

CHAPTER OVERVIEW

4: Foreign Exchange Markets and Rates of Return

People trade one national currency for another for one reason: they want to do something with the other currency. What they might do consists of one of two things: either they wish to spend the money, acquiring goods and services, or they wish to invest the money.

This chapter introduces the foreign exchange market for currency trades. It highlights some of the more obvious, although sometimes confusing, features and then turns attention to the motivations of foreign investors. One of the prime motivations for investing in another country is because one hopes to make more money on an investment abroad. How an investor calculates and compares those rates of returns are explored in this chapter.

[4.1: The Forex- Participants and Objectives](#)

[4.2: Exchange Rate- Definitions](#)

[4.3: Calculating Rate of Returns on International Investments](#)

[4.4: Interpretation of the Rate of Return Formula](#)

[4.5: Applying the Rate of Return Formulas](#)

This page titled [4: Foreign Exchange Markets and Rates of Return](#) is shared under a [CC BY-NC-SA](#) license and was authored, remixed, and/or curated by [Anonymous](#).