



Key Daily Times and Events in Foreign Currency Trading

In addition to the ebb and flow of liquidity and market interest during the global currency trading day, the following daily events tend to occur around the same times each day.

When currency options expire

Currency options are typically set to expire either at the Tokyo expiry (3 p.m. Tokyo time) or the New York expiry (10 a.m. ET). The New York option expiry is the more significant one, because it tends to capture both European and North American option market interest.

When an option expires, the underlying option ceases to exist. **Any hedging in the spot market that was done based on the option being alive suddenly needs to be unwound, which can trigger significant price changes in the hours leading up to and just after the option expiry time.**

This is why we watch for the New York cut options which are plain vanilla options. These options must be EXACTLY that price at the New York cut and once expired they are now worthless. These option contracts can have payouts in the billions of dollars so if the market is close to the option contract a battle may ensue. These option contracts can also be barriers in a currency's move and once expired the market can move through them. This is especially important when a fundamental announcement is scheduled at the same time.

Setting the rate at currency fixings

There are several daily currency fixings in various financial centers, but the two most important are the 8:55 a.m. Tokyo time and the 4 p.m. London time fixings. A *currency fixing* is a set time each day when the prices of currencies for commercial transactions are set, or fixed.

From a trading standpoint, **these fixings may see a flurry of trading in a particular currency pair in the run-up (generally 15 to 30 minutes) to the fixing time that abruptly ends exactly at the fixing time.** A sharp rally in a specific currency pair on fixing-

related buying, for example, may suddenly come to an end at the fixing time and see the price quickly drop back to where it was before.

The 4 PM London time equals 12:00 AM EST New York time which typically means that the 30 minutes before and after are opportunity times for traders. This is why we will normally be out of the market by 11:30 AM EST due to the possibility of crazy moves.

Squaring up on the currency futures markets

The Chicago Mercantile Exchange (CME), one of the larger futures markets in the world, offers currency futures through its International Monetary Market (IMM) subsidiary exchange. Daily currency futures trading closes each day on the IMM at 2 p.m. central time (CT), which is 3 p.m. ET. **Many futures traders like to square up or close any open positions at the end of each trading session to limit their overnight exposure or for margin requirements.**

This is why we look for square ups in each session – remember: Squaring up means “to square up or close any open positions at the end of each trading session”.

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