ABSTRACT

Predicting Foreign Exchange rates has forever been a task of great importance to any individual, business or organization having to deal with a foreign currency. In the wake of a world where global transactions are an everyday activity, readiness and skill when dealing with the forecasting of international monetary movements is a key factor in the success of any operation; be it that of an individual investor, or that of multi-national index listed company. The motivation behind the desire of conquering the skill of forecasting may range from the simple desire to hedge one's investments and dealings in a foreign currency, to that of a speculative investor, looking for arbitrage opportunities in trading foreign exchange markets.

Developing an understanding of exchange rate movements has long been an extremely important task because an ability to produce accurate forecasts of exchange rates has practical as well as theoretical value. The practical value lies in the ability of good forecasts to provide useful information for investors in asset allocation, business firms in risk hedging, and governments in policy making. On the theoretical side, whether a currency price is predictable or not has important implications for the efficient market hypothesis in the foreign exchange market and for theoretical modelling in international finance.

The finding of this study provides the great promise in the use of Artificial Neural Networks algorithm using Matlab of 5 different currencies notable the US Dollar-PKR, the Euro- PKR, Swiss Franc-PKR, Japanese Yun-PKR and the Pound Sterling – PKR.