Currency Markets

Accounting & Finance

How exchange rates are quoted, and what moves them.

Quoting and drivers.

Mechanics

Always quoted as a pair

Base currency first, quote second

Spot for immediate, forward for later

Forward rate reflects the interest differential

Drivers

Relative interest rates

Inflation differentials over time

Trade and capital flows

Political and policy uncertainty

Central bank intervention

Interest rate parity links spot and forward rates. If it breaks, arbitrage closes the gap almost immediately.