

Forex Hedge Strategy Challenge ! In a lot of or forex learning book or e-book the writers wrote about Forex Hedge Strategy Advantage! I believe that it is real jock! When you hedge a currency in fact you did not open any order but you spend spread! Here I want write their opinion about forex hedge advantage and then I will reject all funny reasons!

- Hedging reduces risk!! their example: when you open 10 lots buy on EURUSD then you think that EURUSD will go down you can open 5 lot Sell position!

Well it means that you close 5 lots on EURUSD! But you spend extra spread and extra swap (maybe)!

- By hedge the market you can monitor forex market movements! Another funny reason we have forex chart why we should open 2 position to monitor the market?!
- Hedge tow related forex symbols will decrease your risk like buy EURUSD and Sell GBPUSD in my other article "Is Correlation trading correct or not" I explain you completely that why this strategy is not good and profitable.

May be you ask why we have hedge strategy in forex market. I should say that hedge strategy is not use in forex market on the other market the trader especially merchants will do this strategy to gain their profit. When an export trader wants to send specify goods for example a car from country A to country B the trader should change

his currency if he hedge his money with the target country his risk will be 0 For example, trader want to send 100000\$ goods from USA to EUROPE His profit is about 2% means 2000\$ when he sells his goods in EUROPE Suppose that EUR/USD rate is 1.1000 when trader start to sell their product in EURO zone in fact now he has 90909 EUR but his equity is goods not cash. He will sell their products with 2% profit in EURO and he will earn 1818 EUR profit it means total 92727 EUR now he wants to change his EUR to USD and come back to USA but EURUSD rate is 1.0700 equal to 300 pips on forex market. It means that $92727 \times 1.07 = 99217\$$!! Now he loses! How this trader can decrease his risk when he starts sell their products in EUR? By Hedge his money when the trader sells his goods in EUR in fact he sells USD to buy EUR it means he open buy position on EUR/USD now if he open Sell position in EURUSD at the start he will lock his trading profit. According to above example if a trader sells 0.91 Lots EURUSD at the beginning and the end he will earn 2730\$ profit then $99217 + 2730 = 101947\$$ Now you understand how and when use Hedge strategy hedge strategy is not useful in forex market it designs for goods traders not forex traders. **Author: M.Jamshidi**
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