



## Basics of Forex Trading

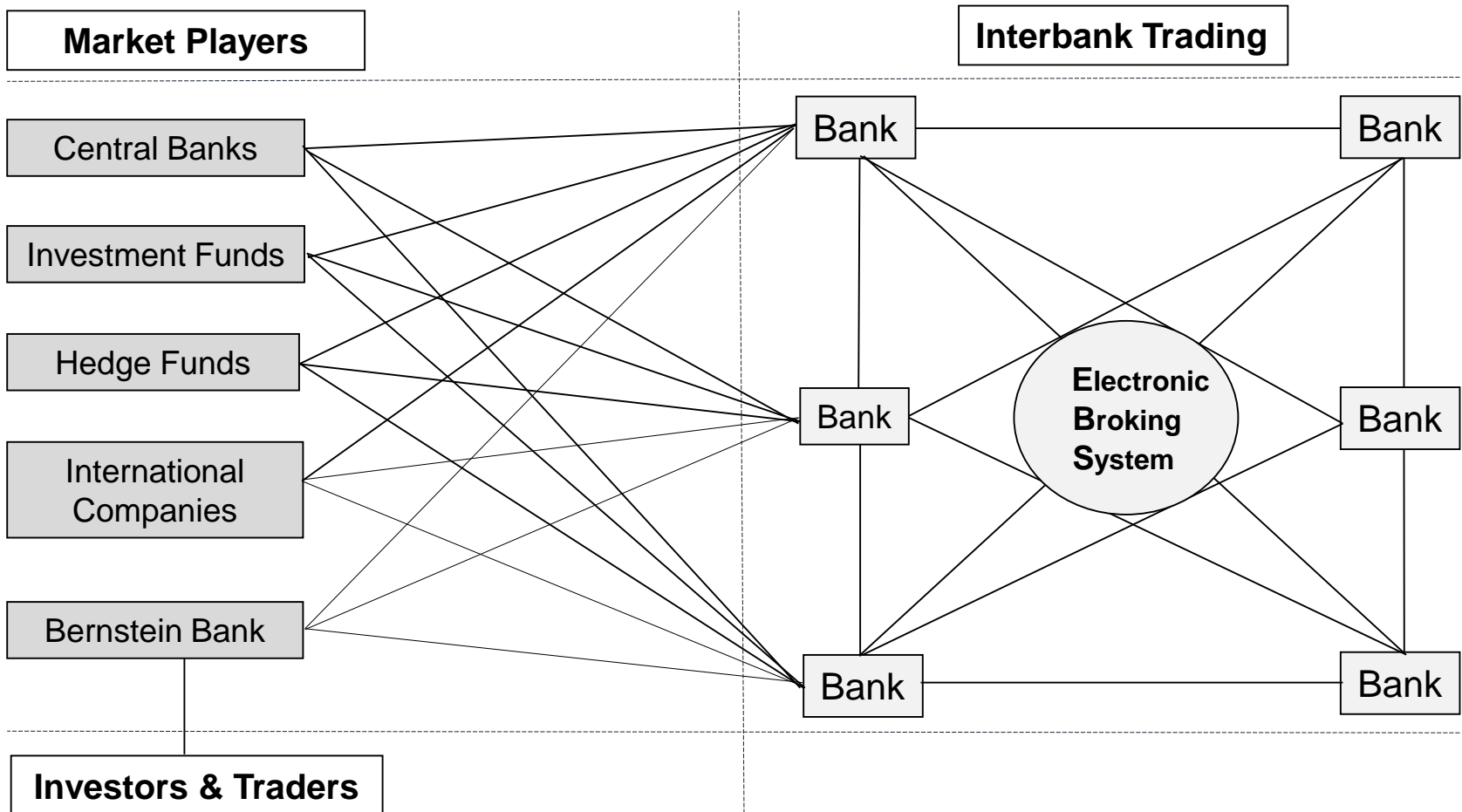
## Disclaimer

This document has been prepared by Bernstein Bank GmbH, exclusively for the purposes of an informational presentation by Bernstein Bank GmbH. The presentation must not be modified or disclosed to third parties without the explicit permission of Bernstein Bank GmbH. Any persons who may come into possession of this information and these documents must inform themselves of the relevant legal provisions applicable to the receipt and disclosure of such information, and must comply with such provisions. This presentation may not be distributed in or into any jurisdiction where such distribution would be restricted by law. This presentation is provided for general information purposes only. It does not constitute an offer to enter into a contract on the provision of advisory services or an offer to buy or sell financial instruments. As far as this presentation contains information not provided by Bernstein Bank GmbH nor established on its behalf, this information has merely been compiled from reliable sources without specific verification. Therefore, Bernstein Bank GmbH does not give any warranty, and makes no representation as to the completeness or correctness of any information or opinion contained herein. Bernstein Bank GmbH accepts no responsibility or liability whatsoever for any expense, loss or damages arising out of, or in any way connected with, the use of all or any part of this presentation. This presentation may contain forward-looking statements of future expectations and other forward-looking statements or trend information that are based on current plans, views and/or assumptions and subject to known and unknown risks and uncertainties, most of them being difficult to predict and generally beyond Bernstein Bank GmbH's control. This could lead to material differences between the actual future results, performance and/or events and those expressed or implied by such statements. Bernstein Bank GmbH assumes no obligation to update any forward-looking statement or any other information contained herein.

