verifiable data. The NYSE publishes daily end of day data that can be downloaded from their website here: http://www.liffe.com/nyseliffe/ . Other exchanges publish similar data, because they are required, but more importantly, because they have it.

Only each Forex counterparty has access to his own data, and many of them are reluctant to release it. For example, Forex brokers could publish statistics:

- Number of positive accounts for the day, week, month, year
- Average percent gain or loss for each account
- How many accounts are profitable after 1 year

The question is why don't they, why is data like this unavailable anywhere, in stark contract to non-forex rivals where it is possible to obtain overwhelming amounts of data on the performance of mutual funds[33].

Why is there no central database where traders and customers can log onto and verify authenticity, receive economic data in a standardized format, including performance information?

This is a regulatory question, but in the context of Forex, the answer is that there is no reason for the counterparties to divulge such information without any tangible benefit. Why should they open their books, when much of their business is based on perception?

Forex companies growing fast

In 2009, GAIN Capital is ranked #32 in the Financial Services category "Fastest Growing Private Companies List"[34]. GAIN Capital is a Forex broker, and their revenue is primarily derived from Forex brokerage. Their growth can be explained by a popularity of Forex as an asset class, and as a new way to trade and invest. Why else?

Forex Genome Project

Pandora has created a 'Music Genome Project[35]' that tracks what songs you like and creates suggestions, a quasi form of Artificial Intelligence[36]. Although Pandora does not disclose what it's algorithm is, Wikipedia states:

*The **Music Genome Project**, created in January 2000, is an effort founded by Will Glaser, Jon Kraft, and Tim Westergren to "capture the essence of music at the fundamental level" using almost 400 attributes to describe songs and a complex mathematical algorithm to organize them. The company Savage Beast Technologies was formed to run the project.*

A given song is represented by a vector (a list of attributes) containing approximately 150 "genes" (analogous to trait-determining genes for organisms in the field of genetics). Each gene corresponds to a characteristic of the music, for example, gender of lead vocalist, level of distortion on the electric guitar, type of background *vocals, etc. Rock and pop songs have 150 genes, rap songs have 350, and jazz songs have approximately 400. Other genres of music, such as world and classical music, have 300–500 genes. The system depends on a sufficient number of genes to render useful results. Each gene is assigned a number between 1 and 5, in half-integer increments.[1]*

Given the vector of one or more songs, a list of other similar songs is constructed using a distance function.

To create a song's genome, it is analyzed by a musician in a process that takes 20 to 30 minutes per song. Ten percent of songs are analyzed by more than one technician to ensure conformity with the standards, i.e., reliability.

The technology is currently used by Pandora to play music for Internet users based on their preferences. Because of licensing restrictions, Pandora is available only to users whose location is reported to be in the USA by Pandora's geolocation software.[2]

While this is compelling, it could be argued that the application in Music is not necessary. For example, if you choose the wrong CD it's not a life or death situation; there isn't any monetary or material punishment (aside from angry listeners possibly throwing things at you). Make a poor decision in the markets, and entire counties budgets are wiped out.

For example, in 1994 the County of Orange County declared bankruptcy due to suffering $1.6 Billion in losses on interest rate derivatives[37].

Would a genome project have a more tangible economic (and thus overall) benefit if used for Forex? Imagine a system that instead of determining for the user what type of music they like to listen to, it could determine what kind of investment to implement on your account?

Forex Myths

It's hard to make money in Forex

Could that be said for any market? Is making money ever easy? Also, how can that be substantiated? Hard for who?

No one's making money in Forex

Bank of America claims foreign exchange as a major source of income. Money managers such as FX Concepts, John Henry, and Alex Merk are all making millions. FX Concepts has roughly 10 Billion assets under management by some measures. FX Brokers are some of the fastest growing companies in USA according to Inc. 500. Interbank FX is ranked #8, Gain Capital is ranked #32[38]. George Soros made much of his fortune speculating in currencies[39].

Conclusion

The conclusion of this article is that for the Forex market, there isn't enough data to make any solid conclusion. Significant effort should be spent compiling and analyzing data about Forex trading and investing. In a series of articles, we will attempt to first define the problems, collect data and sources of data, and engage FX experts in a series of interviews and discussions.

