

**FACTORS AND ACTIONS AFFECTING TRADING DECISIONS  
BY TRADERS IN THE FOREX MARKET**



**SARUT PITASUWAN**

**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT  
OF THE REQUIREMENTS FOR THE GRADUATE SCHOOL  
STAMFORD INTERNATIONAL UNIVERSITY  
MASTER OF BUSINESS ADMINISTRATION  
ACADEMIC YEAR 2016**

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**The Independent Study has been approved by  
Stamford International University  
The Graduate School**

**Title:** Factors and Actions Affecting Trading Decisions by Traders in the  
FOREX market

**Researcher:** Sarut Pitasuwan

**The Independent Study Committee:**

**Advisor**



(Asst. Prof. Dr. William P. Wall)

**Committee Member**



(Dr. Alexander Franco)

**Committee Member**



(Dr. Budsabawan Maharakkhaka)



(Mr. Adam Tyler Thompson)

Asst. President, Academic Affairs &  
Dean of Business and Technology

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**Title:** Factors and Actions Affecting Trading Decisions by Traders in the FOREX market

**Researcher:** Sarut Pitasuwan **Student ID:** 015230003

**Degree:** Master of Business Administration

**IS Advisor:** Asst. Prof. Dr. William P. Wall

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### **Abstract**

The purpose of this research was to study core factors that impact trading decisions of FOREX market. The dependent variables in this case were inflation rate, political climate, U.S. Federal Reserve System, the use of information, tools and technical analysis knowledge such as Fibonacci and Elliot wave and lastly the application that uses to trade FOREX. The independent variable was the FOREX trading decision. This study uses semi-structured interviews for data collection by interview experienced traders who were participated in the FOREX market. The hypothesis test also showed that there were some differences in the tools used for technical analysis in the FOREX market by the respondents. Differences were across the use of the various tools featured in the hypothesis; Fibonacci and Elliot wave and the Meta Trader 4 platform and other applications. In this study, the core factors influencing FOREX trading are inflation rate, Federal Reserve System actions, political climate actions, the use of information, technical analysis tools such as Fibonacci and Elliot Wave and the Meta Trader 4 platform were applied to study the respondents' knowledge on the FOREX market. The study showed evidence that most respondents use hedging tools or technical analysis to learn the market before making a decision.

**Keywords:** Inflation Rate, Political climate, U.S. Federal Reserve System, Fibonacci and Elliot wave analysis, Meta Trader 4 software, Technical analysis, Indicators.

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# CHAPTER 1

## INTRODUCTION

This chapter presents the background of problems, main problems, sub-problem, and hypothesis, significant of the study, the scope and limitation of the study.

### 1.1 FOREX Market and Trading

According to history the modern online FOREX began in 1973 (Jim Barns, n.d.). Forex History. This is the case despite the currency trading being around since the ancient Egypt times. During this particular time the market was extremely primitive and there no advanced tools in trading unlike today. The very first currency coins were used by the pharos while the first paper notes were introduced by the Babylonians. The roman coin called Aureus was later introduced and put in use, then followed by the denarius. Both coins had the worldwide use effect making them the very first global foreign currency coins (Jim Barns, n.d). He further argues that the first online currency trading was introduced into FOREX history in 1994. This had a large effect on the Euro currency development. This introduced a major contender new into the market which controlled the USD in the FOREX history.

The FOREX market is an exciting curenry trading market, fast-paced, 24-hour bonanza of billion-dollar trades, global geopolitical tensions and macroeconomic forces. Incredible profits can materialize and they can also vanish again in a matter of seconds. As a trader must understand the fundamental forces of supply and demand that drive currency prices. Additionally traders must also understand the global factors that influence those basic forces, start predicting where currencies are going to move, individual personality of each currency, currencies reaction to economic announcements and other new. These factors help the trader understand the FOREX and international online trading aspects (Jagerson, S. Wade Hansen, 2011)

According to (Alex, Walter peters. 2012), there are several myths associated with FOREX and international online trading. The first myth is that successful trading is based on some indicators such as EMA, MACD, RSI, Volume, ADX and etc. There are many ways to become a successful trader but indicators are not a necessary requirement. The second myth is that successful trading must be complex. There are

systems referred to as naked trading systems which are quite simple. These systems are simple when applied correctly and yield profit and at the same time build confidence in one's trading. The last myth is that successful trading depends on the trading system. Due to this myth there are thousands of trading systems on the market, all promising but caution is needed since personal beliefs and attitudes toward risk is vital. The two major predictors of trading success are the personal beliefs and attitude towards the risk associated with that particular investment.

The international currency exchange market or Foreign Exchange Market abbreviated as FOREX or FX" is a platform that allows people over the world to trade online by opening the order from the broker, agency or dealer. The money comes through the electronic portfolio to the holder of an online account. The FOREX market is the world largest money exchange market with trading transactions of more than 4 million US dollars per day. The value of the FOREX market is about 3 times of all the world stock exchange market(Professionaltrader Blogspot.com. (2010). What is FOREX?). Most of people misunderstand that FOREX market for money laundering, because the FOREX market like an organization with large amounts of cash flow every month.

When venturing into FOREX trading, it helps to do research and analyze the market, price, signal and implied risks alone. This way it helps the trader understand how it works. The trader can trade a particular currency in FOREX Market at the same time through a broker or a dealer. The buy/sell order shows the pair of currencies depending on the country. That could be a little bit complicated but the acknowledgement of the FOREX market that it's like a stock exchange market when you buy/sell the stock from a particular country.

Normally, the exchange currency rates are based on the economic conditions of different countries. The FOREX is different from stock exchange market in New York. The FOREX market doesn't have the center, main office or head quarter as the stock market but there are counters in some areas as an agency to open accounts for customers. Basically, the trader can open an online or electronic account through the internet. The FOREX is categorized under the Over the Counter (OTC) or Interbank with real-time banking information flowing online 24 hours. In order to trade in FOREX or open the trading account, the potential trader needs a computer, tablet,

smartphone or a device which is internet connected. The device should have the Meta Trader 4 application running as well finding a broker or dealer who will provide the necessary portfolio for investing.

The FOREX market is the Spote Market Service that anyone over the world who has access to the internet connection can trade with any currency in the FOREX market real-time (24 hours). The FOREX trade doesn't charge any commissions, clearing fees, exchange fees or taxes. There are no middlemen in the FOREX market. The traders can do the money exchange anytime. The silver market has limited the lot to trade at about 5,000 oz. The lot is not limited in FOREX market, you can open an account that has more than 250 USD lot in your portfolio. It is a 24 hours market that operates from Monday to Friday. Traders can plan to trade the FOREX part-time depending on their schedule. In the FOREX market, no one can speculate FOREX market as the stock exchange. If they need to do so there it will be not easy because they cannot calculate the huge amount of money that flows in the different currencies. It could be more than people can afford to speculate FOREX even a billionaire. The leverage in the FOREX market is the margin or the credit that is paid to the broker. Leverage is the tool that allows the trader trade more money he/she has. For example, a broker gives leverage for 200:1 that means if you 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

*In the above table the first 2 letters are the abbreviation of country and the third letter is abbreviation of currency that the particular country is using.*

**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

*The above table indicates the trading hours of the FOREX market in various major cities across the world. The market will be closed in the weekend and any other world significant day or a holiday based on U.S. and E.U. Traders can trade the FOREX all day all night depends on their strategies.*

### **1.2 Statement of the problem**

FOREX trading has been boosted a lot by the tourism industry in Thailand (Surachai Chancharat.(2011). *Thai Tourism and Economic Development*; However this also has come along with its own fair share of challenges. The FOREX trade brings from hotel and holiday bookings bring in foreign currency. The currency strength is a factor that will determine how much of the FOREX earnings will be bought into the economy. The one condition that implies this is the improvement in the living standards of people who benefit from lower prices of imported goods (Tejvan, Pettinger, 2015). The other condition is the ability to adapt Information Technology to better the FOREX trading. Traders require foreign currency whenever they are travelling outside their own countries. This characteristic is similar to the condition of importation of goods from outside countries. In normal circumstances the increase in the outbound tourists also leads to more foreign earning.

There are noticeable investment risks for instance currency fluctuations that may work against the home country causing some losses. Exchange rates are very volatile, within very short periods of time there is quite some movement. The FOREX markets are open 24 hours a day 6 days a week, so a lot of time and devotion is needed in tracking down the investment (Australian government, 2016). The currency

markets have very many factors that affect the exchange rate therefore it are extremely difficult to predict. FOREX being a big sector in Thailand is highly affected since the FOREX trading is highly leveraged from the small market to big markets. Therefore this research aimed at examining trading decision making of traders regarding inflation, political climate, financial institutions and the use of knowledge in applications, indicators and technical analysis tools.

### **1.3 Objectives**

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

### **1.4 Significance of the study**

The findings from this research were used to advice the management of FOREX traders and aspiring traders on the major aspect involved in FOREX trading in Thailand. This helped them understand their role in boosting the FOREX trading among the potential traders. It is important for anyone interested in FOREX trading to first carry out a FOREX research before embarking on it. Whether a beginner or an expert it is all important for it is through FOREX research a FOREX trader will understand more and better the market, principles and methods of FOREX trading. The findings were used in understanding the workings and intricacies of the FOREX market in the quest by traders to maximize profits and reduce risks of losses (world market FOREX, 2007).

The research on FOREX can also be applied in gathering information about the various currencies and their value. The researcher also establishes which currency is more profitable. Through this research a trader comes up with charts and graphs based in the current and past FOREX markets patterns, which in return helps decide on the right time to enter and exit a trading position (world market FOREX, 2007). The research unveiled the online FOREX trading opportunities in terms of liquidity.

The FOREX market offers a very impressive level of liquidity at all hours of the trading. This means that a large amount of volumes can be traded into or out of the FOREX market with very little market impact. The study helped other researchers form bases for future research projects especially in adapting and implementing of new information technology techniques to further enhance the FOREX market trading.

### **1.5 Scope and the Limitation of the study**

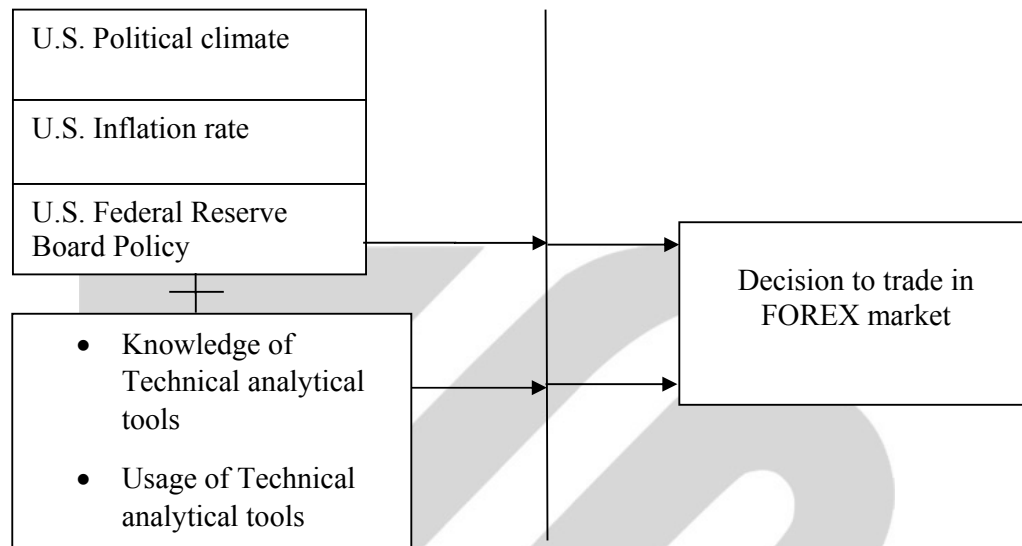
FOREX trading involves the international market therefore with this in mind regulation of the whole FOREX market becomes difficult. The sovereignty of the currencies many countries have to be considered. Therefore the FOREX market is majorly unregulated with no centralized exchange which guarantees the risk free execution of trades.

