

FOREIGN EXCHANGE AND INTERNATIONAL FINANCIAL MARKETS

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ABSTRACT

The currency used as the basis for recording transactions and reporting financial information for companies in Indonesia is the rupiah. financial transactions stated in foreign currencies (other than rupiah) must first be translated into rupiah in accordance with PSAK no. 10. Foreign currency refers to the currency of each country used in international trade. every United States dollar (USD), euro (EUR), British pound (GBP), Japanese yen (JPY) and so on. the international market is a place where foreign exchange is traded, the international financial market operates in a decentralized manner and takes place electronically through a computer network.

Keywords: *Currency, Foreign Exchange, International Finance*

1. INTRODUCTION

Forex (foreign exchange) is one of the largest forms of capital market in the world in recent times, involving the world's main money markets 24 hours a day continuously, according to the BIS (International Bank for Settlement) survey conducted at the end of 2004, the transaction value reaches USD 1900 billion per day. The foreign exchange market has developed revolutionarily in recent years due to the rapid development of internet and telecommunications technology that can provide new targets for individuals, institutions and countries when transacting on the international foreign exchange market. In addition to foreign exchange trading, international financial markets also include trading in other financial instruments, such as stocks, bonds, derivatives, commodities and indices. These instruments enable investors to participate in investment activities, diversify portfolios and hedge risks.

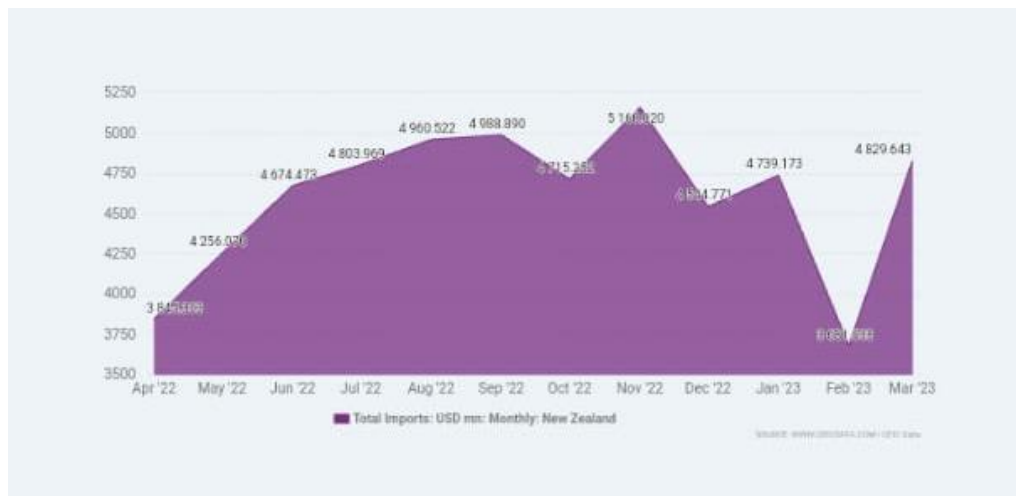


Figure 1.1 graph of New Zealand

2. LITERATURE REVIEW

The international financial market is a place where foreign exchange is traded. This market is a global network consisting of various financial institutions, such as banks, non-bank financial institutions, multinational companies, institutional investors, and individuals. International financial markets operate in a decentralized manner and take place electronically via computer networks. According to Hamdy Hadi (1997:15) foreign currency is a foreign currency that functions as a means of payment to finance international economic and financial transactions and also has an official exchange rate record at the central bank. The main activity on international financial markets is foreign exchange trading. This trading involves buying and selling of currencies with the hope of profiting from fluctuations in exchange rates. Currency exchange rates are determined by the forces of supply and demand in the market. Factors that affect exchange rates include interest rates, inflation, economic conditions, political stability, global developments, and market sentiment.

