

Cyclical Slump in FX Trading Activity Could Point to More Secular Shifts

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Executive Summary:

The current slump in FX trading volumes has all the features of a cyclical decline. Thus far in 2014, hedge funds and central banks have slowed their FX trading, and the volatility seen in 2013 has eased as both the U.S. debt-ceiling standoff and the Euro-zone crisis have subsided. But there is more to the change.

Greenwich Associates believes there are FX-specific factors at play that signal a secular shift as well. Regulatory concerns and tightening budgets could lead to most FX trading being done on an agency basis and executed via exchange. Dealers who invest in their electronic platforms will benefit from this potential shift to agency-style trading.



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