The scope of this study was to investigate the relationship between the FOREX and international online trading. This leads to the evaluation of variables that contribute to more FOREX trading decision making in the preferred area of study. In order to carry out this research three variables will be studied; inflation rate, U.S. political climate influence, U.S. Federal Reserve Board Policy and other financial institutions actions, the use of information, applications, indicators and technical analytical tools. The respondents were interviewed through related questions and given to traders in Thailand.

## 1.6 Conceptual Framework

### Independent Variable

### Dependent Variable



Source: Author (2016)

## 1.7 Research Hypotheses

H1: The difference actions in U.S. Political climate affect trading decision of traders.

H2: The difference U.S. Inflation rate affects trading decision of traders.

H3: The U.S. Federal Reserve board policy and Financial Institutions actions affect trading decision of traders.

H4: The difference knowledge of technical analytical tools and usage of technical analytical tools influenced trading decision of traders in FOREX market.

## **CHAPTER 2**

### **LITERATURE REVIEWS**

#### **Introduction**

This chapter provided review of literature related to the FOREX and international online trading. It also discusses other variables related to the study. The researcher reviews secondary sources mainly from published sources, official files, journals, reports, internet and newspapers among other sources.

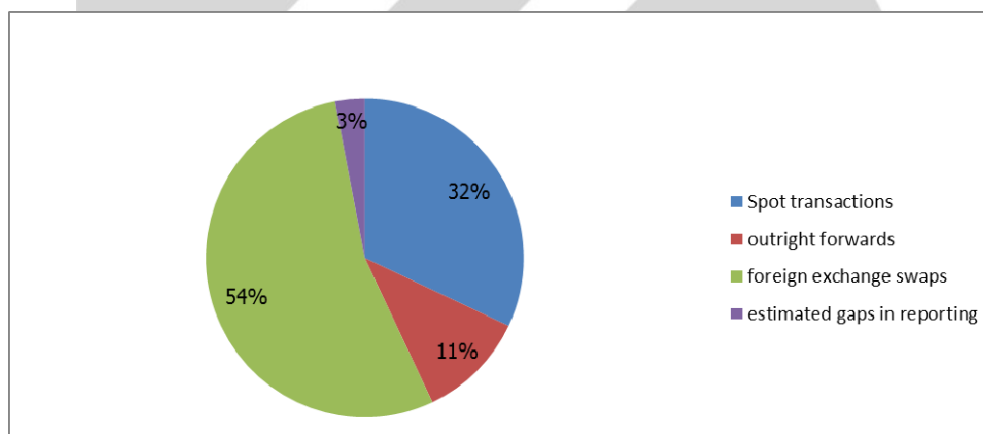
#### **2.1 Theoretical Literature Reviews**

FOREX is the world's biggest financial market with highest liquidity; it is also referred to as foreign exchange (Marie Cabural, (2012). It is highly occupied by bank dealers and transnational companies with individuals coming in when there was an increase in internet trading. FOREX can be defined in simple terms as the relative value of one currency against another different currency. What factors affect the FOREX trading. The objectives of this research were to help study the effects of inflation rate, political climate and Federal Reserve System on the FOREX market. Thus, the researcher focused on theories, concepts and related researches to apply with conceptual framework and provided literature reviews as follows; inflation rate, political climate, Federal Reserve System, Fibonacci and Elliot wave analysis, Meta Trader 4 software and related research on the same.

There are three kinds of FOREX transactions (Marie Cabural, (2012). The first one is the Spot transaction which is takes up almost a third of all FOREX market transactions. An exchange rate and trade currencies have to be agreed upon by the two parties. There are financial risks that a currency buyer faces with spot transactions despite them gaining popularity. The second type of transaction is the forward. This is majorly used when dealing with the financial risk that arises in FOREX. During this transaction money does not change hands until some date that is agreed upon in future. This date is agreed by both the buyer and the seller; the transaction will take place on that particular date regardless of what the market rates are at that time. The date can fall in a few days, months or years in future.

Futures are forward type of transactions with standard contract sizes and maturity dates. The contracts are traded on different exchange set up for that purpose.

For example 600,000 British pounds for next December at an agreed rate. The third type of transaction is the swap. It is the most common forward transaction amongst them all. Under this kind of transactions the parties exchange currencies for a certain given length of time and agree to reverse the transaction at a later date. Assuming company based in the U.S. needs 15 million Japanese Yen for a 3 months investment in Tokyo. It may swap 100,000 US Dollars with a company willing to swap 15 million Yen at a rate of 140 Yen for four months. After the four months the US Company returns the 15 million Yen to the other company and gets back the 100,000 U.S. dollars with adjustments made for the interest rate difference. The below pie chart illustrates the various types of transactions and their trading rate in percentages globally in the FOREX market.



**Figure 2.1** Types of transactions chart

Source: Marie Cabural, (2012)

## 2.2 Inflation Rate

Inflation is a process that involves continuous rising of prices or continuous falling value of money (Helmut Frisch, (1983). Apart from this there are also additional characteristics or conditions like increase in cost, unemployment and real output among others. The market economy continues to function as a process in which the prices of commodities are set if inflation is open. When there is an excess demand for commodity, an increase in prices and money wages occurs. On the other hands when the government employs control measures preventing goods prices and

money wages from rising, so that excess demand is not reduced but suppressed this can be referred to as suppressed inflation.

Inflation is generally caused by an increase in the money supply faster than the economic growth rate. The value of money is determined by two things (Pat, S. (2011); amount of currency in circulation and secondly the public's perception of the value of that particular money. The Federal Reserve also plays a role in money supply when they decide to put more money into circulation at a rate which is higher than the economy's growth rate. This can lead to a fall in the value of money because the public perception on the value underlying currency changes. As this happens there will be devaluation of the currency and subsequent rise of prices due to the fact that the currency will now be worthy less than before.

The national debt is another factor that arises in the consideration of inflation rate on FOREX trading (Pat, S. (2011)). A high national debt for a country is a bad thing because it can drive inflation to higher levels over time. Once the national debt rises the government can counter this through raising taxes or printing more money to pay off the debts. 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 the value of the currency deteriorates FOREX trading will be affected also. Rise in taxes will lead to businesses raising their prices to close the gap on the profit margins due to tax.

Exposure to foreign markets in any country can make inflation worse (Pat, S. (2011)). In U.S.A. the economy functions on the basis of the value of their currency-the dollar. The consumers on a daily basis may not seem to care what the exchange rates are between other currencies but the reality is that globally the exchange rates are one of the most significant factors in determining the rate of inflation. When the FOREX exchange rate suffers and 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 to consumers in other outside countries.

### **Demand-pull inflation theory**

The demand pulls inflation is one of the theories of inflation pegged on excess demand/spending relative to the available supply of goods and services at existing

prices (M. Agarwal, (2008). The circulation of money in the economy is a key factor since it is capable of raising the general price of goods and services according to the quantity theory of money. However, in the modern theory, demand-pull is interpreted differently to mean an excess of aggregate money demand which is relative to the economy's full employment capacity output level. This theory assumes that the prices for goods, services and for the economic resources respond to the forces of demand and supply. The prices of goods and services according to this theory will move steadily upward under the pressure of a high level of aggregate demand. This theory is supported by economists namely; Friedman, Hawtrey, Golden Weiser. They regard inflation rate as a purely monetary phenomenon which is caused by excess money supply in the economy.

#### **Cost-push inflation theory**

The cost-push inflation theory became popular during and right after the Second World War (M. Agarwal, (2016). This theory states that instead of prices being pulled –up by excess demand, they are also pushed up by the increase in the cost of production. Under this theory prices rise due to the rise in the cost of raw materials meant for production and the wages. Inflation rate under this theory can be explained from the fact that some producers and other group of workers usually get away with raising the prices of their goods and services above some levels that will make them survive under some given competitive conditions. The writer adds that pressure for inflation originates from supply rather than demand. Inflation rate from cost-push originated mainly from industries which are relatively concentrated and also which the sellers can be able to formulate their own prices and wages with utmost discretion.

### **2.3 Political Climate**

The political environment refers to the government, state, institutions, public, private stakeholders and legislations that operate and in one way or the other influence the system (International consortium for Mental Health Policy and Services, (n.d). The stability of the political climate affects the prioritization of other social amenities such as health, education, roads and other programs. Political environment also includes the people's views, beliefs and attitudes on what the government ought

to do to improve the livelihood and its relationship with its people. This is referred to as the political culture. It includes the participation of the people in the democratic processes of the country such as electoral systems.

The breakout of political instability which causes wars is a major concern for FOREX trading market globally (FOREX Training Group, (2016). The breakout of a war or the disobeying of a ceasefire affects the value of currencies issued and the general FOREX market at large by the same nations at war. The wars also affects the prices of the commodity and other assets produces in the nations involved in war to a significant level. This in the long run affects the currencies of other countries that produce similar assets and ultimately the FOREX trade. Elections are also major factor that affects the FOREX market. This happens when there is a regime change or political majority in a given country. The incoming government maybe supporting some policies or favoring capital incentives and lower interest rates which devalues the currency of that particular country. For example a country referendum to exit the European Union might in a large way impact the value of the Euro currency. A nation that has experienced a change of power such as a coup d'état could experience a complete devaluation or even revaluation of their currency. Natural disasters such as high level magnitude earthquakes, tornados and floods cause the currency to appreciate. This is because the need to send money for disaster relief is created in the short term. However, it should be noted that in the long run the currency could be adversely affected especially if the natural disaster had a large negative impact on the economy.

Investing in FOREX and online trading involves political risk (Investopedia, (2003). This is the risk an investment's return could suffer due to political changes or instability in a country. The political instability affecting the returns on investment could be as a result of government, legislative institutions, other foreign policy makers or even military control.as early mentioned it is hard to quantify the political risks since they are limited case studies when focusing on an individual nation. Some of the political risks are found in the company's filings with the Securities and Exchange Commission or capital markets authorities in some countries. In some cases the risks are found in a prospectus if it's a mutual fund.

Robert Dahl (Dahl, R.A., (2002). How Democratic Is the American Constitution?) defined Political system as a persistent formation of human relationship that involves control, influence, authority or power. Political environments in most democracies are more likely to adhere to higher standards of regulation and efficiency than the political environments in opposing political systems. He also added that democracies protect the rights of its citizens and organizations more than the other form of political systems for instance the dictatorship and authoritarian regimes.

Every country has a government which acts as the captain of the ship called economy and the well-being of its people (Adam, (2014). The ideologies set by the government determine the kind of policies that will be set. Some democracies will be in favor of a free market environment while others will promote a centrally planned economy. Some democracies will prefer a mixed form of economy with a mix of two extremes. Each ideological backing will give rise to specific policies that will be viewed by the investment stakeholders as either positive or negative. Some will be against their investments and others will be for the investments. 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. To be able to invest therefore, the traders will have to purchase large amounts of the local currency in order to utilize it within the local market. This will be an advantage in that local currency valuation will rise due to demand driven market forces.

### **Capabilities approach theory**

This theory was developed by Amartya Sen and Martha Nussbaum and addresses the questions of justice not in terms of distribution of wealth but in terms of people's ability to be the things they have a reason to place value on (Adam, (2014). These capabilities include being able to participate in political activities, right to education, music, art and investment. This theory asserts that the need to have citizen participation, capability to participate effectively in the political processes that govern one's life. There should be substantive criteria which guides on the generalisable approach to policy evaluations in any democratic process and any constraint that may

come along the way. The theory cautions on undermining the peoples' efforts to determine their capabilities in the political environment and local context.

### **Empirical Theory**

This theory was developed by Elaine who seeks to explain the some phenomena that is based on a generated hypothesis by scholars (Adam, (2014). This phenomenon can be tested empirically. After the hypothesis has been developed, a study is the designed to test hypothesis. Elaine was interested in the role of money in the democracy process, specifically the modern senate elections. Therefore a hypothesis was developed stating that candidates who spend more money on their campaigns than their opponents win. The next step was to examine the election results and campaign finance reporting disclosures from the various parties involved. Once the data has been collected, a statistical analysis is done and used to determine whether the results support the hypothesis or not.