## What is Forex?

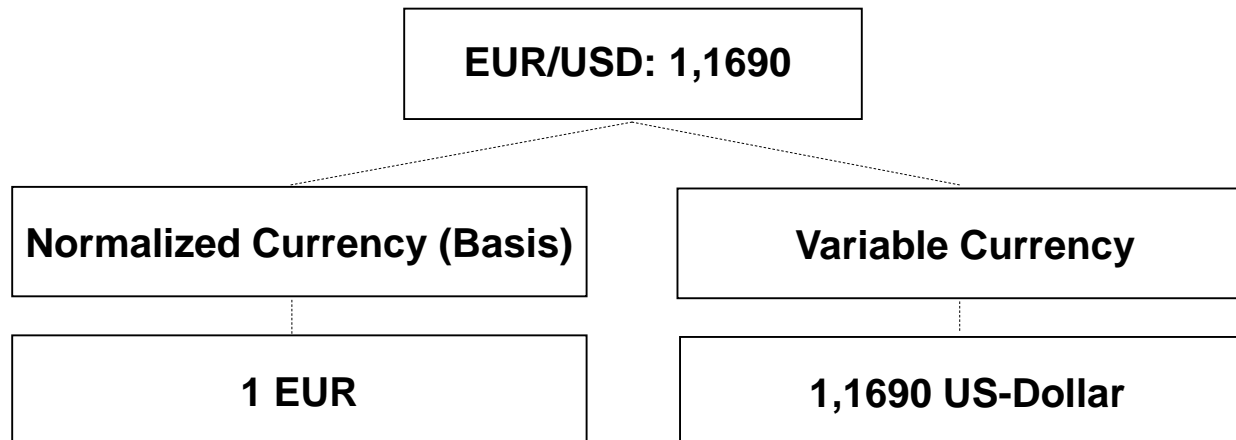
- Forex trading is the generic term for global currency trading which takes place 24/7 globally.
- Definition: FX = Forex = Foreign Exchange
- Trading does not take place via a central exchange, but rather between the major commercial banks on a decentralized basis.
- Through so-called interbank trading, Bernstein Bank guarantees a significant liquidity advantage with maximum platform stability.
- The best possible framework conditions in terms of technology and liquidity providers are the basis for the high and precise execution speed of your transactions.
- Against this background, ambitious trading volumes on the Forex market can be traded without any problems.

## Forex Market Structure



## Spot Deal

- The exchange rate and interest rate represent the most important parameters or indicators of the state of an economy.
- The exchange rate of a foreign exchange transaction is the spot rate.
- The purchase of a currency always goes hand in hand with the sale of the other currency of the underlying currency pair - and vice versa.



## Currency Character & Investment Intention

| Currency ( <i>ISO-Codes</i> ) | Character            |
|-------------------------------|----------------------|
| USD, EUR                      | Reserve Currency     |
| CHF                           | Safe Harbour         |
| JPY                           | Refinancing Currency |
| AUD, NZD, CAD, SAR            | Commodity Currency   |

## Forex Trading in Practice

Intraday-Trade EUR/USD / Current price: Euro quotes at 1.1680 US Dollar.

Foreign exchange trading now consists of two transactions:

1) Purchase: 100,000 EUR & 2) Sale: 116,800 USD

### Profit-Scenario

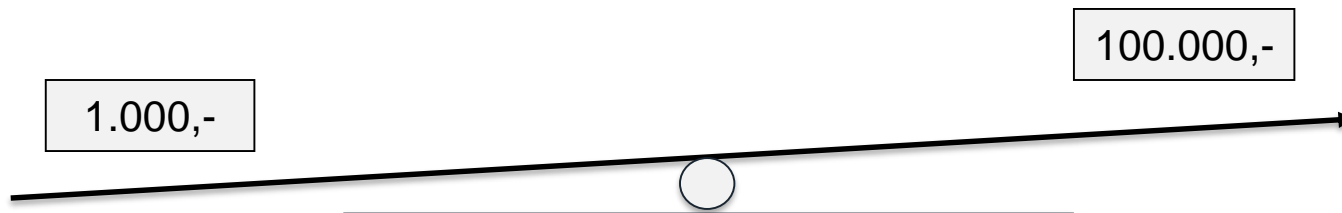
|         |                           |               |               |
|---------|---------------------------|---------------|---------------|
| 1) Buy  | 100.000 EUR/USD at 1,1680 | + 100.000 EUR | - 116.800 USD |
| 2) Sell | 100.000 EUR/USD at 1,1720 | - 100.000 EUR | + 117.200 USD |
| 3) P&L  | + 40 Pips                 | 0 EUR         | + 400 USD     |

