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SUMY STATE UNIVERSITY  
Academic and Research Institute of Business, Economics and Management  
Department of International Economic Relations

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## **QUALIFICATION PAPER**

on the topic " Trends in the development of international currency exchange"  
Specialty 292 "International Economic Relations"

Student 4<sup>th</sup> course  
group ME-71an

Prykhodko Iryna

It is submitted for the Bachelor's degree requirements fulfillment.

Qualifying Bachelor's paper contains the results of own research. The use of the ideas, results and texts of other authors has a link to the corresponding source.

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## ABSTRACT

on bachelor's degree qualification paper on the topic  
« Trends in the development of international currency exchange»

student Prykhodko Iryna Ihorivna

The main content of the bachelor's degree qualification paper is presented on 27 pages, including references consisted of 24 used sources, which is placed on 2 pages.

Keywords: stock, currency, stock markets, exchange, currency exchanges

The purpose of the work is to study the state of the national currency market, the peculiarities of its functioning and development problems.

To achieve this goal provides for the formulation, formulation and solution of the following scientific and practical tasks:

- generalize theoretical and methodological approaches and reveal the economic essence of the category "foreign exchange market" in terms of its functional purpose, institutional structure and organizational and technical support;
- identify the objectives of monetary policy, the main components and tools of implementation;
- assess the threats and prospects for the development of the foreign exchange market;
- to characterize the current state and determine the prospects for the development of the national currency market.

Object and subject of research. The object of the study is the international currency exchanges and Ukraine.

The subject of research. The subject of the research is a complex of relations that arise in the field of foreign exchange transactions on the stock exchanges.

The information base of this work is many works of domestic and foreign scientists devoted to the study of the essence of the foreign exchange market, the peculiarities of its formation and development. In particular: OV Dzyublyuk, II

Dyakonova, VV Kovalenko, IG Lukyanenko, SO Maslova, VI Mishchenko, V. Zhupanina, Ya.S. Larina, S.V. Fomyshyna, KZ Vozny, O. Bereslavskaya and others. A significant contribution to the development of monetary policy was made by foreign economists, including: L. Baltserovich, J. M. Keynes, LN Krasunya, R. McKinnon, F.S. Mishkin, I.Ya. Noskova, M. Pebro, M. Friedman, G. Hogarth, VV Shmelev and a number of others. Also in the study of this topic were involved in various laws, regulations, Internet resources: official sites, databases.

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«\_\_» \_\_\_\_\_ 20\_\_ .

TASKS FOR BACHELOR'S DEGREE QUALIFICATION PAPER

(specialty 292 " International Economic Relations " )  
4<sup>th</sup> year course, group ME-71an

Prykhodko Iryna Ihorivna

1. The theme of the paper is

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2. The term of completed paper submission by the student is «\_\_» \_\_\_\_\_ 20 \_\_

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7. Approximate qualifying bachelor's paper plan, terms for submitting chapters to the research advisor and the content of tasks for the accomplished purpose is as follows:

Chapter 1

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(title, the deadline for submission )

Chapter 1 deals with \_\_\_\_\_  
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(the content of concrete tasks to the section to be performed by the student )

Chapter 2 \_\_\_\_\_

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Chapter 2 deals with \_\_\_\_\_

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(the content of concrete tasks to the chapter to be performed by the student )

Chapter 3 \_\_\_\_\_

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Chapter 3 deals with \_\_\_\_\_

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(the content of concrete tasks to the chapter to be performed by the student )

8. Supervision on work:

Chapter	Full name and position of the advisor	Date, signature	
		task issued by	task accepted by
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9. Date of issue of the task: « \_\_\_\_ » \_\_\_\_\_ 20 \_\_

Research Advisor: \_\_\_\_\_  
 (signature) (full name)

The tasks has been received: \_\_\_\_\_  
 (signature) (full name)

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## Introduction

**Relevance of the research topic.** The formation of a modern economy based on the latest advances in science, technology, information, etc., is impossible without an actively functioning stock market. In the world practice of both developed and developing countries, the central link of the securities market is the stock exchange, which plays an important role in the economic system of the state. In developed countries, more than 95% of securities purchase and sale transactions are carried out through stock exchanges. Indicators of exchange trade, in particular the dynamics of securities prices, stock indices, market capitalization and market value of companies, characterize the state of business activity both in individual industries and in the country as a whole.