### **Political stability relevance to the FOREX traders**

The continuation of economic policies in any country can be guaranteed by maintaining political stability (Adam, (2014). When the policy is unstable in several countries, it creates a fear in the market across the globe. This leads to a risk-off sentiment, shifting the goal from profit making to capital reservation for the fear of losing the investment. For instance a look at the Swiss franc in 2011 the traders focus shifted to this currency regarded as safe haven leading to its increased valuation. The increased valuation its own way brought along some problems for the Swiss economy including the loss of export competitive edge as a result of the Swiss exports turning out to be more expensive to pay using the stronger Swiss franc. There was urgent need for intervention by the Swiss National Bank to introduce a pegging rule at a minimum value of 1.2000 to the Euro.

Despite this measure the Swiss had already lost ground in many of the pairings simultaneously (Adam, (2014). Various events have happened in some countries that have shaped up the dynamics in these economies. They include civil war in Ivory Coast which sent the cocoa prices to new high in 2012; mine workers strike in South Africa led to the rise of platinum prices and last one was the civil war in Libya which is among the world largest producers of crude oil. The crude oil prices quickly skyrocketed in almost overnight. When the war ended the crude oil prices had

recorded a 50% increase. The United States Dollar, Japanese Yen and the Canadian Dollar are among the currencies that have correlations to crude oil prices.



**Figure 2.2** USD effect against Oil prices

**Source:** Investoo.com

## 2.4 U.S. Federal Reserve System

The Federal Reserve is the United States of America central bank founded in 1913 by the congress (Federal Reserve Organization. (n.d.). Its objective was to provide the nation with a safer, more stable and more flexible monetary and financial system. It is comprised of the board of governors, also referred to as the Federal Reserve Board appointed by the president of the United States and approved by the senate. The Federal Reserve System is made up of a total of 12 reserve banks and 24 branches. The reserve banks act as the operating arms of the central bank. The 12 banks serve in each region of the United States named after the location of their headquarters.

The Federal Reserve System also includes the FOMC (Federal Open Market Committee) (Investopedia, (2003). This is the policy-making arm of the Federal Reserve with the aim of promoting stable prices and steering economic growth. In summary it can be said that the committee manages the nation's supply of money. All Reserve bank presidents participate in FOMC policy discussions whether they are voting or not. The committee comes up with decisions on interest rates and the monetary policies.

The central bank of the United States, which is the Federal Reserve, plays very important roles in the international market (New York federal Organization, (2010). The Federal Reserve System influence interest rates, which in turn affects the foreign exchange value of the currency that is the dollar. The Federal Reserve executes any decisions made by the United States monetary authorities in the FOREX market. The Fed as it is called provides other major services such as conducting central banking seminar for central banks representatives, technical onsite assistance to central banks on request in certain areas such as supervision, open market operations and payment systems.

The Federal Reserve assesses the financial condition of the parent banks to ensure that they can support the United States branches (New York federal Organization, (2010). If there is problem with the U.S branch of a foreign bank then the Fed addresses it in a given number of ways. If the problem is more serious and extreme the foreign bank services can even be terminated but before that a letter of commitment from the bank is required. The other major role of the Federal Reserve that maybe influences the international FOREX market is the participation in various international organizations. This includes Bank for International Settlements, to address issues of global concern such as capital standards for international banks and maintaining contact with foreign central banks regarding various issues of mutual concern.

### **FOREX exchange influence**

Changes in the FOREX rates affect the value of products and financial instruments like the currencies used in FOREX trade (New York federal Organization, (2010). Due to these large and unexpected changes it can bring forth huge effects on the health of a nation's FOREX market and financial systems. Additionally it can bring inflation and even economic growth. For instance if the Japanese Yen rises in value above the U.S. dollar then the U.S. exports will become less expensive for the Japanese to buy. This will eventually lead to increase in the U.S export and it will boost the United States employment rates. On the other hand if the value of the U.S. dollar is lower than the Japanese Yen then it could raise the U.S. import prices. It will also to some extent control the inflation rate in the United States. Interest rates are different between countries and this has important influence on the

FOREX Exchange Rates. The money flow into investments in various countries with high inflation-adjusted interest rates, increase the value of these particular countries' currencies in the FOREX Market.

## **2.5 Fibonacci and Elliot wave in technical analysis**

The financial markets have the same mathematical base as the natural phenomena and thus the Fibonacci concept can be applied in finance (Justin 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 be used when need arises example- 23.6%, 161.8%, 423% and so on. There are four methods of applying the Fibonacci sequence in finance. They include: - Fibonacci Retracement, Fibonacci arcs, Fibonacci Fans and Fibonacci Time Zones.

Fibonacci retracement is a very popular tool that is based on key numbers that were identified by a mathematician named Leonardo Fibonacci in the 13th century (Justin Kuepper, Investopedia, (2014). This tool is employed 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 FOREX chart and dividing the vertical distance by the major Fibonacci ratios of 23.6%, 38.2%, 50%, 61.8% and 100%. The movement in the trade chart is caused by the significant movement of the price up and down, resistance levels and the new support that are often at or near these lines. The chart below shows the Fibonacci retracement movement.



**Figure 2.3** Fibonacci retracement Movement

**Source:** MetaTrader4

The second method is the Fibonacci arc which is developed by finding the high and low of chart (Justin Kuepper, Investopedia, (2014). Then three curved lines are drawn using a compass like movement at points 38.2%, 50% and 61.8% right from the desired point. These lines on the chart give an idea of the support and resistance levels and the areas of ranging. The chart below shows the Fibonacci arc.



**Figure 2.4** Fibonacci Arc

**Source:** Meta Trader, (2014)

The third method is the Fibonacci time zones which are a series of vertical lines composed by dividing the chart into various segments comprising of vertical

lines with gaps or spaces that are equal to the Fibonacci sequence (Justin Kuepper, Investopedia, (2014). The sequence is as follows; 1, 1,2,3,5,8,13 in that pattern. The lines are an indicator of the expectations in the major price movement. The chart below shows the Fibonacci time zones.



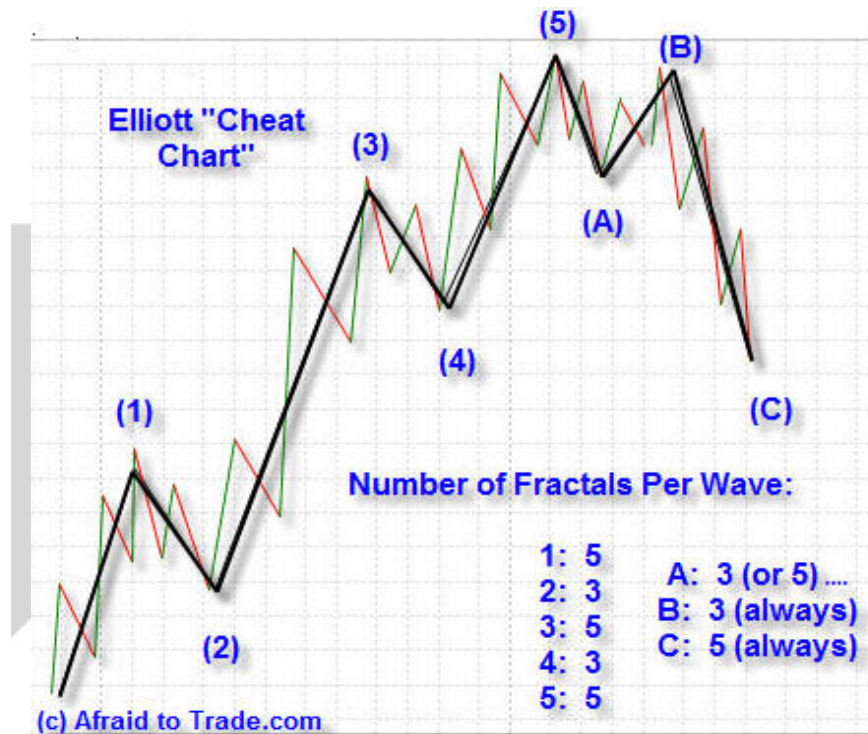
**Figure 2.5** Fibonacci Time zones

**Source:** Meta Trader, (2014)

It should be noted that the Fibonacci methods cannot or be intended to be used on providing the indications primarily for timing the entry and exit of a stock in the market but rather they are useful in estimating the areas of support and resistance (Justin Kuepper, 2014). 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 (Justin Kuepper, 2014). In a simple explanation the Fibonacci sequence is the sum of two preceding terms for example 1, 1,2,3,5,8,13 in that order. The second concept employed in technical analysis for the purpose of this research is the Elliot wave Theory. This theory was named after Ralph Nelson Elliot.it was later advanced and expanded by A.J Frost and Robert Prechter referred to as the Elliott wave principle. His conclusion was that the movement of the stock market could be predicted by observing and identifying the pattern of waves that has 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.

According to this theory these movements are broken down into motive waves and corrective waves (Investopedia, (2014). The corrective waves move against the

trend while the motive waves move in the direction of the trend. In summary by taking the time to study the wave count Elliot came to a conclusion that the movement of the stock market could be predicted accurately.



**Figure 2.6** Elliott Wave

**Source:** Author, 2016: online

Elliott wave analyst is a form of technical analyst that combines the price, time, volume and other information drawn from the markets to help determine the likely direction of future price action (Steven W.Poser, (2003). The users and followers of the Elliot wave Technical analysis track the market segment more closely than other technicians in the FOREX market. the wave patterns are closely related to the market behavior. For example a third wave explosion with the market responding quickly to the change or correction of a major trend with event driven market drops. These major changes represent very important but temporary market reversals.

A failed fifth wave occurs when the fifth leg in an impulse does not get past the preceding third wave extreme point (Steven W.Poser, (2003). Therefore in a market which is literally going down, it can be explained that the low price reached in

ELLIOT wave 5 is above the low price achieved by the third wave which is normally falling. Amongst the Elliot wave analyst there are some who believe that there is no such thing as failed fifth wave. They are very rare forms of waves since most are which are assumed to be failed fifth wave are actually an irregular fourth wave correction instead. However a fifth wave does not require exceeding the higher price level posted during an occurrence of an irregular fourth wave (Steven W.Poser, 2003). Benoit Mandelbrot is a famous mathematician who defined a fractal as a geometric shape that can be put separately into parts, each of which is a reduced scale version of the whole. This term was put forward in 1975 and the actual activity described by Elliot in the financial markets and in nature. The fractal term is a nature of market prices that can be easily seen when looked from a detailed chart of any series of freely traded stock, currency, bond or commodity.

## **2.6 Meta Trader 4 platform**

Meta Trader 4 is a platform that is used for trading FOREX, offering expert Advisors and analyzing financial markets. This platform comprises of trading signals, market, and mobile trading which are aimed at enhancing the users FOREX trading experience (Luckyscout.com, (2015)). It is used by millions of traders globally with a wide range of needs. The Meta Trader platform offers a range of opportunities to traders with skills at all levels: flexible trading system, expert advisors, mobile trading applications, technical analysis and algorithmic trading (Metatrader4.com, 2000). Meta Trader is the most famous trading platform among the FOREX traders. When crossing the major highway you need to use a pedestrian footbridge provided similarly you need trading software when you want to engage in FOREX online trading. This platform connects the trader from his personal computer to the currency market. This software can be installed on the computer for free. There are two versions for this particular software: Meta Trader 4 and Meta Trader 5 abbreviated as MT4 and MT5 respectively.

Meta Trader has various features and abilities (Luckscout.com, (2015)). One of the features is that the user can open price charts and follow the market price fluctuations and analyze the charts. The trader can also plot trend lines on the charts, locate the trade setups and analyze the same charts to be able to understand the market

and make predictions. The platform has the candlestick feature which is used in the FOREX and stock market technical analysis. The candlesticks are the oldest form of technical analysis and were invented by a Japanese rice trader called Sakata in the 17th century. They indicate the market psychology. The other feature is the Renko chart indicator which was invented by the Japanese traders. This feature considers the price changes only and time and volume have no role. They are comprised of small bricks or boxes with option to change the box size in the Renko charts and a new box appears when a special level of price change occurs in the trading pattern. When the box size is higher it means a larger price change is needed in order to enable the appearance of a new box on the chart. Similarly when the box size is set small then the new boxes will appear faster. The other important feature is the fact that trader can place orders and set targets and stop losses from occurring. The losses can be stopped or trailed and pending orders can also be set. Basically it is light software which doesn't overload the computer. It can run multiple instances of this software on the same computer. The software also creates continuous reports from the positions of the market the trader takes with nine different time frames and three different chart times (Luckyscout.com, 2015). All of these give the trader ability needed to monitor the market with the accuracy required (DailyFOREX.com. (n.d.). The accuracy is important since it enables the entrance and exit of the market with exact timing.