### Loss-Scenario

|         |                           |               |               |
|---------|---------------------------|---------------|---------------|
| 1) Buy  | 100.000 EUR/USD at 1,1680 | + 100.000 EUR | - 116.800 USD |
| 2) Sell | 100.000 EUR/USD at 1,1650 | - 100.000 EUR | + 116.500 USD |
| 3) P&L  | - 30 Pips                 | 0 EUR         | - 300 USD     |

## Leverage Effect

- Investors and traders can move a multiple of the traded position value in Forex trading with a percentage fraction (margin) of the traded position value.
- The leverage results from the relationship between the margin (character of a deposit) and the actual value of the traded market position. That is the so called leverage effect.
- With a margin of one percent, for example, the capital invested can be leveraged with a factor of 100.
- Against this backdrop you are able to open a market position with an equivalent value of €100,000 by depositing a security deposit of only €1,000.





## Leverage Effect in Practice

Example: Buying 100,000 EUR/USD at 1.1680

| Spot Deal               |     |         | Via Bernstein Bank      |     |         |
|-------------------------|-----|---------|-------------------------|-----|---------|
| Buy                     | EUR | 100.000 | Buy                     | EUR | 100.000 |
| Sell                    | USD | 116.800 | Sell                    | USD | 116.800 |
| Net capital expenditure | EUR | 100.000 | Net capital expenditure | EUR | 1.000   |

Example: EUR/USD raises intraday to 1.1690

|                             |            |              |                             |            |             |
|-----------------------------|------------|--------------|-----------------------------|------------|-------------|
| Buy                         | EUR        | 100.000      | Buy                         | EUR        | 100.000     |
| Sell                        | USD        | 116.900      | Sell                        | USD        | 116.900     |
| <b>Net Profit</b>           | <b>USD</b> | <b>100</b>   | <b>Net Profit</b>           | <b>USD</b> | <b>100</b>  |
| <b>Return on Investment</b> |            | <b>0,1 %</b> | <b>Return on Investment</b> |            | <b>10 %</b> |

## Managing the Risk

- In addition to the chance of a profit, stock exchange trading also involves the risk of a loss. This is even more important when trading in leverage products. The leverage effect can be for you, but in case of loss it will be against you.
- **IMPORTANT:** Consistent risk and money management is the basis for long-term successful trading on the financial markets.
- In this context, intelligent order management does not only enable the implementation of a wide variety of trading strategies, but also the practicable implementation of the desired risk hedging.
- With stop-loss orders, you define the maximum risk or loss potential you would like to accept before each trade.
- Even in the case of open market positions, the risk can be individually adjusted at any time by readjusting the relevant stop marks.

## Rollover & Interest Rate Adjustment

- At Bernstein Bank there is no expiration and therefore no rollover.
- The open FX position remains established on the market until it is settled. Until then, daily interest rate adjustments will be made to take account of the "Tom Next" effect.
- Tom Next "(= Tomorrow Next Day): Adjustment of the exchange rate due to different interest rates of the currency pair concerned. In this way, the correlated interest credit or interest costs are priced in.
- The difference in interest rate differences between the currencies traded will be deducted or credited to your account on a daily basis.
- For example, you receive interest on opening a long position in the currency with the higher interest rate. In this case, the interest rate adjustment in question is in your favour (= credit memo) and vice versa.

## Advantages of Forex Trading

Strong  
Liquidity

Fast  
Execution

Fair  
Market

No  
Commission

Tight  
Spreads

High  
Transparency

24 Hours  
Trading

Professional  
Trading Tools

Stable  
Platform

**Bernstein Bank**  
as a reliable trading partner at your side

## Would you like to learn more about Forex Trading and Bernstein Bank?

- Take a look at our education portal: you will find valuable information about CFD trading, our trading platform, the financial markets and stock exchange trading in words and pictures. We regularly offer interactive live webinars on a wide range of trading topics.
- Be up to date with our research portal: we offer daily market updates, technical analyses, podcasts and the business calendar with all upcoming market movers.
- Do you have any questions? Please get in contact with us at any time via phone or email. Our service team will answer your questions and assist. The contact details can be found on our website.
- Open a demo trading account online today: free of charge and without obligation. You are already a step ahead? Open a live account in just a few steps: Free of charge and without obligation directly via our website.



**Thank you for your interest**

Bernstein Bank GmbH  
Maximilianstr. 13  
D-80539 München  
[info@bernstein-bank.com](mailto:info@bernstein-bank.com)  
[www.bernstein-bank.com](http://www.bernstein-bank.com)