3. RESEARCH METHODS

using descriptive qualitative research methods, according to Sugiyini (2012) descriptive qualitative research methods are research methods based on the philosophy of postpositivism used to examine objects with natural conditions (actual or unset conditions) where the researcher is the key instrument. Study literature is carried out by reading, recording, and processing library materials which are organized chronologically or thematically, according to Zed (2008) study literature is a series of activities or methods for collecting data, be it library data, readings and many more that function to manage material for future research

4. THEORETICAL STUDY

Foreign exchange

A type of trade or transaction that trades one country's currency against another country's currency involving the world's main financial markets for 24 hours on an ongoing basis. Kuncoro, Mudrajad said that foreign exchange is currency originating from other countries that can be used as a means of payment in international trade activities.

The conclusion is that foreign exchange is a form of processing of foreign currency payment instruments to existing countries.

International financial markets have the following characteristics:

1. 24 Hours: The foreign exchange market operates 24 hours a day, except weekends. This is due to the fact that there are different time zones around the world, so that when the market closes in one region, markets in other regions will open.
2. High Liquidity: International financial markets are highly liquid due to the large trading volume and the participation of diverse market participants. This allows fast execution and competitive pricing.
3. Volatility: Currency exchange rates and the prices of financial instruments can fluctuate rapidly due to various influencing economic, political and global events. This volatility provides opportunities for profit, but it also involves risks.
4. Global Influence: International financial markets are interrelated and influenced by global developments. Economic and political events in one country can impact currency exchange rates and asset prices in other countries.

Foreign exchange movements in New Zealand are influenced by various factors, including interest rates, inflation, economic growth, political stability, global market sentiment, and other factors. Investors and other market participants can monitor and react to changes in these conditions in order to make informed investment and trading decisions. The foreign exchange market in New Zealand operates as part of a wider international financial market. Foreign exchange trading in the country is mainly carried out through electronic systems and involves a wide range of participants, including commercial banks, financial institutions, multinational corporations and

individual investors. The foreign exchange market in New Zealand operates 24 hours a day with active trading activity during trading hours that overlap between the Asian, European and American trading sessions.

International Financial Markets

The international financial market is a place or working mechanism where financial instruments, such as stocks, money, bonds, derivatives, and others are traded by market participants in various countries. Madura, Jeff said the international financial market is a market that facilitates the trading of financial assets between investors from various countries, including foreign exchange transactions, direct investment, and portfolio investment. market conclusion International finance is a place where companies can trade their markets to other countries. International financial markets play an important role in the global economy, facilitating capital flows, international trade, investment and risk management. Following are some of the major roles of international financial markets:

1. **Capital Flow:** International financial markets allow capital flows between countries. Investors can allocate their funds into financial instruments available in various countries.
2. **International Trade:** Foreign exchange and international financial markets facilitate international trade. In international trade, payments are made in foreign currencies, and international financial markets allow currency conversions and currency hedging to protect the parties involved from fluctuations in exchange rates.
3. **Investments:** International financial markets provide access to a wide range of investment instruments around the world. Investors can buy shares of foreign companies, government bonds of other countries, or invest in global index funds. This allows portfolio diversification and investment opportunities in various markets.
4. **Corporate Financing:** Multinational corporations can take advantage of international financial markets to obtain funding. They can issue international bonds or carry out an initial public offering (IPO) on an international stock exchange.
5. **Risk Management:** International financial markets provide a variety of derivative instruments, such as options, futures and swaps. This instrument is used to hedge the risk of fluctuations in exchange rates, interest rates or commodity prices.
6. **Global Asset Pricing:** International financial markets also play a role in determining global asset prices. Movements in the prices of stocks, bonds, commodities and currencies on international markets reflect investors' expectations and perceptions of economic, political and other factors.