There is advanced communication tools for brokers in MT4 platform to enable them post messages and ensure communication flow with their traders in real time(DailyFOREX.com. (n.d.). This reduces the lengthy email communications and makes the trader's form of communication experience much simpler. There is also the option of viewing the account information from within the MT4 interface platform. These available details include; account balance, trading history, password information and other access details. This feature also enables the trader view each market set up as its own profile with quick switching between them. Security is of high importance when dealing with a sensitive issue like the FOREX trading. The sites are prone to hacks and other form of cyber-attacks. Therefore with this in mind MT4 platform is highly secured with encrypted data between the trader and the server with a 129 bit key. The IP address belonging to the trader is completely concealed.

FOREX trading is global with different currencies involved therefore there is need to have the flexibility with this kind of platform(DailyFOREX.com. (n.d.). In this application, you can also trade Gold and Silver. The MT4 supports all popular currency crosses as well as the ability to trade with other markets such as futures, indexes, equities and commodities. Furthermore with the growing usage of smartphones the platform support has greatly expanded to other operating systems, mobile versions and android operating systems as well. Thus the traders can now access the market on the personal computer, laptop, smartphone or tablet. It is estimated that more than 300 brokers use this platform solely or in joint collaboration with other trading solutions (Binary Tribune). Below is a screenshot of MT4 software interface:



**Figure 2.7** Meta Trader Software Interface

**Source:** Author, 2016: online

## 2.7 Related Research

According to (Michael, Carol, Dagnfinn. (2011). The Market Microstructure Approach to Foreign Exchange); studied how the electronic trading has transformed foreign exchange markets over the past few years. The research also studied how the pace of innovation has accelerated this transformation. In this research the foreign market structure and evolution was studied. The paper outlined the players in the FOREX trade market and how they interact at different engagement

levels. Evidence on how the structures have changed over the years two decades to be precise was also presented. A survey of 15 institutional and retail platforms was conducted. Among the 15 institutions that were involved ten of them represented 30% of the spot FOREX exchange trading globally and 22% of FOREX exchange swaps. Spot trade is the trading of currencies electronically around the world. Most of these spot trades settle after two business days upon the execution of the trade with the exception of the Canadian dollar against the U.S. dollar which settles the next business day. On the other hand Swap refers to a derivative contract involving two parties exchanging financial instruments. These financial instruments involve cash flows based on various factors such as the benchmark interest rate, index price or the floating currency exchange rate (Investopedia, 2003).

According to (Edgar Buenrostro, Alberto Mateo, Adrian Ramirez. (2012). FOREX Investment and Trading); studied the most feasible methodology to establishing a FOREX firm successfully. The paper provided the much needed details on currency trading market for all different kinds of stakeholders including scholars who want to understand in deep about FOREX trading. The researchers took samples of trades from different groups and identified the common risks and mistakes that participants make while trading. Additionally an explanation was provided for the methodology utilized by the various groups such as the use of fundamental and technical analysis. This research established that there are a large number of scammers in the foreign exchange market. The reason for this is that this market is poorly regulated since most of the activities happen via internet. Moreover it is important to keep a clean sheet of record since potential customers check for reputable firm and traders. A reputable firm name takes months of consistency in profitable trading to build. A trading plan tool was also recommended by the researchers. This tool was to be created by traders with guidance from experts but personalized based on the traders own personality. This tool was to help the trader avoid common mistakes and major risks which are related to one's confidence zone.

According to (Masoud Nassim, Yasha SazmandAsfaranjan, Alireza Keshvarsima, Fatemeh Baradari. (2014). Trading in the Foreign Exchange Market (Forex); 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. The researchers administered questionnaires to brokers, IBs, and clients all in the FOREX market. The research results indicated that the factors that affect the consumer's purchase intentions are content, trust and the infrastructure in form of FOREX website. The researchers employed a correlation test to establish the relationship between the trust, context of FOREX websites, infrastructure of the FOREX websites, internet usage and content of the FOREX websites with the consumer's purchase intention. An easy model was constructed and adopted to estimate the various determinants that affect the structure of the FOREX website and trust. 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.

According to (Christopher J. Neely, Paul A. Weller. (2011). *Technical Analysis in the Foreign Exchange Market*); studied the technical analysis in the foreign exchange market. The researchers emphasized on the technical analysis's importance on market efficiency. The literature reviews established that the simple technical trading rules on currency such as dollar exchange rates provided a lot of things. One of them being a 15 years of positive risk-adjusted returns which stretched from the 1970s to 1980s and later extinguished. The technical analysis basically is the use of the past price behavior or other available market data such as volume to guide the trading decisions in asset markets. The researchers looked at the survey evidence in the practice of technical analysis. The survey targets technicians and it was established that almost all traders in the London foreign exchange according to (Allen and Taylor, 1990), use technical analysis to some degree. They also tend to bring in a bit of fundamental analysis.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **Research methods and methodology overview**

According to Rajendra Kumar.(2008); research methods can be defined as all those techniques that are used for carrying out research. They are the methods that researchers use in carrying out the research activities. The objective of every research is to arrive at a solution for a given problem therefore there has to be a relation between the available data and the unknown aspects of the problem Rajendra Kumar.(2008). This will ensure that a solution is possible. Research methods can be grouped in three. The first one to be highlighted in this research is the methods that are concerned with the collection of data. This method is employed in situations where the data available is not sufficient to arrive at the required solutions. The second group is the statistical technique. These techniques are used for identifying the relationships between the unknowns and the data. Thirdly we have the methods that are used for accuracy evaluation from the results obtained. The above discussed groups of research can be taken as analytical tools of research. On the other hand research methodology is a way to systematically solve the research problems. In simple understanding research methodology is the science of studying how research is carried out scientifically. The various steps adopted by the researcher in studying the research problem along with the logic behind them are studied. It is not enough for the researcher to only know research methods techniques but also the methodology. Researchers need also to know which techniques are relevant for a specific study and also learn how to develop indices, tests, calculate mean, mode, median and the standard deviation among others. However design for methodology may differ from problem to problem. This means that it is necessary for researchers to design while having the research problem in mind. There are many dimensions for research methodology and in fact research methods forms part of it. Research methodology has a larger scope than research methods (Rajendra Kumar, 2008).

#### **Philosophical Approach to Methodology**

The research philosophy refers to a belief about the way in which the research

data about a given phenomenon should be gathered, analyzed and used (Galliers, 1991). He adds that what is known to be true as opposed to what is believed to be true involves the various philosophies of research approach. The process of transforming things believed to things known is the purpose of science. The research process has three dimensions:- ontology, methodology and epistemology. Research paradigm is an all-involving system of interrelated practice and it defines the nature of enquiry (TerreBlanche, Durrheim 1999). It is the research culture with a set of beliefs, values and assumptions regarding the nature and conduct of research.

The critical theory adopts a more transactional epistemology which means that the researcher and subject of research are assumed to be linked with the values of the researcher. This inevitably influences the inquiry (Lincoln, 1994). According to (Willmott, (2007)) adds that the aim of critical theory in any research is critique and emancipation while the aim of positivist and post-positivist enquiry is explaining, control and prediction. The three philosophical aspects of research methodology are the most popular paradigms in management research, organizational and contemporary social. These key features are inclusive of the worldview, different means of knowledge production, assessment and knowledge pursuit.

In addition, the accommodator was related to the Kolb Cycle and reasoning in agreement with the deductive approach. The didacticism (instructive communication) is related to empiricism ranging from active experiment to abstract conceptualization. It is a causality relationship and theory testing through hypotheses. In this position, the philosophical approach suits the quantitative rather than qualitative research. The main objective of this pertains to measurement using a Fibonacci and Elliot wave technical analysis with a questionnaire, so deductive reasoning will be needed.

### **3.1 Research Method**

In this chapter the research methodology used for collecting and interpreting the research study of core factors in the FOREX market making and also the use of information, technical analysis tools, application and indicators that impact trading decision. There are two general research methods used to collect data. There are the quantitative and qualitative methods. The quantitative research method associated with the use of theories from the beginning. In the quantitative method and analysis are normally statistic and all data collection must be analyzed and transferred to

statistic numbers and ratio, So that the research finding and result explained through the process of statistical analysis and the variables relationship. In qualitative research, this research method approach is usually related to uses of theoretical and achieves the target without statistical and numbers required. All data collections were interpreted by relying on the core theories chosen to use as a foundation of the hypothesis.

Basically, there are significantly differences between quantitative and qualitative research methods. The qualitative method usually uses interviewees by in-depth interviews and basic observation. Once relying on the qualitative approach, the researcher could obtain information by observations and then the researcher can combine information from the interview result and details of observations to achieve the target and get better results and findings. Qualitative research is empirical research where the data are not in the form of numbers that oppose the quantitative research.

The qualitative research method was chosen for this research study because qualitative research conducts with semi-structured interviews. Thus, the interviewer could acknowledge, get more perceptions and understanding the emotional of interviewees; the interviewer could observed more about countenance, motion, movement, eyes contact and etc. for a broader message being illustrated. Using qualitative research method will make the thing more clear and improve the results for this specific study.

### **3.2 Research Design**

This research was conducted to study the relationship between inflation rate, political climate, Federal Reserve System actions, Fibonacci and Elliot wave technical analysis and Meta Trader 4 software and FOREX trading. This research aimed at identifying how these factors affects decision of traders in FOREX and online trading. The research was designed to collect data using the interview from various respondents who are engaged in FOREX trading and also secondary sources information was used. The researcher used qualitative research method to collect the data as a semi-structured interviews. There was also some information brought about from other secondary sources in order to get the most accurate and reliable information as possible. The hypothesis was tested with the biggest part being the use of secondary information from various sources.

### 3.3 Research Instrument

As mentioned above the researcher used semi-structured interviews to collect the data from respondents. They were basically to supplement the information gathered to enable establish some recommendations. The qualitative based approach of semi-structured interviews was used with seven represented experienced FOREX traders in Thailand to gather adequate data, if the traders (six or seven respondents) answer in the same way. The interviewer would stop to interview more persons to avoid wasting time because it means that the data collection has reached the total saturation.

#### Semi-structured Interviews

According to Cohen D, Crabtree B. (2006), described the Semi-structured Interviews as following:

##### *Characteristics of Semi-structured Interviews*

The interviewer follows the 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.

##### *When to use semi-structured interviews*

Semi-structured interviewing, according to Bernard (1988), is best used when you won't get more chances to interview someone and when you will be sending several interviewers out into the field to collect data.

The semi-structured interview guide provides a clear set of instructions for interviewers and can provide reliable, comparable qualitative data.

Semi-structured interviews are usually lead by observations, informal and unstructured interviewing in order to allow the researchers to develop an enthusiastic understanding of the topic of interest necessary for developing relevant and meaningful semi-structured questions.

The incorporation of open-ended questions and training of interviewers to follow relevant topics that might be strayed away from the interview guidelines, but still provide the opportunity to identify new ideas and new ways of seeing and

perceptions in the topic during the interview.

#### *Recording Semi-Structured interviews*

Essentially, the interviewer had an interview guide that could be followed. Since semi-structured interviews often contain open-end questions and discussions may stray from the interview guide, it is generally best to tape-record interviews and later transcript these tapes for analysis. If tape-recording an interview is out of the question, consider to take note during the interview.

#### *Benefits*

Most of researchers use semi-structured interviews; the reason is that questions can be prepared ahead of time. This allows the interviewer to be prepared and appear competent during the interview. Semi-structured interviews also allow informants the freedom to express their views in their own terms. Semi-structure interviews can provide reliable, comparable, empirical and qualitative data.