With existing tools it is possible to trade and invest in Forex, but without full information sufficient to make any conclusion, we are left with only the path taken by Diogenes[40], searching for an honest answer.

[1] http://en.wikipedia.org/wiki/Securities_Act_of_1933
[2] http://en.wikipedia.org/wiki/The_Federal_Reserve_Act
[3] http://www.efmoody.com/estate/lifeexpectancy.html
[4] http://en.wikipedia.org/wiki/IBM_System_z
[5] http://en.wikipedia.org/wiki/Bank_of_England
[6] http://en.wikipedia.org/wiki/Nixon_Shock
[7] http://www.afajof.org/journal/jstabstract.asp?ref=9841
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[9] http://en.wikipedia.org/wiki/Modern_portfolio_theory
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[12] http://www.dbfx.com/forex-resources/press-room?pr=8

[13] http://www.investopedia.com/university/futures/futures1.asp Before the North American futures market originated some 150 years ago, farmers would grow their crops and then bring them to market in the hope of selling their inventory. But without any indication of demand, supply often exceeded what was needed and unpurchased crops were left to rot in the streets! Conversely, when a given commodity - wheat, for instance - was out of season, the goods made from it became very expensive because the crop was no longer available.

[14] http://thescotsman.scotsman.com/business/Shore-Capital---flies.5570666.jp

[15] http://en.wikipedia.org/wiki/Harry_Markopolos

[16] http://www.cfainstitute.org/memresources/communications/ipm/2009/august/article_1.html Among existing clients, there is often a lack of understanding of technical reporting concepts, leading to unreasonable expectations that cannot be met. A survey conducted by PricewaterhouseCoopers in Switzerland identified two related problems: Clients (1) poorly understand investment reporting matters and (2) make unrealistic reporting demands. Establishing a standard and providing guidance on client reporting will certainly help to educate clients, as well as their asset managers, and reduce the expectations gap between them.

[17] http://news.bbc.co.uk/2/hi/technology/8161650.stm

[18] http://www.nfa.futures.org/news/newsNotice.asp?ArticleID=2273

[19] http://eliteeservices.blogspot.com/2009/05/gain-moves-mt4-to-london.html

[20] http://en.wikipedia.org/wiki/Conceptual_metaphor

[21] http://www.nhne.org/news/NewsArticlesArchive/tabid/400/articleType/ArticleView/articleId/4225/Default.aspx

[22] http://online.wsj.com/article/SB110236760101392346.html

[23] http://www.bankrate.com/brm/news/financial-literacy2004/grade-home.asp

[24] http://www.answers.com/topic/algorithm

[25] http://dickstaub.com/links_view.php?record_id=4727 In the Los Angeles region, 53 percent of workers ages 16 and older were deemed functionally illiterate, the study said.

[26] http://en.wikipedia.org/wiki/List_of_people_from_Los_Angeles

[27] http://www.lawritersgroup.com/

[28] http://www.writersblocpresents.com/

[29] http://en.wikipedia.org/wiki/Los_Angeles

[30] http://www.usatoday.com/money/economy/2006-04-05-literatcy_x.htm WASHINGTON — U.S. teenagers are making little headway when it comes to financial literacy, a survey out Wednesday shows.

High school seniors on average answered 52.4% of a 30-question financial survey correctly. That was up from 52.3% when the survey was last conducted two years ago but down from 57% in 1997, the first year for the survey, according to the Jump$tart Coalition for Personal Financial Literacy.

"Financial literacy is still a very significant problem. It doesn't seem to be getting any better," says Lewis Mandell, a professor at SUNY Buffalo School of Management who oversaw the survey, which was conducted in December and January. It includes topics such as investing and managing personal finances.

[31] http://en.wikipedia.org/wiki/Nutrition_facts_label

[32] http://www.fx-concepts.com/report_viewer.php?exec_summary=FXC_MSF.pdf

[33] http://www.morningstar.com/

[34] http://www.gaincapital.com/forex_awards.html

[35] http://en.wikipedia.org/wiki/Music_Genome_Project

[36] http://www.pandora.com/mgp.shtml

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[38] http://inc.com/inc5000/2009/lists/top-industry-financial-services.html

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[39] http://en.wikipedia.org/wiki/George_Soros
[40] http://en.wikipedia.org/wiki/Diogenes_of_Sinope