The main purpose of the stock market, as you know, is to create conditions for interaction between issuers and investors in order to most effectively redistribute financial resources for each of them. The classic scheme of the stock market is the organization of exchange trading.

In recent decades, the system of exchange trading has significantly outpaced the banking sector in terms of scale and volume of mobilized financial resources. The mechanism of stock trading in the stock market is developing quite dynamically, constantly offering its participants new technologies and tools.

Strengthening integration processes in the world economy contributes to the formation of the global securities market as a component of the global market economy. The main reason for this phenomenon is the intensification of competition, the emergence of new mechanisms of stock trading, the need to reduce transaction costs and increase liquidity. The form of manifestation of these processes is the horizontal unification of exchanges and trading systems of different countries, the creation of strategic exchange alliances. These processes are particularly active in the countries of Europe united in the European Union.

Competition in the financial instruments market forces stock exchanges to maximize the range of services they provide to their clients. Manifestation of

universalization of stock exchange services is: trade in various financial instruments, provision of clearing services, depository and settlement services, provision of a wide range of information services. Thus, exchanges become universal institutions of the financial market. Modern stock trading in Ukraine has not been affected by the processes of both consolidation and universalization, which causes low liquidity of stock markets and lack of resources necessary for their development.

**Review of the literature on the research topic.** Many works of domestic and foreign scientists are devoted to the study of the essence of the foreign exchange market, the peculiarities of its formation and development. In particular: OV Dziubliuka, I.I. Dyakonova, VV Kovalenko, IG Lukyanenko, S.O. Maslova, VI Mishchenko, V. Zhupanina, Ya.S. Larina, S.V. Fomishina, KZ Vozny, O. Bereslavska and others. A significant contribution to the development of monetary policy was made by foreign economists, including: L. Baltserovich, J.M. Keynes, L.N. Beauty, R. McKinnon, F.S. Mishkin, I.Ya. Noskova, M. Pebro, M. Friedman, G. Hoggart, V.V. Shmelev and a number of others. Despite such a large number of works, not enough attention has been paid to assessing the actions of the monetary authorities in Ukraine. Therefore, the issues of further development of the foreign exchange market in Ukraine and the influence of the central bank on it require further research and development.

**The purpose and objectives of the study.** The purpose of the work is to study the state of the national currency market, the peculiarities of its functioning and development problems.

To achieve this goal provides for the formulation, formulation and solution of the following scientific and practical tasks:

- generalize theoretical and methodological approaches and reveal the economic essence of the category "foreign exchange market" in terms of its functional purpose, institutional structure and organizational and technical support;
- identify the objectives of monetary policy, the main components and tools of implementation;



- assess the threats and prospects for the development of the foreign exchange market;

- to characterize the current state and determine the prospects for the development of the national currency market.

**Object and subject of research.** The object of the study is the international currency exchanges and Ukraine.

**The subject of research.** The subject of the research is a complex of relations that arise in the field of foreign exchange transactions on the stock exchanges.

## **1. Theoretical principles of the foreign exchange market**

### **1.1. Basic terms and concepts**

The exchange is a constantly operating wholesale organized market of the same type of goods and services, in which with the help of numerous intermediaries' operations related to the purchase and sale of large consignments of goods at contractual value; a special kind of wholesale trade in products of general purpose and application [1].

The currency exchange is an element of the infrastructure of the foreign exchange market, the activity of which is to provide services for the organization and conduct of trading, during which shareholders enter into agreements with foreign currency. The currency exchange organizes the work of the basic elements of the infrastructure of the foreign exchange market: trading system (counterparty search mechanism), clearing and settlement systems (transaction execution mechanism).

Stock exchange (stock exchange) - an organized and regularly functioning market for the purchase and sale of chain securities. Main functions: mobilization of temporarily free funds through the sale of securities; establishing the market value of securities; capital flow between companies, industries and sectors. The stock exchange serves mainly the so-called secondary market of chain securities, in which previously issued securities are traded (in the primary securities market there is a sale of new securities after their issue) [2].