This interview question consisted of two parts as follows:

Part 1: The general information of the respondent, the age, education level, income bracket, nationality, gender and working experience in years. This part had close-ended questions and tape-recorded.

Part 2: This part comprised of the various variables and factors being investigated; inflation rate, Federal Reserve systems, political climate, technical analysis tools (Fibonacci and Elliot wave) and trading application. The questions in this part were close-ended and tape-recorded also.

The researchers used the semi-structured interviews for primary data to interview seven interviewees are represented experienced FOREX traders in Thailand to collect the data, ideas and concept from them.

In this research after proper understanding of the study was gained by the researcher, interview questions were developed for the interview. Content from literature and theoretical framework was transformed to questions. The objectives of the study were translated into content for the interview questions. The interview questions were measuring the extent of knowledge people have on the five factors that affect FOREX and stock exchange trading.

### **3.4 Data Collection**

### **3.4.1 Primary data**

Primary data collection from this study involved using the interviews; provided the information to the researcher for recommendation purposes. Only responses got via interviews and focus groups and additional secondary sources were used to test the hypothesis. The researcher visited Stock Exchange Trading office and interview persons who are targeted as the sample in this case. During the interview, the researcher would record the responses. This helped the researcher to keep track of the number of questionnaires successfully filled as required.

The researcher interviewed seven interviewees that were represented experienced FOREX traders to get ideas, concepts that supported the hypothesis testing. The views were later supported or dismissed by information from other secondary sources.

### **3.4.2 Secondary data**

The information from websites, google scholar, articles, e-journals, academic articles, e-book, e-business articles, online news and etc. were used to consider the sources of secondary data, which were written by experienced researchers, traders, academics, authors and etc. These sources were significantly valuable, in order to answer the research question in this research study.

## **3.5 Data Analysis**

This section included the hypothesis testing. A data analysis was carried out with the help of the semi-structured interviews and secondary data. To be able to achieve the objective of the qualitative research various techniques were implemented namely; The five stages of qualitative analysis, Ensuring Rigour, Reliability and Validity.

According to the academic article (Anne Lacey, Donna Luff (2009); there are five stages in qualitative analysis provided in this article as following:

#### **Stage 1: Transcription**

In this stage expressed that the interviewer collected data by recorded in the tape, took notes by handwritten, video recording then the words transcribed verbatim. Every word in the interview is significant and should not be skipped.

#### **Stage 2: Organizing the data**

After the words transcribed verbatim, the researcher would get untidy data. In this stage reminded the researcher to organize the data into a section by date, code or context. In order to avoid losing data, the data should be backup in another drive.

#### Stage 3: Familiarization

Once researcher finished the above 2 stages, it means that the beginning of familiarization is on progress. The research needs to read the handwritten notes, listen to the tape recorded and watch the interview video as much as possible to be familiar with these data.

#### Stage 4: Coding

After researcher familiar with the data from the stage 3, then the researcher need to cut the data that is not related to the core data and then do coding. The coding in this research will be 'Affect' because interviewee always response the difference ideas in the same question, the interviewer may categorize the code into the sub themes or category. The decoding can be done when required.

#### Stage 5: Themes

When the coding was categorized in sub theme, the researcher has begun to recognize the concept and the proper themes of the research study.

### **Reliability and Validity**

Validity refers to the degree to which a test measures what it is supposed to measure. As show by (Mason and Gamble, 1989), there are three approaches to validity testing. They include; content validity, construct validity, and criterion-related validity. Reliability on the other hand refers to the research instrument that concerns the extent to which the instrument yields the same results on repeated trials. It is very hard to avoid unreliability it will always be there to a certain extent but there will be generally a good deal of consistency in the results of a quality instrument collected at different times. This tendency towards consistency which is found in the repeated measurements is what is called reliability (Carmines & Zeller, 1979).

According to (Anne Lacey, Donna Luff (2009); described Ensuring Rigour; Other ways of demonstrating reliability and validity

### **Ensuring Rigour**

#### *Triangulation*

The evidence from qualitative research had undertaken 'triangulation' was

frequently seen as demonstrating rigour. Triangulation means gathering and analyzing data from more than one source to gain more perspective on the circumstance you are investigating (Anne Lacey, Donna Luff (2009). This may be more or less significant, or possible, depends on your research question and setting. In this study, triangulation might mean that you conduct observation of the FOREX and stock exchange market factors affect trading decisions and a review of factor records in addition to semi-structured interviews, as a way of gaining different insights into the same situation. This is not necessarily a failure of the research in itself, as 'real' life research situations are certainly complex. In fact a core of triangulation is the possibility of uncovering this complexity and finding different views.

#### *Researcher perspective*

Reinharz (1992) has highlighted the necessity to make clear the perspectives of the researcher themselves in demonstrating the validity (they would call it credibility) of the research. The point is qualitative analysis is an interpretative process, the preconceptions, assumptions and 'worldview' of the researcher is likely to influence the process and any emerging theory. This needs acknowledging, by making the researcher more 'visible' in the analysis process. It can be called this reflexivity; A reflexive account is an honest attempt by the researcher to declare their conceptual journey through the research, perhaps by including sections of their own reflective diaries and example as they undertook the research.

#### *Respondent Validation*

Qualitative researchers frequently feedback the findings from their research to their participants such as document report, presentation file or summary (Anne Lacey, Donna Luff (2009). The range of feedback result to respondents varies. In some cases the results may be sent back to check accuracy or approval for use, in other cases respondents might asked to comment on the interpretation or drafts of the report. Feedback to respondents has been seen as significant in involving participants in the research process and, for some critical social scientists, in addressing concerns about the researcher having single power of interpretation. Most reviewers consider 'respondent validation' of qualitative research to be a mark of quality, and evidence of 'respondent validation' of findings is increasingly seen as a way of demonstrating rigour. However, the decision to involve respondents in feedback or validation may

legitimately vary from study to study. It might be more helpful in terms of assessing rigour to concentrate on evidence that the researchers have.

**The data analysis procedure will be carried out in two stages:**

Stage 1: Describing the respondent's demographic information from the interview.

Describe the demographic data of the respondents; age, occupation, income bracket and level of education among others.

The seven experienced 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 (Anne Lacey & Donna Luff (2009)).

Stage 2: The secondary data from websites, Google scholar, academic articles, e-journals, e-books, e-business news were used to analyze the objectives and hypotheses. The secondary data use to do factor analysis to ensure there is defined pattern in the relationship. The relationship between the variables was analyzed carried out to identify the factors that affected trading decision making in FOREX market. The factor analysis also identified the various technical analysis tools the respondents and interviewees are aware of in the FOREX trading as well.

### **3.6 Hypotheses Testing**

1. The stated hypothesis was derived from the research objectives.
2. A sample was obtained and the relevant variables measured.
3. The interview results from experienced persons in FOREX trading and secondary data from above mentioned were then compared to the value either stated or implied in the hypothesis. If the data is found to be consistent with the hypothesis then the hypothesis is supported and if it not constituent then the hypothesis is not supported.

### **Summary**

In summary semi-structured interviews, five stages qualitative analysis mentioned and secondary data research were employed in this research study. The most appropriate sampling chosen was seven interviewees who were the experienced traders and involved in FOREX trading in Thailand. The researcher interviewed seven persons who have fundamental knowledge and the response from them was used to

test the hypothesis alongside other information gathered from secondary data as well.



## **CHAPTER 4**

### **RESEARCH FINDINGS**

This chapter presents the data analysis of core factors that impact trading decision making in FOREX market among experienced traders in Thailand. All the data was collected by semi-structured interviews seven representative of experienced FOREX traders in Thailand and brought to analysis by content analysis and techniques from Chapter 3. The results of the study were presented and described the demographic data and reliability factors affect trading decisions making in FOREX and Stock exchange market. The five stage of Qualitative Data Analysis, Ensuring Rigour, Reliability and Validity theory (Anne Lacey, Donna Luff (2009); would help researcher achieved the hypothesis testing and objectives.

**The data analysis procedure will be carried out in below topics:**

**4.1 Describing the respondent's demographic information from the interview.**

Describe the demographic data of the respondents; age, occupation, income bracket and level of education among others.

**4.2 Findings of the research study from the seven experienced traders' results of four questions which related to the objectives and hypotheses.** The result from interviewees was analyzed by using content analysis. Describing and analyzing the secondary data from the websites, Google scholar, academic articles, e-journals, e-books, e-business news were used to analyze the objectives and hypotheses. The secondary data use to do factors analysis to ensure there is defined pattern in the relationship. The relationship between the variables was analyzed carried out to identify the factors that affected the FOREX market trading. The factor analysis also identified the various technical analysis tools the respondents and interviewees are aware of in the FOREX trading.

**4.1 Describing Demographic information of respondents.**

The interviews questions were asked about the characteristics of respondents profile in term of nationality, gender, age, education, length of working experience, level in occupation and average income per month. These information might helped interviewer better understand their respondents.

**Table 4.1 General information of respondents**

<b>Respondents</b>	<b>Nationality</b>	<b>Gender</b>	<b>Age</b>	<b>Education Level</b>	<b>Experience Years</b>	<b>Income THB</b>
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

The data collection concerning difference actions from financial institution, political climate, inflation rate, technical analysis tools, use of applications that affect trading decision making in FOREX market. The interviewees were asked to explain about these actions. Then they were asked how to deal with these various actions and why.

#### **4.2 Finding of the research study from respondents.**

The research questions concentrate on difference factors and actions affects liquidity, price, trading decisions making in FOREX and Stock exchange market. The researcher examined the difference of political actions, inflation rate, financial institutions actions affect price, liquidity and buy/sell volume in FOREX market. Also examined the fundamental knowledge and the use of trading applications, technical analysis tools, indicators, hedging tools, economic news analysis affect trading decision making in FOREX market as well.

There were represented seven interviewees in this research study response the interview questions. The difference of interview questions bring various ideas and concepts from interviewees which are different knowledge background, working experience, trading skills, analysis skills and education level these will create the divergence in trading decisions making in FOREX market. The result from interview questions will be mentioned below.

#### 4.2.1 Interview question 1:

With diversified experience in trading in FOREX market, do you think political actions affect trading decision making in FOREX market? How?

Interviewee 1 expressed that:

“For the political climate in Thailand could affects Stock Exchange of Thailand(SET) but not for globally affects FOREX because Thailand is a small country and the currency THB is not significant compared to other important Asian currency likes Chinese Yuan and Japanese Yen in Asia. For the political actions in global such as the big country will be the most affect on the FOREX market and also I would keep track this action to aware of trading in particular currency that I am dealing with.”

Interviewee 2 mentioned that:

“It depends on how much violence in some actions of political for example; the protesters block the road at Ratchaprasong intersection for long period in 2013. This situation is affected directly to the price, buy/sell volume and in stock exchange market and also currency market as FOREX market because the liquidity of THB will be weakened and then it will affects the national economy increasingly. The political actions is the most affect my trading decision as people in Thailand are mostly aware of the risk but for me I would take the risk to be my opportunities to make a trade in FOREX market.”

Interviewee 3 stated that:

“It affects in a short period because the government will do something to encounter the worst situation to be as normal quickly. The traders might get panic in the serious situation. However, some kind of positive actions from political such as The United Nations will also significantly for me to pay attention and consider to trade in FOREX market.”

Interviewee 4 expressed that:

“It always affects my trading decision making because people in Thailand and some particular country will be scared off the serious situation that caused by the political actions. People who have a specific currency in their portfolio will create the order to sell what they have all out from their portfolio or quickly exit the market. Then they will open the buy order after the situation is unfolding. It would be great to

improve trading technique by follow the political actions and news.”

Interviewee 5 claimed that:

“The Thai government has the power to controls the price, volume in Stock Exchange market. The people who is the insider in the Stock Exchange of Thailand works for Thai government and he or she can makes some plans to do what Thai government needs to control price and liquidity in stock market. However, they could not controls anything in global likes significant currency price in FOREX market. The FOREX market could be sneakingly controlled by the big news from The United State Congress. For me, I think the global political actions affect my trading decision making in FOREX as the FOREX is the world currency market, there will be more or less impact the liquidity in particular currency from political actions as well.”