| Selandia Baru - Neraca Perdagangan | | | |
|--|----------|-----------------|-----------|
| Selandia Baru | Terakhir | Satuan | Referensi |
| Neraca Perdagangan | 45.54 | Nzd - Juta | May 2023 |
| Transaksi Berjalan | -5215.00 | Nzd - Juta | Mar 2023 |
| Transaksi Berjalan dibandingkan dengan PDB | -8.90 | Persen Dari Pdb | Dec 2022 |
| Impor | 6948.98 | Nzd - Juta | May 2023 |
| Ekspor | 6994.52 | Nzd - Juta | May 2023 |

| Selandia Baru - Neraca Perdagangan | | | |
|------------------------------------|-----------|------------|----------|
| Impor | 6948.98 | Nzd - Juta | May 2023 |
| Ekspor | 6994.52 | Nzd - Juta | May 2023 |
| Aturan Perdagangan | 1432.00 | Poin | Mar 2023 |
| Penanaman Modal Asing | 1260.00 | Nzd - Juta | Mar 2023 |
| Arus Modal | -965.00 | Nzd - Juta | Mar 2023 |
| Kedatangan Wisatawan | 221271.00 | | Apr 2023 |

Figure 2.1 New Zealand's trade balance

The international financial market in New Zealand operates within a regulatory framework set by the country's financial regulator, namely the Financial Markets Authority (FMA). FMA is responsible for ensuring regulatory compliance and investor protection in the financial markets. The FMA grants licenses to financial institutions, such as banks, non-bank financial institutions and securities firms, to operate in New Zealand. They also oversee market activity and provide guidelines and regulations regarding transparency, integrity and consumer protection in financial markets. In addition, the Reserve Bank of New Zealand (RBNZ) also has a role in overseeing financial stability and monetary policy in New Zealand. The RBNZ is responsible for policies affecting interest rates, market liquidity and the stability of the NZD currency. New Zealand also has international trade agreements, such as Free Trade Agreements, which affect market access and economic cooperation with other countries. Through these agreements, New Zealand can expand access to international markets and facilitate cross-border trade and investment.

5. RESULTS AND DISCUSSION

In New Zealand, the official currency is the New Zealand dollar (NZD). The New Zealand dollar has the currency code NZD and is often represented by the "\$" or "NZ\$" symbol. This currency is widely accepted in New Zealand and is used in all economic transactions in the country. The New Zealand Dollar is a free-floating currency, meaning its exchange rate is determined by the forces of supply and demand in the foreign exchange market. The NZD exchange rate against other foreign currencies can fluctuate over time. The Central Bank of New Zealand, known as the Reserve Bank of New Zealand (RBNZ), is responsible for monetary policy and oversight of the financial system in the country. The RBNZ may intervene in the foreign exchange market to influence the NZD exchange rate if deemed necessary for national economic policy purposes. The New Zealand Government and financial regulators are committed to maintaining the integrity and stability of international financial markets and protecting investors. They continuously monitor changes in the global financial environment and take necessary measures to maintain security and confidence in the markets. It is important for market participants and investors in New Zealand to understand the regulations and comply with applicable regulations when transacting and investing in international financial markets. Consult a financial professional or other trusted sources for more up-to-date and specific information regarding the international financial markets in New Zealand. International financial markets in New Zealand are also adopting technology and electronic platforms to facilitate efficient trading and market access. Electronic trading platforms enable market participants to make transactions in real-time and obtain accurate market information.

6. CONCLUSION

The international financial market in New Zealand encompasses a wide range of financial institutions and activities, such as stock trading, bond markets, foreign exchange trading, derivatives trading and asset management. International financial markets in New Zealand are also affected by factors such as interest rates, inflation, economic conditions, political stability, global market sentiment and international trade agreements. New Zealand's government and financial regulators are committed to maintaining the integrity, stability and protection of investors in international financial markets. They adopt technology and electronic platforms to facilitate efficient trading and market access. It is important for market participants and investors in New Zealand to understand the regulations and comply with applicable regulations when transacting and investing in international financial markets.

7. SUGGESTIONS

It is important to have a good understanding of the factors that influence currency exchange rates, such as interest rates, inflation, economic conditions, and political stability. Keeping up with the latest market news and analysis can help you gain better insight into the state of the economy and the factors affecting the NZD exchange rate. In addition, having a solid understanding of foreign exchange trading instruments and risk management strategies is also very important. Researching and testing trading strategies beforehand, as well as understanding the role of hedging in protecting positions from fluctuations in exchange rates, can help reduce risk and increase the chances of success.

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