Exchange rate - the rate of securities on the stock exchange. It is determined by the following factors:

- a) current and expected profitability;
- b) the size of the bank interest rate (loan interest), the price of gold, certain goods and real estate, as investments in bank accounts, in gold, in goods and real estate are an alternative to the addition of temporarily free funds;
- c) liquidity - the ability to convert purchased securities into money without losses;

d) exchange speculation, is purchase and sale on the stock exchange of securities to obtain speculative profit from the difference between exchange rates at the time of conclusion and execution of the agreement.

Bank - in a broad sense, a system used for accumulation (money, information, etc.); 2) a credit and financial organization that accumulates cash and accumulates loans, performs cash settlements, issues and accounts of promissory notes and other securities, issues of money, transactions with gold, foreign currency and other functions [1].

Broker - an intermediary in transactions with currency, securities, goods, real estate, insurance, as well as in concluding various transactions; mediates between the buyer and seller for a fee; may enter into an agreement on its own behalf, but at the expense of the client.

"Bull" - a speculator who, believing that prices will soon rise, buys or keeps previously purchased contracts. The term also applies to investors who believe that prices will soon rise. In commercial practice, derived words are used to describe the point of view of the investor: "bull" - means an optimistic forecast, "bear" - a pessimistic forecast [3].

Dealer (financial) - 1) a company or individual who operates on the stock exchange (market) at its own expense as a principal; 2) an employee of the bank specializing in conversion, deposit and other operations in the financial markets.

"Bear" - a speculator who plays on the decline, an investor who expects that stocks or the entire market will fall. The "bear" market is a long period of reduction in the share price, usually by 20% or more. The opposite concept - "bull".

Traders - traders, "who does the market", are always ready to buy or sell financial assets on a more or less permanent basis at their own expense or on the orders of customers.

## **1.2. Currency exchanges of the world and their purpose**

International currency and stock exchanges (exchange) - an organized regular market in which foreign exchange (currency) and securities (stock exchange) are traded. Approximately 5-10% of transactions for the actual supply of assets and 90-95% of futures (futures) transactions take place on international currency and stock exchanges. Exchange rates (price levels) of currencies and securities are compiled on the stock exchange. These courses are a sensitive barometer of any changes in the economic and political life of a country. Rates fall sharply during years of crisis and adverse conditions and, conversely, increase during periods of recovery and recovery. A general fall in stock prices is called a stock market crash.

The organization of the exchange is diverse, but it is mainly reduced to two types: the exchange as an open, free for access to all trading market, under the supervision of the state (Austria, France, etc.), and the exchange as a closed corporation of traders, available only to its members and free from state intervention (UK, USA). Access to the latter is due to a known property qualification, recommendations of several members of the exchange and running. From the environment of the exchange corporation is elected the governing body of the exchange - the Exchange Committee (in the US - the Board of Governors). There is a so-called admission commission, which decides on the admission of new securities. It takes measures to prevent the listing of securities of small and medium-sized joint stock companies on the official stock exchange. In many countries, there are informal, sometimes called black, exchanges, where any securities are listed [7].

Thus, there are two types of exchanges: public and private. Not only members of the exchange can carry out transactions on public exchanges. The activities of public exchanges are regulated by government laws. Private exchanges are organized in the form of joint stock companies and closed corporations. Only shareholders who are members can enter into agreements on such exchanges. Exchange members usually do not receive dividends on invested capital. Their profit is formed at the expense of rewards received from clients for the transactions carried out for them, i.e. members of the exchange act as brokers. The exchange records

transactions, determines exchange prices (quotations), facilitates calculations, develops standard contracts, conducts arbitration disputes. To do this, specialized committees are created in the structure of the exchange, which are headed by directors who are members of the board of exchanges. The council is usually headed by a president [4].

Quotes on the stock exchange depend on the purchasing power of exchanged currencies, which, in turn, is determined by the economic situation in the issuing countries. Transactions on the currency exchange are based on the convertibility of currencies exchanged on it. The main task of the exchange is not to make high profits, but to mobilize temporarily free foreign exchange resources, redistribute them by market methods from one sector of the economy to another and to establish a valid market exchange rate of national and foreign currency in fair and legitimate trade [5].