Interviewee 6 also mentioned that:

“The difference political actions will affect the market but not directly. It will be affected only the government not the whole market and it will not affect the price of the stock also. However, in global perspective, I think the political announcement from U.S. and E.U. are significant to keep an eyes on. I don’t argue that I might use these actions from them to support my trading.”

Interviewee 7 noted that:

“The Thailand political actions were influenced the price, buy/sell volume and liquidity, the most influenced are the turnover of the firm, shareholders, the national economy. But I think political actions in some particular country will affects the FOREX market because the price, liquidity are decreasing or increasing based on how stable of political in its nations which use specific currency to do import and export. I would track the news from U.S. political rather than local Thai political news to be considered for making a decision to trade in FOREX market.”

Analysis based on interviewee response as following:

According to the interviewee 1 responded, the response led the researcher to believe that the political actions can cause a big impact on the value of the currency used in the FOREX trade. This is to indicate that political actions have a correlation that affect the FOREX trading decision.

The interviewee 2 response found that violence as per data analysis by the researcher is a large contributor to the effects of political uprising and subsequent

trade problems.

The response above by interviewee 3 and 4 indicates that the Political independence can cause pressure among countries for them to change their political, economic and cultural practices. Among the examples is South Africa which faced isolation from the rest of the world due to apartheid (McCullers, Molly. (2013); but in the end it given in to international pressure. Sometimes a strong authoritarian government can provide stability more than a shaky democratic government. When a trader war occurs countries will act aggressively in major international markets to be able to have a chance to promote their own trading interests. It is also worth noting that a less developed country can be able to meet the needs for a developed country by providing raw materials and markets. In some form of colonization the powerful multinationals can exert a lot of economic and cultural power over local people. Pressure groups, populist movements and other concerned groups can protest against such powerful multinationals like the WTO (The political process, Government Role in International Trade).

According to interviewee 5 and 6 responses, just like the secondary data highlighted the existence of very strict regimes which try to control the market rather let it operate within the effects of the available market forces, the above response corresponded with this information. The secondary information proves that the political climate can affect the market through the government regulations but in the above response the interviewee highlighted it does not affect the stock prices thus we will focus on the impact on FOREX market to support the hypothesis testing.

Summary the result of interviewees, in various Thai political actions are factors that will affects the price, liquidity and buy/sell volume in the Stock exchange of Thailand (SET) or locally as traders will analyze the political news and economy news considered to trade in the stock and FOREX market based on their knowledge. In additional, traders will be aware of the serious situation and they do not need to spend their money when the nation is in the political crisis situation. That is the reason why the political actions affect their trading decision in FOREX market. However, most of interviewees mentioned that the local political action will not or less affects price, liquidity and buy/sell volume in the FOREX market. Because FOREX market is huge, the local political from insignificant country will not influenced trading

considerations of traders that made by worldwide traders in FOREX market.

### **Hypothesis: H1 Testing**

H1: The difference actions in U.S. Political climate affect trading decision of traders.

The researcher uses respondents' result and secondary data such as websites, news, research articles, e-books, e-business news and etc. to support hypothesis testing.

The research from (FXCM Market Insights. (2016); studied and 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."

According to the research article by (Justin Stewart. (n.d) expressed that; The other effect that was established as a possible effect to support the hypothesis was the Allies that a country can have. This can affect how the country's currency is traded in the FOREX market. According to the results obtained from the responses and the secondary sources traders who have invested in a particular currency in the FOREX market, may look to the allies from a different country to secure other investments. Allies are considered to be better partners in trade for those looking to dabble into other currencies.

The enemies that a country has also affect the FOREX market(Justin Stewart. (n.d). It was established from the secondary sources that the more enemies a country has the more dip the currency will be. This is for the simple reason that traders will tend to look to the relationships between countries and the currencies before getting into the FOREX market trade. On the other hand if a country has powerful enemies, they may be interpreted as not a much safe investment.

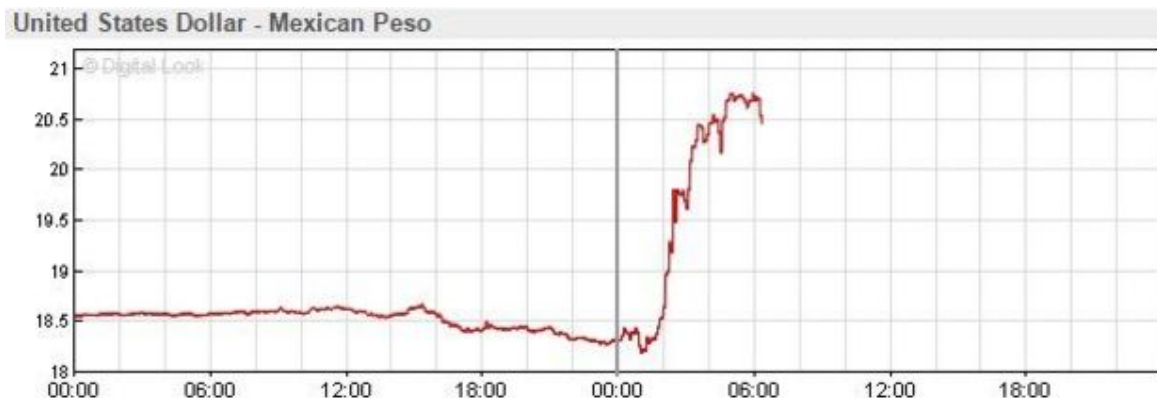


**Figure 4.1** EURUSD Chart in December 2016

**Source:** Meta Trader, (2016)

The above figure will be explained that America's currency lost ground against the Euro currency; According to (Buttonwood. (2016); A day after Donald Trump won the U.S elections there was a decline in the American stock market(Buttonwood. (2016); A combination of the adverse policy proposals suggested by Mr. Trump on trade, foreign policy and the Federal Reserve led to the traders facing uncertainty. Therefore this contributed to the change in the market stock and the equities were hit really hard. Over the last 24 hours after trump had won the elections the America's currency lost ground against the major currencies like the Swiss France, euro, yen and sterling but gained against other emerging market currencies for instance the Mexican peso and the Brazilian real. The international investors confident kept fading due to the uncertainty of the direction the American economic policy would take.

From (BBC Business News. (2016); mentioned that the 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. The margins showed that the Japanese Nikkei 225 dropped by 5.4%. This can be attributed to the reason that most traders had expected a comfortable Hillary Clinton win.



**Figure 4.2** US Dollar – Mexican Peso Chart

From above figure also mentioned in (BBC Business News. (2016); that Meanwhile concerns about the impact of a Trump presidency on the Mexican economy saw its currency, the peso, fall more than 13% against the dollar to its lowest level in two decades.

Mexico is expected to suffer if Mr Trump is elected because of his pledges to build a wall along the US border with the country and renegotiate their trade agreement.

The hypothesis 1 testing based on above result of respondents from question no. 1 and secondary data from websites, news, articles, academic researches, information from Meta Trader 4 found that the researcher could believed to **ACCEPTED** this hypothesis.

#### **4.2.2 Interview question 2:**

What do you think about the inflation influenced in FOREX market? How? Do you use inflation data to support your trading decision making in FOREX market? Why?

Interviewee 1 expressed that:

“By the definition of inflation, the price of every products in the market are generally increase every time but you don’t feel it right now. The asset and consumer products are usually more expensive compared to the last year, these are the reason why the price of stock in be increased as well. The effective level of other currency is not significantly, it would means that inflation will not affect FOREX market. I never use inflation data to consider the trading decision. I think the inflation will affect the

yearly market but I am doing a daily and weekly trading that's why I never use it.”

Interviewee 2 stated that:

“The value of the stock is more likely the same as a land and assets, the value of the stock will be increased depends on the percentage of inflation that will be increased in every year also. However, FOREX is the world currency market, I think the acceptance currency might not affected by the inflation in any country. The inflation is not significant to make a decision in trading.”

Interviewee 3 highlighted this point:

“The inflation affects the price of raw materials, wages, inputs in some industry to be higher. In additional the high wages will affect the budget in the company that has the shares and stock in the stock exchange market. Also the price of the shares will be increase because the cost of employee wages is increased. But the inflation will not directly affect the huge market likes FOREX. I will ask broker for the impact of inflation but I don't use inflation data to help me predict the price before I make a trade.”

Interviewee 4 declared that:

“The inflation is the core factor that influenced me to invest my money in the stock market and FOREX market. Because I need to gets more passive income from the FOREX market investing instead of saving my money in the bank account to get very low interest rate. The interest rate is now terrible compared to the high inflation rate. I don't know how to calculate inflation and I don't use this information to support my ideas for trading. However, I think it is significant to study more about inflation.”

Interviewee 5 thought and gave an example that:

“I think inflation in every country affected the price of product in every market not only stock market or currency market. For example Thai consumer needs to buy a gold bar preparing to purpose to his girl friend, right now but there is no gold bar at the same price as this store. The nearest stores will charge more for the price because of customer needed in situation and this store only keep the gold bar in the stock, this customer must wait for it or pay more get it from the other nearest store, something like that. However, inflation might affect local economy but it will not affect FOREX market and other products' market. So, the inflation should be

considered in trading the stock exchange but not considered to trade in FOREX market.”

Interviewee 6 declared that:

“I don’t know much about inflation in Thailand and other countries. Because I don’t use the inflation rate considered to trade in the FOREX market. On the other hand, I can use other indicators those are more effectiveness rather than wasting the time to calculate the inflation to support trading decision. However, I know that the inflation increased every single year but it will not affect currency market rather the world economy and GDP ratio of developed country. I don’t use the inflation to support my trading decision making because I don’t pay any attention on it and I think it also less effect to FOREX market.”

Interviewee 7 mentioned that:

“The Thai inflation is very high, the oil and gas is increased by inflation as well. The minimum wages in Thailand also calculated by inflation rate. I think inflation influenced in the Stock Exchange of Thailand but not in FOREX market. And I don’t use it for FOREX trading because it’s too complicated to me.”

Summary from the respondents’ answers were explained that inflation erodes the real value of money. It then redistributes the wealth from those who own monetary assets to those who owe money. Inflation reduced the real value of the debts of the people who used borrowed money to finance the holding of assets but pushed up asset prices. The expectation of inflation is that it tends to generate private behavior which is meant to minimize the effect or otherwise exploit them. This can be termed as a wasteful of productive resources and may involve significant distortions. There are incentives that come with investing in assets such as land and cash. These tend to rise mostly in value when inflation is high. Inflation rate and the consumer price index are termed as the major economic indicators. The index is used to determine the level of inflation in a particular economy. It is calculated by taking the household basket of goods and comparing the value of these to the previous period. If the value of these basic goods is increasing then it provides the basis for the economy’s rate of inflation at that particular moment. In the case of FOREX traders the rise in inflation does not seen as an indicator that there is surplus money in the economy which the regulators like the central bank try to reduce. According to

experts the most effective way to reduce inflation is to increase interest rate which leads to low borrowing and demand is created for any excess money to be stored away in bank accounts or other forms of savings so as to earn interest. However, represented traders in Thailand in this research do not use inflation to be considered to trade in the FOREX market as they considered only the inflation rate in Thailand to trade the stock exchange of Thailand and paid attentions on the consumer products, cost of living and the liquidity of the asset such as land and cash. They also claimed that the inflation is just only a part of national economic. It also means that inflation is insignificant for them calculated it to make a decision in FOREX trading. According to the interview question number 2 result, most of interviewees expressed that the inflation might not affect the FOREX market as the FOREX is the huge market it means that the less impact of inflation will not influence the huge market. However, the inflation still affects local market, the price of consumer products, asset and land. The interested idea comes up with the interviewee 6 declared that the world economy and GDP ratio were affected the currency market. All information from this interview question was helped researcher determined that the inflation is less effective factor that might influenced trading decision in FOREX market. There is no interviewee use the inflation information analyze the market to support their trading decision making. They might use other effectiveness indicators rather than wasting the time to calculate the inflation in some particular currencies to be considered for trading in FOREX market.

