

Foreign Exchange Managed Account

Portfolio Diversification using Global Forex

Forex Managed Account

Foreign Exchange , Foreign Currency Trading or just Forex are terms used to describe the trading of the world's many currencies.

This page explains the basics of Forex and offers a brief explanation of the major benefits of a

J. B. Henry Capital Management, Inc., FX Managed Account and how forex can help to create a balanced portfolio.

Foreign Exchange Managed Account

Opening a FX Managed Account provides busy people, who cannot watch the market 24 hours a day, an opportunity to participate in the exciting world of forex trading (**US\$25,000 minimum**). A FX Managed Account is also ideal for the investor who prefers to have their capital managed by professionals.

Allocating a portion of an investment portfolio to a FX Managed Account can be an effective way to enhance the returns of a traditional portfolio. A primary advantage of Forex is low correlation to equity markets, meaning that even if stock prices are falling, Forex still has the ability to produce attractive returns.

Forex Overview

The Forex market is the largest market in the world, with trades amounting to more than \$1.5 trillion every day. This is more than one hundred times the daily trading on the NYSE (New York Stock Exchange) . Most forex trading is speculative , with only a few percent of market activity representing governments' and companies' fundamental currency conversion needs.

Unlike trading on the stock market, the forex market is not carried out by a central exchange, but on the "interbank" market , which is thought of as an OTC (over the counter) market. Trading takes place directly between the two counterparts necessary to make a trade, whether over the telephone or on electronic networks all over the world. The main centres for trading are Sydney , Tokyo , London , Frankfurt and New York . This worldwide distribution of trading centres means that the forex market is a 24-hour market.

Forex Trading

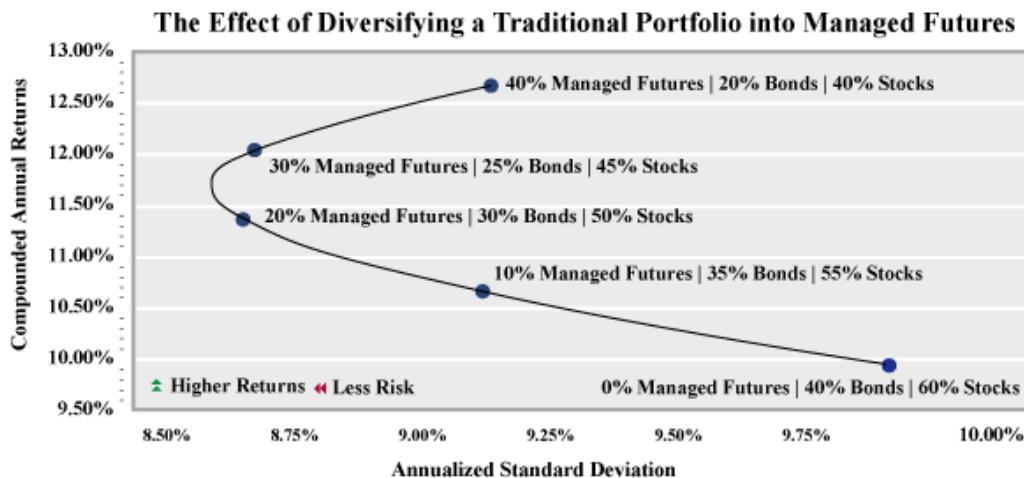
A currency trade is the simultaneous buying of one currency and selling of another one. The currency combination used in the trade is called a cross (for example, the Euro/US Dollar, or the GB Pound/Japanese Yen.). The most commonly traded currencies are the so-called "majors" - EURUSD, USDJPY, USDCHF and GBPUSD.

Why Forex?

- **24 hour trading**
One of the major advantages of trading forex is the opportunity to trade 24 hours a day from Sunday evening (06:00 PM, EST) to Friday evening (04:00 PM, EST). This gives you a unique opportunity to react instantly to breaking news that is affecting the markets.
- **Superior liquidity**
The forex market is so liquid that there are always buyers and sellers to trade with. The liquidity of this market, especially that of the major currencies, helps ensure price stability and low spreads . The liquidity comes mainly from large and smaller banks that provide liquidity to investors, companies, institutions and other currency market players.
- **Trading Opportunities in rising and falling markets**
Since the market is constantly moving, there are always trading opportunities, whether a currency is strengthening or weakening in relation to another currency. When you trade currencies, they literally work against each other. If the EURUSD declines, for example, it is because the U.S. dollar gets stronger against the Euro and vice versa. So, if you think the EURUSD will decline (that is, that the Euro will weaken versus the dollar), you would sell EUR now and then later you buy Euro back at a lower price and take your profits. The opposite trading scenario would occur if the EURUSD appreciates .

Including Forex in a balanced portfolio

In order to maintain a diversified and growing portfolio, stock holdings need to be balanced by foreign exchange positions. Currency rates, economic issues and the health of the company in question compound the impact of stock positions in your portfolio. Forex provides the diversity that is necessary to maintain consistent portfolio growth.