The largest volume of exchange transactions falls on London - 32%, followed by New York - 18%, Tokyo - 8%, Singapore - 7%, Frankfurt - 5%, Hong Kong, Paris and Zurich - 4% each, other countries remain about 18%. In contrast to the Universal London Stock Exchange, currency exchanges in Japan, France and Germany are mainly engaged in fixing reference exchange rates, so they are less significant in the global foreign exchange market [6].

Operations in foreign exchange markets are carried out around the clock. The financial day begins in Wellington (New Zealand), then - Sydney, Tokyo, Hong Kong, Singapore, Bahrain, Frankfurt am Main, London, New York, Los Angeles. There are three geographical areas of activity of foreign exchange transactions (time is Greenwich Mean Time):

- East Asian with the center in Tokyo, 21: 00-7: 00;
- European with the center in London, 7: 00-13: 00;
- American with headquarters in New York, 13: 00-21: 00.

## **2. MAIN TRENDS OF THE WORLD STOCK EXCHANGE MARKET**

### **2.1. Fundamentals of currency exchanges**

The stock market industry in developed economies today, like other areas of economic activity, is undergoing radical transformational changes associated with the intensification of information technology innovation. In this regard, the range of use of stock market instruments each year covers more and more participants in economic relations: from producers - private entities, to government institutions, including traders, investment companies and financial institutions.

Global stock market turnover has reached large proportions: daily flows of business transactions are measured in trillions of US dollars. The number of exchange transactions per year is 25 billion [8].

The financial sector, the stock exchange trade in financial instruments, has grown rapidly since the 1970s due to the dominance of speculative capital. Stock indices, securities and interest rates in the structure of world stock trading make up about 70% of the global stock market.

But especially the rapid growth in recent years of exchange turnover of agri-food products. Thus, in 2015, the number of exchange transactions concluded in the world on agri-food products increased compared to 2011 by 2.8 times with even a slight decrease in their total number.

Analysis of the structure of the world stock market in the territorial (geographical) context showed that the most active stock trading is in the Asia-Pacific region, where the largest number of exchanges of world importance - 28, and which accounts for more than a third of transactions world (although in Europe, where the stock market movement originated, such exchanges and the agreements concluded on them are 2 times less). It is currently lagging behind the progress of exchange trade in these quantities in Asia and North America [8].

In the list of the world's largest exchanges, the leading places are traditionally occupied by US stock exchanges. But the dynamics of world exchange trade indicates the growing role of exchanges of countries such as India, China, Brazil, which in analytical publications were called "BRICs" [9, p.112]. Thus, in 2015, the

Chicago Stock Exchange CME Group continues to lead the ranking of the world's largest stock exchanges, but the National Stock Exchange of India came in second, overtaking the European Exchange EUREX, which for several years ranked 2nd, the top ten included Chinese stock exchanges: Dalian Commodity Exchange, Shanghai Futures Exchange, Zhengzhou Commodity Exchange, as well as the Brazilian Stock Exchange of Sao Paulo [8].

However, competition between the world's leading exchanges leads to the consolidation and creation of transnational exchange alliances (CME Group (USA), .NYSE Euronext, EUREX (Europe), Intercontinental Exchange (USA, Canada, Europe), Multi Commodity Exchange of India). Such dynamics of development of activity of exchanges is promoted by wide application of financial instruments and electronicization of exchange trades.

World stock exchanges are now powerful centers of pricing, which are a promising area of capital investment and transfer of commodity and financial flows. In the last two decades, one of the main sources of capital, along with such traditional investment instruments as securities, debt obligations, more frequently used exchange instruments - derivatives. Dominant position is occupied by financial derivatives, the basic asset of which are stock market instruments and instruments international currency market.

The liquidity of the stock market due to its organizational mechanism is extremely high. Exchanges and developed exchange instruments and infrastructure, in particular clearing institutions, provide a guarantee of execution of exchange transactions. In this way, participants are exempt from the various risks that lie in wait for each individual counterparty. It is these characteristics that explain the great attractiveness of the stock market.