### **Hypothesis: H2 Testing**

H2: The difference U.S. Inflation rate affects trading decision of traders.

Based on the interviewees' result showed that most of interviewees disapproved inflation rate affected their decision trading in FOREX market as the inflation is only a part of national economic. So that, there will be less affect the world currency market. The inflation is too complicated to them and also wasting their time in terms of calculations. They may use other effectiveness indicators rather inflation to support their decision trading in FOREX market. The researcher will state this hypothesis to be **REJECTED**.

However, there are some articles were highlighted on Google Scholar shows how significant of inflation as following:

According to (Stevens G (2008)); the response above indicated that the respondent did not use the inflation effect analysis as a way of basing his trading decisions. The inflation target refers to the consumer price index with addition consideration of the underlying inflation. The consumer price index and the underlying inflation have significant correlation since they move closely together but it must be noted that the consumer price index (CPI) is more volatile as it is more affected by the various factors including the oil prices (RBA, ABS n.d). From this it can be derived that there are various effects of inflation rate on the FOREX trade and the economy of international at large. One of the effects is the interaction with the tax system. The tax systems in most economies measure income in a way that does not allow for the inflation to occur. Interest received in very economy is fully accounted for as the income for the purpose of taxing. While in other consideration it is partly a compensation for inflation rather than the real income. Therefore when we bring in the inflation rate aspect when it is high, the tax system tends to overstate the real value of both the interest receipts and payments. Interest income is taxed more heavily than assumed and the cost including business interest costs receive a bigger than the earlier intended benefit from tax deducted. The inflation is a source of uncertainty that makes the economic decision making process more difficult. The periods of high inflation are usually high than normal and presents lots of variations. They are periods when the relative price and wages become also more variable. People including traders in FOREX market tend to become confused about how quickly the general price is rising. The appropriate prices for individual goods are also determined by the reaction of the people to the market changes with regard to inflation uncertainty. The above effect can lead to the efficiency of the price system becoming less or weak which can in return affect the mechanism of allocating resources.

According to (Easy FOREX Trading website. (n.d.)), described that inflation brings about considerable pressure on the central bank and other Federal Reserve agencies to raise the rate of interest. The central bank economists and policymakers are aware that the value of the currency will rise. This is due to the reason that investors and speculators are very much attracted to the higher returns. Inflation is directly related with unemployment. Reduction in one of these factors will affect the other one invariably

### 4.2.3 Interview question 3:

In your opinion, what do you think about activities from the financial institutions such as U.S. Federal Systems and European Union affects your trading decisions making in FOREX market? Are you tracking on these actions for your information to support your trading decision making in FOREX market?

Interviewee 1 indicated that:

“The big impact on price, liquidity and volume in FOREX market are depending on the world financial institutions such as FED and E.U. I follow the news and these financial actions from the website(forexfactory.com) every day to help me consider when is the right time to create buy and sell order in FOREX market.”

Interviewee 2 mentioned that:

“The news from U.S. FED & E.U. actions has affected world economy and also impacts my trading decision in FOREX market. However, it depends on how intense of the actions such as the employment in U.S. and E.U., the interest rate and etc. It’s significant to keep tracks their actions.”

Interviewee 3 expressed that:

“The financial institution actions were influenced the world economy, the gold price and also reliability of country that was mentioned in the action. For the news analysis I asked my broker for the information and discussed with him for decision making in trading in the stock exchange market. So, the information from their actions could be support to trade the currency and gold in FOREX market also.”

Interviewee 4 declared that:

“According to my experienced in the FOREX market more than 5 years, I think the news from these financial institutions affected directly on the currency liquidity. Exactly, I’m tracking every significant action from them. However, I don’t pay attention to the insignificant news from them. So that, I think I would wasted my time to track all of their insignificant actions.”

Interviewee 5 thought that:

“I think the U.S. central bank or FED reserved actions could be the most influenced in liquidity of U.S. dollar currency and in the same way European Union actions influenced liquidity of Euro currency as well. Both currencies are in the FOREX market. I would keep follow their actions to help me consider trading

decision also.”

Interviewee 6 believed that:

“From my understanding, the price, liquidity, buy/sell volume and traders in every market included Stock Exchange and FOREX depending on the financial institution actions then traders will make a decision to buy or sell after the news and actions were announced. For me, I would keep track their actions to consider and predict the future liquidity then use these analyzed results to support my trading.”

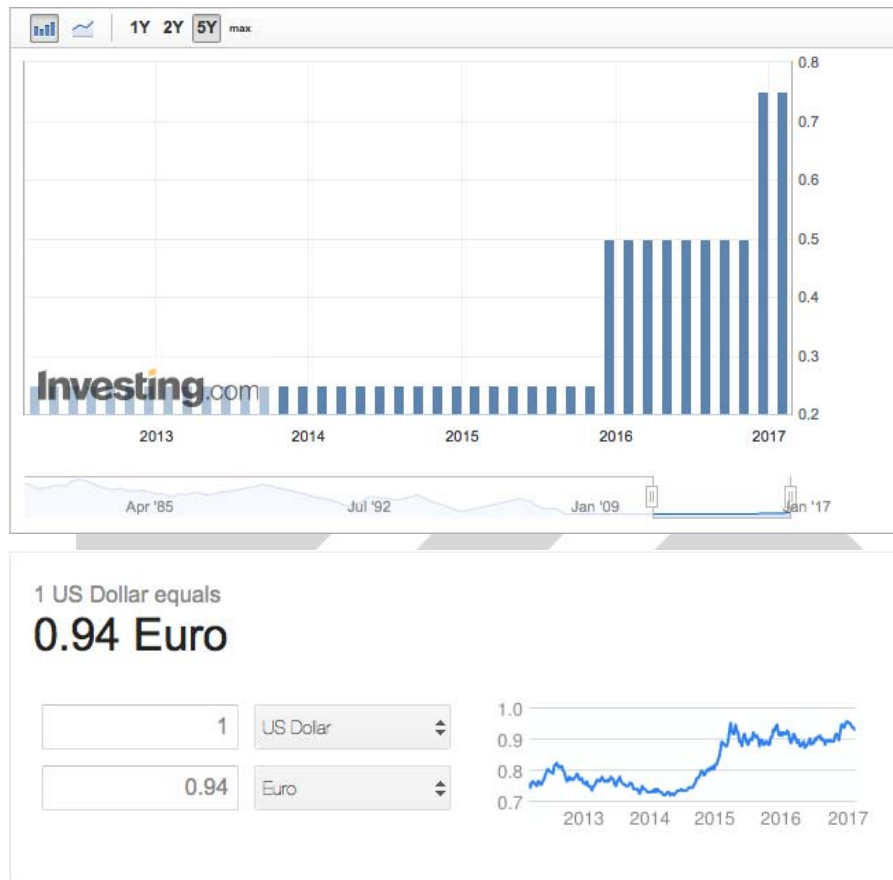
Interviewee 7 mentioned that:

“The international financial institution actions could be affected on the liquidity in each currency mentioned in the action. For example European Union announced that Greece should pay its debt to maintain the registration condition in European country. If Greece still needs to use Euro currency for its main currency within its nation. So, the Greece government should pay its debt. In additional, the liquidity of Euro will be changed according to this action.”

Summary of response, most interviewees have mentioned that they would keep track the news, information and also activities from U.S. Federal Reserve and other financial institutions that will be announced good or bad news to impact the liquidity of particular currency. They also wait for some actions that might be an opportunity and signal to create an order or jump into or exit the market. The represented traders in this study uses the news from financial institutions support their decision for trading in FOREX market as they thought that the activities from financial institution affects liquidity in currency market. The interviewee 7 also gave an example in Greece’s case study in the past few years that Greece has faced an issue with the national debt and the Greece government has planned to default on the debt then EU has noticed the Greece government the disadvantage of avoiding the debt payment.

### **Hypothesis: H3 Testing**

H3: The U.S. Federal Reserve Board Policy and Financial Institutions actions affect trading decision of traders.



**Figure 4.3** Fed Interest Rate Decision

**Source:** Author, 2016: online

The above figure shows that the interest rate decision by U.S. FED affects the US dollar liquidity from the year 2015 until now. As mentioned by (Federal Reserve Bank of New York. (2007); The Department of the Treasury and the Federal Reserve, which are the U.S. monetary authorities, occasionally intervene in the foreign exchange (FOREX) market to counter disorderly market conditions. Expected interest rate differentials between countries are one of the main factors that influence exchange rates. Money tends to flow into investments in countries with relatively high real (that is, inflation-adjusted) interest rates, increasing the demand for the currencies of these countries and, thereby, their value in the FOREX market.

The Role of the Federal Reserve, the congress has assigned the U.S. Treasury primary responsibility for international financial policy. In practice, though, the

Treasury's FOREX decisions typically are made in consultation with the Federal Reserve System. If the monetary authorities elect to intervene in the FOREX market, the intervention is conducted by the Federal Reserve Bank of New York. When a decision is made to support the dollars' price against another currency, the foreign exchange trading desk of the New York Fed buys dollars and sells the foreign currency; conversely, to reduce the value of the dollar, it sells dollars and buys the foreign currency. While the Fed's trading staff may operate in the FOREX market at any time and in any market in the world, the focus of activity usually is the U.S. market.

According to (Nicola Sargeant. (n.d.); stated that the most popular currency held in reserves is the U.S. dollar. Information from the secondary sources indicated that manipulating the reserve levels can lead to the intervention of the central bank against the volatile fluctuations on that particular's country currency. This is return affects the exchange rate and the FOREX market and increases demand for the country's currency.

The other aspect of the secondary source to measure this hypothesis was the interest control. The control of monetary policy set by the FED helps maintain some form of stable consumer spending including the FOREX market.

As stated by (Frances Coppola. (2016); the purchase of dollars involves selling off the foreign assets which meant that the international reserves would fall. After rising consistently since 2014, The US dollar exchange rate fell by 4.2% in the beginning of 2016. Many companies see this as good news whereby a weaker dollar makes exports more competitive and highly demanded. Additionally this reduces losses due to currency conversion on the income from overseas. Markets respond not only to FED announcements but also to remarks made by the FED officials. This is what we call an efficient market which responds quickly to any developing news in the economy. The FED likes to give what they call forward guidance which is basically plans in advance. This is to ensure that there is no panic within the market due to unforeseen federal policy actions.

According to (Jonathan McHugh. (2017) explained that: A FED reserve system is formal legal institutions which are made up of government or states. The major noticeable central bank effect recently is the BREXIT. In a poll more than 100

economists for the financial times magazine in early 2016 had the view that the BREXIT would have very huge effect. This meant that more three-quarters thought that the EXIT would affect the United Kingdom medium-term economic prospects, nine times more than the 8 per cent who thought Britain economy would benefit. Economists are always very careful of transitions that might heighten uncertainty among investors and citizens. In regard to this the trade ranging from trade of goods, services to trading in FOREX market and foreign exchange were affected.

The hypothesis testing is based on the result of interview question 3 and above secondary data from the website, articles, news, research articles and previous report on the graph in the period of times. Totally, the researcher has considered to **ACCEPTED** this hypothesis.

#### **4.2.4 Interview question 4:**

Do you use hedging, technical analysis tools; applications and news analysis support your trading decisions in FOREX market? If you use technical analysis tools? If so, which one, how?

Interviewee 1 mentioned that:

“The training course that I attended made me get more perceptions in each tool and technical analysis. The significant course taught how to use Fibonacci Retracement and I also attended to the course that explained how to count the wave on the graph. It is the theory of Elliot Wave. Nowadays, I use these 2 technical analysis to support my decision for trading in any market such as FOREX and stock market. I use Meta Stock to analyze the stock in some interested industry to help me screen whether which one is the best fit and matched with my requirement.”

Interviewee 2 thought that:

“The most useful indicators that I apply for making the decision in trading are, MACD, RSI and Volume. I’m doing research from the economy news every time before I decided to trade in FOREX and Stock market. I use the function on the Streaming Pro application to trade SET and I use Meta Trader 4 application to trade FOREX.”