Forex is represented by Managed Futures in the chart above because prior to 2006 it was typically available to non-institutional investors in this form.

Forex Brings Profit Potential in Bear and Bull Markets

In the foreign exchange market, there is no short selling restriction. There is potential for profit in currencies regardless of which way the market moves. Forex always involves selling one currency to buy another, so there is no structural bias to the market. Depending on short and long positions, a trader has an opportunity to profit in a fluctuating market.

J. B. Henry FX Provides up to 10 Times Leverage

Foreign exchange trading with J.B. Henry FX can give you up to 10 times the leverage of your stock trading accounts. For every US\$10,000 you invest in stocks, you are getting exposure to US\$10,000 worth of shares. But with J.B. Henry FX, for an investment of US\$10,000 your money is being traded as though you had up to US\$100,000 in currencies.

Forex has the Potential to Make Money on Interest News

Any significant news regarding interest rates directly impacts the international financial markets. In the past, when a country has raised its interest rate, its currency strengthens relative to other currencies as investors shift assets to gain better returns. The influence of stock markets has changed this equation since increasing interest rates are typically bad news for the stock markets. Investors transfer money out of the stock market when interest rates rise, which can cause the currency of the country to weaken on the broader markets.

Determining which effect will dominate can be difficult, but there is typically a consensus in the marketplace as to what a rate change will do. Rate changes are typically anticipated since they usually take place after regularly scheduled meetings of central banks. Indicators that typically have the biggest impact on interest rates are PPI, CPI, and GDP.

Forex Offers Broad Diversity

The balance of trade between nations is one determinant to the relative value of these currencies. A nation that imports more than it exports has a deficit trade balance, which is considered unfavorable to the value of that currency. Prudent investors know that they should diversify the U.S. Dollar balance in their assets through holding a range of currencies. This is challenging since most U.S. banks do not offer foreign currency accounts.

By investing in a J.B. Henry FX Managed Account, you gain access to the world's largest daily traded market which can help to provide valuable diversification; essential in creating a balanced portfolio.

Why a J.B. Henry FX Managed Account?

Investors benefit from the high profit potential of the Forex markets with professional account management. J.B. Henry FX accounts are traded by some of the top currency traders in the world.

Previously, only institutional investors had access to the high potential returns of managed Forex trading. A J.B. Henry FX Managed Account gives individual investors the advantage of professional trading expertise.

IMPORTANT INFORMATION:

THE RISK OF TRADING COMMODITY FUTURES, OPTIONS AND FOREIGN EXCHANGE IS SUBSTANTIAL EVEN WITH A MANAGED FOREX ACCOUNT. THE HIGH DEGREE OF LEVERAGE ASSOCIATED WITH COMMODITY FUTURES, OPTIONS AND FOREX CAN WORK AGAINST YOU AS WELL AS FOR YOU. THIS HIGH DEGREE OF LEVERAGE CAN RESULT IN SUBSTANTIAL LOSSES, AS WELL AS GAINS. YOU SHOULD CAREFULLY CONSIDER WHETHER COMMODITY FUTURES, OPTIONS AND FOREIGN EXCHANGE IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CIRCUMSTANCES. IF YOU ARE UNSURE YOU SHOULD SEEK PROFESSIONAL ADVICE.

DUE TO THE RISKS INVOLVED IT IS RECOMMENDED THAT ONLY A SMALL PORTION OF YOUR LIQUID NET WEALTH IS INVESTED IN THE J. B. HENRY FX MANAGED ACCOUNT.

FOR THOSE INVESTORS USING LEVERAGE OR NOTIONAL FUNDS

IF YOU ELECT FOR A LEVERAGED ACCOUNT, YOU SHOULD BE AWARE OF THE FOLLOWING:

- 1. YOU WILL INCUR GREATER RISK BECAUSE YOU MAY EXPERIENCE GREATER LOSSES, AS MEASURED BY A PERCENTAGE OF ASSETS ACTUALLY DEPOSITED IN YOUR ACCOUNT.**
- 2. YOUR FUND WILL EXPERIENCE GREATER VOLATILITY, AS MEASURED BY RATES OF RETURN ACHIEVED IN RELATION TO ASSETS ACTUALLY DEPOSITED IN YOUR FUND.**
- 3. YOU WILL PAY HIGHER ADVISORY FEES AND BROKERAGE COMMISSIONS, AS MEASURED BY THE PERCENTAGE OF SUCH FEES AND COMMISSIONS IN RELATION TO ASSETS ACTUALLY DEPOSITED IN YOUR FUND, THAN A CLIENT'S TRADES FUNDED AT THE LEVEL RECOMMENDED BY THE ADVISOR.**

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULT.

FOREX TRADING INVOLVES SUBSTANTIAL RISK OF LOSS AND IS NOT SUITABLE FOR ALL INVESTORS.