## **2.2. Influence of derivatives on currency exchanges**

The change in the exchange mechanism in the process of evolutionary development ensured the gradual transition of foreign exchanges from trading in

physical assets to trading in the settlement form of futures exchange instruments - derivatives.

The economic nature of derivatives is expressed through their derivative of the projected price of the underlying assets underlying them and the maturity of use. Thus, R. MacDonald describes a derivative as an instrument or agreement between two counterparties, the value of which is determined by the price of another asset. [10]

J. Hull notes that derivatives are financial instruments based on simpler assets, including those related to the available market [11].

Domestic scientist L. Primostka also cites the interpretation of a derivative as a "derivative financial instrument that is concluded for the purpose of redistribution of financial risks." [12, p. 7].

A study of the main trends in the development of derivatives trading on world exchanges indicates that the main instruments today are futures and options, while forward contracts have been gradually pushed to the over-the-counter market. Recently, the stock market is actively attracting new types of OTC instruments,

in particular swaps. Standardization and a high guarantee of swaps on exchanges draws considerable attention of speculators to such instruments.

Assessment of the structure of world trade in derivatives by type of underlying assets shows that in 2016 there was a significant decrease in trade in derivatives on stock indices and securities. At the same time, for the first time in the last 3 years, the volume of trading in financial derivatives at interest rates increased by 6% [13].

The main trend in the global derivatives market over the last 10 years has been a gradual increase in the share of commodity derivatives, due to the increased interest in these types of instruments from both hedgers and speculators. Thus, since 2015, the indicators of world exchange trade in commodity derivatives have increased for metals (+ 46.2%), agricultural products (+ 37.5%), energy resources (+ 35.7%) [14].

The spread of the trend of "financialization" of exchange-traded commodity derivatives leads to an increase in their trading volumes, which is explained by the



use of these agreements on the world stock market without the supply of underlying assets and their equating to financial instruments. It can be argued that "financialization" extends the use of commodity derivatives in investment strategies.

An equally important trend is the further merger of foreign exchanges, which erases international borders for exchange traders and increases competitive conditions in the global stock market. Globalization provides rapid changes in the exchange mechanism, transforming foreign exchanges into global centers of derivatives, the formation of transparent global pricing, accumulation and transfer of investment capital at the intercontinental level.

Thus, the main trends in the development of the global stock market of derivatives include the annual growth of trade in derivatives, in particular the group of commodity assets; continuation of the processes of absorption of commodity and stock exchanges of different geographical regions; continuation of "financialization" of trade in commodity derivatives on the world stock market [15].

Examining the development trends of the world stock market of derivatives, it should be noted that in today's globalization, the development of domestic trade in commodity and financial derivatives is becoming an extremely important issue to further reform the economic system on the path to European integration. The stock market of derivatives is the central link of the market economy, which ensures its efficient functioning and promotes the development of other elements of the market infrastructure.

### **2.3.Influence of covid-19 on currency exchanges**

At the beginning of 2020, the total value of all exchange shares in the world did not reach \$ 70. trillion Over the year, it grew by more than \$ 17 trillion. According to Deutsche Bank analyst Thorsten Slock, the total market capitalization worldwide has now exceeded \$ 85 trillion [16].

The largest growth occurred in the US stock market. All three leading US stock indexes rose by more than 20%: DowJones Industrial rose by 22%, S&P 500 - by 28%, NASDAQ - by almost 35%.

Technology giants such as Apple and Facebook have risen in price by 80% and 57% since the beginning of the year, respectively. Apple stock growth even exceeded expectations. The current value of the securities by 6.5% exceeded the forecast of analysts polled by Refinitiv. And Facebook shares have significant growth potential, according to Wall Street. According to Refinitiv polls, 47 out of 52 analysts expect prices to rise in the coming year. The average growth potential of securities is 16.3%.

Investors' fears of the spread of the coronavirus have led to a collapse in securities markets around the world. The British stock market has fallen by 10% - the worst collapse since 1987. In the US, the Dow Jones and S&P 500 fell sharply, similar to the worst since 1987 [17].