Interviewee 3 indicated that:

“I don’t know many tools because I’m too old to learn about the technical things. However, I use news analysis from the website that helps me for trading

direction. As I asked my broker, he uses news analysis also and when I need to create transactions in the stock or currency trading, I will ask him before whether he agree with me to create buy or sell order. I use the Streaming Pro application to trade the stock in Thailand and Meta Trader 5 application on smartphone to trade FOREX”

Interviewee 4 declared that:

“Nowadays, I use Meta Stock for trading analysis. The indicators and tools those I recently familiar with are Fibonacci Retracement, EMA and MACD. Normally, I use Meta Stock 4 for trading FOREX, this application is very stable and I have been using it more than 7 years. I sometimes use ASPEN application to analyze the trends on the graph.”

Interviewee 5 claimed that:

“The IT and technical tools are difficulty to learn and understand, I read a lot of books before started trading since I was a university student. Since the world has changed to be IoT(Internet of Things), I use Streaming Pro and Meta Trader application on my computer to trade specific stock and currency. I do not trade all of products that available to traded, I just trade which is interesting products in particular industry such as the medical industry for nowadays and U.S. dollar after the U.S. President elections I made the profit more than 30%. It is the secret in terms of the technical analysis tools I am using right now. It’s Fibonacci, Elliot Wave, Average Direction Index(ADX), MACD and etc.”

Interviewee 6 expressed that:

“It is very significant to analyze the graph and define the trend whether the trend is going to be Uptrend, Downtrend or Sideway before making a decision for trading and also finding out the Support and Resistance Level. It would support my consideration whether I would let the profit run or cut loss or stop loss. Basically, I use MACD, EMA to define the trend. The most effective application in my opinion is Meta Stock, there are many tools and functions in it.”

Interviewee 7 mentioned that:

“I use the information from the website(set.or.th) to analyze the balance sheet of the company that I need to buy its shares and then I only use technical analysis tool called Volume and news analysis from the website to support my decision for trading

in the FOREX and Stock Exchange of Thailand(SET). I think the Volume is related to the economic news that's why I use them together.”

Summary of interviewees' result, the above findings determine that the respondent used the tool in his/her analysis and FOREX trade decisions. The number of contracts or shares that are traded during a particular time frame in the FOREX market can be referred to as the volume. based on the results it can be argued that the volume has significant effects on the FOREX trading. To explain this it was established that high volume of trade indicates that the market is active in trade and on the other hand low volume is an indicator of less active trade. The respondents' exhibits knowledge in this tool of analysis and this enables the researcher conclude that the use of Fibonacci retracement was greatly used by the respondent. The other assets traded in the FOREX market that always have low volume and do not have particular interest to short term traders means that the traders are loosing interest in that asset. low asset volume often goes hand in hand with new interest in the asset. The most applications that traders are using to trade FOREX is Meta Trader. The above information indicates that the trader gets help from their broker who in turn directly uses the Meta Trader software. This is what the researcher was looking to prove, the use of such tools to analyze the market well.

Additionally having analysed the respondents views and compared them with the secondary sources findings it can be said without a doubt that bid and ask volume relates well with the hypothesis of this study. Bid volume is the bid price when a transaction occurs. The respondent's views indicate the use of graphs helped in the analysis of the FOREX market. This highlights that the research can use this response to be able to accept it as a probable test for the hypothesis.

#### **Hypothesis: H4 Testing**

H4: The difference knowledge of technical analytical tools and usage of technical analytical tools influenced trading decision of traders in FOREX market.

According to the research question no. 4 result shows that: most of traders use the hedging, technical analysis, applications and indicators to support their decision trading in FOREX market. The knowledge of these tools and applications is very significant to learn and better understand. In order to be the best traders, the researcher found that the use of application, tools and indicators are the most factors

that will help traders adapt these kind of tools to make a decision to trade in currency. Additionally, the information from the literature reviews also support this hypothesis that the most widely use of applications is Meta Trader based on the result of question.

These above evident from the traders' answer shows that hypothesis can be **ACCEPTED** for the testing.



## **CHAPTER 5**

### **SUMMARY, CONCLUSION, AND RECOMMENDATIONS**

The purpose of this research was to investigate factors and actions affecting trading decisions by traders in the FOREX market. To study factors whether inflation rate, political climate influence, Federal Reserve System and investigate the use of Fibonacci and Elliot wave technical analysis and the Meta Trader 4 software affect the FOREX trading decision making. This chapter has presented the summary of the research findings, discussion of study results, findings and suggestions for further research. The format was as follows:

#### **5.1 Conclusion**

Chapter One described the background and history of FOREX market and international online trading, the statement of the problem, objectives, significance of the study and conceptual framework. The objective of this study was to investigate the FOREX market and how it is affected by various factors such as inflation rate and Federal Reserve System. The study also sort to find out the use of tools like Fibonacci and Elliot wave technical analysis and the Meta Trader 4 software by the FOREX traders. The pre-conceptual schemas and the hypothesis were described. The research variables were also explained in this chapter.

Chapter Two described the related literature reviews and previous researchers. The literature reviews described the concept of FOREX trading and how the market operates. It reviewed literature on inflation rate, theories put forward to describe inflation rate; (demand-pull inflation theory, cost-push inflation theory). Literature reviews on political climate with theories such as capabilities approach theory and empirical theory that describe the phenomena. The political stability relevance to the FOREX traders was also reviewed in form of literature reviews.

The other variables reviewed were Federal Reserve System, Fibonacci and Elliot wave in technical analysis and lastly the Meta Trader 4 Platform. All these were reviewed to establish the effect they have on the FOREX market. The researcher was also interested in finding out if the FOREX traders had any knowledge on the existing

technical tools analysis specifically the Fibonacci and Elliot wave and the Meta Trader 4 platform. And by using these tools support their decision for trading in FOREX market as well.

Chapter Three described the research method and instrument used the semi-structured interviews, data collections, data analysis by qualitative analysis. The related analysis and techniques were presented in this chapter as well.

Chapter Four contained the results from the study with the analysis of the interviewed results. Major findings were also analyzed here in this chapter.

In order to answer the research questions we can conclude that demographic of traders and the variables identified by the researcher can affect trading decision making in the FOREX market. The seven traders were interviewed and the result from their answers were analyzed. The results showed that most respondents were male who participated in the FOREX trading. The highest level of education was a Master's degree.

Overall the respondents perceived the FOREX market as another form of trade that can be understood with time. The respondents' expectation and satisfaction were met. The hypothesis test showed that some tests significant difference in the respondents and interviewees views on FOREX market trading knowledge and technical analysis tools like Fibonacci and Elliot wave.

From the study core factors that might impact trading decision of traders in FOREX market found out that:

Inflation rate; this factor in financial markets is important since it affects the currencies and also the price of most products in reality. However, results showed that most of interviewees argued that inflation will not impact their trading decisions in FOREX market. As per it is very complicate to calculated and they also thought that the other indicators and tools should be significant adapts to consider for trading more than inflation rate.

Political climate; with the result from the interviewees most of traders in this research mentioned that the political actions affect their trading decision in FOREX market. They will consider the impact from the news then they are going to create an order for trading in currency market.

U.S. Federal Reserve and other financial institutions actions; this factor was established to have effect on trading decision making in FOREX market and also with many all interviewees indicated that U.S. FED influenced the FOREX and Stock Exchange Market.

The knowledge of Applications, indicators, technical analysis tools affect trading decision of traders; As explained earlier in chapter two these technical analysis and application are important before initiating any trade in the FOREX market. So performing sound fundamental market analysis without some tools is can be difficult especially when aiming for an overall successful trading position. Results indicated the respondents use technical analysis tools, applications and indicators support their trading decision in FOREX market. Mostly, Fibonacci, MACD, Meta Trader, Meta Stock on the website.

## **5.2 Discussion**

This study endeavored to establish the most factors for FOREX trading with also focus on the variables that will affect the trading decision at the sideline such as the inflation rate, Federal Reserve System, 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 such 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.

## **5.3 Limitations**

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

## **5.4 Recommendations**

This is a study of FOREX market trading decision making in Thailand and in future the FOREX traders in other different countries will be studied. In addition more

specific tools will be studied in the FOREX trade and market will be added to the interview question to include other forms of fundamental analysis. The two main methodologies for forecasting movements in currency exchange rates are the fundamental analysis and the technical analysis. This study focused on the technical analysis and in future more of fundamental analysis will be investigated. Analyst will be interviewed to find out how the currency reacts to macro-economic events and central bank monetary policies in other different countries apart from Thailand.



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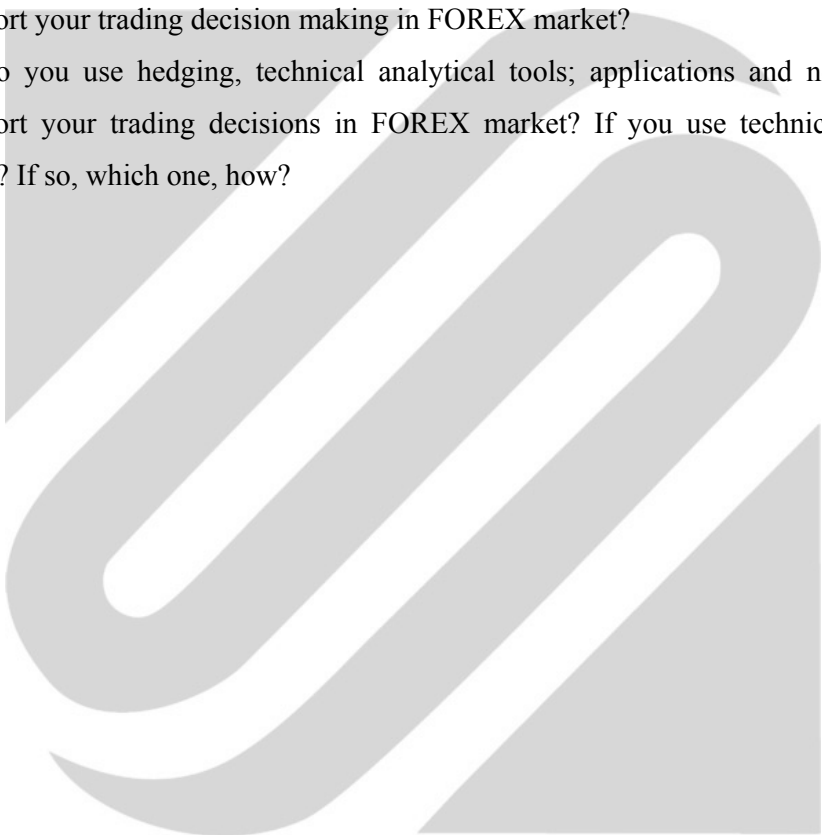
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**APPENDIX A**  
**INTERVIEW QUESTIONS**

1. With diversified experience in trading in FOREX market, do you think political actions affect trading decision making in FOREX market? How?
  2. What do you think about the inflation influenced in FOREX market? How? Do you use inflation data to support your trading decision making in FOREX market? Why?
  3. In your opinion, what do you think about activities from the financial institutions such as U.S. Federal Systems and European Union affects your trading decisions making in FOREX market? Are you tracking on these actions for your information to support your trading decision making in FOREX market?
  4. Do you use hedging, technical analytical tools; applications and news analysis support your trading decisions in FOREX market? If you use technical analytical tools? If so, which one, how?
- 

**BIOGRAPHY**

<b>NAME</b>	Sarut Pitasuwan
<b>DATE OF BIRTH</b>	05/09/1985
<b>EDUCATION</b>	
2017	Master of Business Administration Stamford International University Bangkok Campus
2008	Bachelor of Business Administration Dhurakij Pundit University
<b>NATIONALITY</b>	Thai
<b>HOME ADDRESS</b>	1120/59 Wyne Sukhumvit, Sukhumvit Road, Phrakanong, Klongtoey, Bangkok 10110, Thailand
<b>EMPLOYMENT ADDRESS</b>	Leap Solutions Asia Co., Ltd. 25 <sup>th</sup> Floor CW Tower B, Ratchadapisek R., Huay-kwang, Bangkok, Thailand 10310
<b>POSITION</b>	Pre-Sales
<b>EMAIL ADDRESS</b>	sarut.pi@gmail.com