One of the most discussed events in the stock market this spring was the collapse of oil futures prices to a negative value. It happened on April 20, for the first time in history. WTI crude fell to \$ 0 on the New York Mercantile Exchange and then fell to "minus" \$ 37 per barrel, which means that the fall was about 300%.

Prior to the open, the Dow Jones Industrial Average futures market experienced a 1300-point drop based on COVID-19 and the oil price drop described above, triggering a trade cap or circuit breaker that caused the futures market to pause trading for 15 minutes. That projected 1300-point drop would set March 9 to be one of the biggest points the Dow Jones industrial average fell in one day. When the market opened on March 9, the Dow Jones Industrial Average dropped 1,800 points at the open, 500 points below forecast.

The Dow Jones Industrial Average in the US lost more than 2,000 points, described by News International as "the largest drop in intraday trading history." The Dow Jones Industrial Average hit a number of trading breakers to curb panic selling. Oil companies Chevron and ExxonMobil fell more than 15%. The NASDAQ Composite Index, also in the US, lost more than 620 points. The S&P 500 fell 7.6%. Oil prices fell 22% and the yield on 10-year and 30-year US Treasuries fell below 0.40% and 1.02%, respectively. The Canadian S & P / TSX Composite Index closed the day off more than 10%. Brazilian IBOVESPA dropped 12%, erasing more than

15-month gains in the index. The Australian ASX 200 lost 7.3%, its biggest daily drop since 2008, although it recovered later that day. The London FTSE 100 Index lost 7.7%, the worst drop since the 2008 financial crisis. BP and Shell Oil experienced an intraday price drop of nearly 20% FTSE MIB, CAC 40 and DAX also fell, with Italy hit hardest as the country's COVID-19 pandemic continues. They fell by 11.2%, 8.4% and 7.9%, respectively. The STOXX Europe 600 Index fell more than 20% below its peak at the beginning of the year.

In a number of Asian markets (Japan, Singapore, the Philippines and Indonesia), stocks have dropped more than 20% from their most recent highs, entering bear market territory. In Japan, the Nikkei 225 fell 5.1%. In Singapore, the Straits Times Index fell 6.03%. In China, the CSI 300 lost 3%. In Hong Kong, the Hang Seng Index sank 4.2%. In Pakistan, the PSX experienced the largest intraday fall in the country's history, shedding 2,302 points, or 6.0%. The market closed with a 3.1% drop in the KSE 100 index. In India, the BSE SENSEX closed 1,942 points below 35,635, while the NSE Nifty 50 fell 538 points to 10,451 [17].

Bob McNally, former energy policy adviser to the George W. Bush administration, noted: "For the first time since the 1930s and 40s, a massive negative demand shock coincided with a supply shock"; in this case it was the Smoot-Hawley Tariff Act, which precipitated the collapse of international trade during the Great Depression, which coincided with the discovery of an East Texas oil field during the Texas oil boom. The Washington Post argued that the COVID-19 riots could trigger the collapse of a corporate debt bubble, triggering and exacerbating a recession. The Central Bank of Russia announced that it would suspend purchases of foreign exchange in domestic markets for 30 days, while the Central Bank of Brazil auctioned an additional \$ 3.465 billion in the foreign exchange market in two separate transactions, and the Bank of Mexico increased its foreign exchange auction program from \$ 20 billion to \$ 30 billion Following the announcement of a \$ 120 billion fiscal stimulus program on December 2, Japanese Prime Minister Shinzo Abe announced additional government spending, and Indonesian Finance Minister Shri Mulyani also announced additional incentives.

### **3. Tendencies of the development of the currency market of Ukraine**

#### **3.1. The current state of the foreign exchange market of Ukraine**

In Ukraine, the main body responsible for the development and implementation of monetary policy and regulation of the foreign exchange market is the National Bank of Ukraine.

The functions of the foreign exchange market are realized through the implementation of foreign exchange transactions by market participants. They mean any payments related to the transfer of currency values between the subjects of the foreign exchange market.

Transactions in the foreign exchange market are divided into:

##### 1. Conversion:

- cash;
- forwards;
- futures;
- optional.

##### 2. Deposit:

- to the question;
- short-term;
- urgent.

##### 3. Credit:

- short-term;
- medium-term;
- long-term
- 30. for USD USA [20].

In April, Ukraine's international reserves grew by 3.6% and amounted to \$ 28 billion.

This was reported by the press service of the National Bank.

The growth was driven by foreign exchange earnings and revaluation of financial instruments.

Thus, the budget received \$ 1.25 billion from the placement of Eurobonds (OVDPs) in April, and \$ 121.4 million from the sale of domestic government bonds (OVDPs). In general, foreign exchange receipts in favor of the government at the end of the month amounted to \$ 1.37 billion [18].

The total volume of payments for servicing and repaying the state debt in foreign currency amounted to \$ 556.1 million in equivalent. Of these, \$ 391.5 million was directed to servicing and redeeming government bonds, \$ 78 million - to servicing government bonds, the rest - to fulfill other obligations in foreign currency.

The volume of reserves was also affected by the revaluation of financial instruments due to changes in market values and exchange rates. In April, their cost increased by \$ 200 million in equivalent.

During April, the interbank foreign exchange market was basically in a balanced state, however, at the beginning of the month, the demand for foreign currency slightly exceeded the supply. To smooth out excessive devaluation fluctuations, the NBU sold \$ 50 million on the interbank market.

"The current volume of international reserves covers 4.3 months of future imports, which is sufficient to fulfill the obligations of Ukraine and the current operations of the government and the National Bank," the NBU summed up.

The growth of the global economy and the preservation of macroeconomic stability in Ukraine will help accelerate the inflow of debt capital, as well as reduce the outflow of cash currency outside banks from the second half of 2021.

Due to the progress in cooperation with the IMF, it is expected to continue to attract from the EU and the World Bank, as well as new placements of government bonds. Demand from non-residents for hryvnia government bonds until the end of this year is expected to be moderate. Thanks to cooperation with the IMF, Ukraine's international reserves in 2021-2023 will be at a fairly high level - \$ 29-30 billion. USA. At the end of 2021, the level of adequacy of reserves according to the IMF metric will be 90% [19].

### **3.2. Instruments of monetary and financial policy in Ukraine**

Modern realities put the economic system of Ukraine in conditions of functioning on the basis of competition, which makes the mechanisms of fast and effective mobilization of resources for the further development of production and investment activities the most in demand. In addition, in the context of integration into the world economy, through the improvement of financial methods, the processes of the fullest use of the available production potential and its further development on a qualitative basis should be stimulated, which will become a prerequisite for Ukraine's competitiveness in the world market [21, p.63]. World practice shows that the volume and structure of financial and credit resources, the directions of their use, especially for countries with economies in transition, largely depend on the economic policy of the state.

At certain stages of economic development, certain problems of the monetary theory become most relevant and are put forward as the leading ones. Recent years have shown that the state of monetary policy significantly affects the economy of the state. Its components such as the exchange rate, inflation dynamics, interest rates have become the main guidelines for assessing the state of the economy and the prospects for its development. They determine the dynamics of GDP, income and expenditures of the population, enterprises, the ratio of aggregate supply and demand, the dynamics of investments and, to a large extent, the balance of payments. This means that monetary instruments have become an effective lever of influence on economic dynamics [21, p. 65]. It should be borne in mind that the formation of interest rates cannot be explained without taking into account the influence of competition between banking and industrial capital. In conditions of a shortage of money supply, bank interest begins to exceed profitability in the real sector of the economy, and the development of industry in such conditions becomes impossible [22, p. 109].

The economy of Ukraine is highly dependent on international factors (more than 60% of GDP is export-oriented products), for the national system, regulation of

the exchange rate is defined as a strategic direction of the NBU policy [23]. The priority task of the National Bank of Ukraine for 2018 continues to be the maintenance of price stability, even if it was not obliged to maintain the hryvnia exchange rate at a certain level. At the same time, given that the dynamics of the hryvnia exchange rate has a significant impact on inflation indicators and the quality of banks' balance sheets, the NBU, if necessary, will take measures to prevent its significant fluctuations.

The state and level of development of the national financial sector influences the choice of the NBU's monetary instruments. In Ukraine, due to insufficient development of financial instruments, the NBU resorts to the use of a refinancing mechanism and the rate of required reserves. However, the capabilities of these instruments in Ukraine are limited. In fact, the refinancing rate is used by the National Bank mainly as an instrument of fiscal policy, and affects the financial market not as an instrument of monetary policy that has a direct impact; and also serves as an indicative indicator of the expected inflation rate in the future period for the main participants in the financial market.

Dynamic changes in the economy and the financial and credit sphere require the improvement of methods and instruments for the implementation of monetary policy. Institutionally, today in Ukraine banks play a major role in the system of financial intermediation, accumulation of investment resources, surpassing other financial intermediaries in terms of economic potential, therefore, the development of banks' lending operations with the real sector of the economy largely determines the pace and nature of structural transformations [24]. The formation of a flexible monetary policy in accordance with the priority directions of development of Ukraine must be coordinated with the general mechanisms of macroeconomic regulation and depends on the interaction of many factors. As a result of the study, the following can be identified as the main directions affecting the performance of financial and credit instruments:

- creation of a flexible refinancing mechanism as a direction for maintaining bank liquidity, i.e. creation of additional opportunities, which should result in an increase in the creditworthiness and level of capitalization of banks;

- liberalization of the NBU reserve policy by considering the possibility of reducing the required reserve ratio;

- increased attention to the quality of assets transferred as collateral in order to solve the problem of deterioration in the quality of loans issued by banks;

- transformation of rates on central bank operations into an operational instrument of interest rate policy, since focusing on them, the level of profitability is formed in various segments of the financial market;

- expanding the volume of the domestic market, creating conditions for active operations with resources in open markets.



## **Conclusion**

Currency exchange and transactions with them are carried out on a specific market - foreign exchange. The foreign exchange market is a system (set) of economic and organizational relations, formed on the basis of the purchase and sale of foreign currencies. The foreign exchange market is also a special area of activity that compares the demand for foreign currency with its supply and determines its rate relative to the national currency of a given country.

The foreign exchange market does not have clear geographic boundaries, a specific location, since it is international in nature. At the same time, it functions in the conditions of the existence of many separate sovereign states and a variety of national currencies. It is thanks to this contradictory unity - the combination of the international nature of the market and the nationality of the currency to a particular state - that exchange operations arise, and the currency market itself exists.

As already noted, operations with foreign exchange are formed on the basis of the processes of international trade, the movement of capital and labor, the transfer of technologies, which more and more unite the national economies of individual countries into a single world economic space, i.e. world economy. For example, on a daily basis, central banks and other financial institutions, as well as exporters and importers — companies from different countries involved in international transactions — receive or pay significant amounts of currency. Therefore, one of the connecting links of the world economy is the international currency market, which can only very conditionally be subdivided into certain national and regional currency markets.

The object of the foreign exchange market is a complex of public relations (mainly in the sphere of the economy and its regulation by states) regarding the servicing of the international circulation of goods, services, works; timely implementation of international settlements; spontaneous determination of exchange rates by balancing supply and demand of different currencies; providing mechanisms of protection against currency risks; diversification of foreign exchange

reserves of banks, enterprises and states; conducting foreign exchange interventions; the use of the market by states for the purposes of their monetary and economic policies; profit in the form of a difference in exchange rates and interest rates. The above list of activities carried out in the open foreign exchange market is, of course, not complete.

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## Appendix

### SUMMARY

Prykhodko I. I. Trends in the development of international currency exchange. - Bachelor's qualification paper. Sumy State University, Sumy, 2021.

The bachelor's degree qualification paper is devoted to studying the national currency market, the peculiarities of its functioning and development problems. An analysis of the foreign exchange market in recent years, its prospects and the impact of various factors on it, including pandemics. The main directions influencing the effectiveness of financial and credit instruments in Ukraine are identified.

Keywords: stock, currency, stock markets, exchange, currency exchanges.

### Анотація

Приходько І. І. Тенденції розвитку міжнародного обміну валют. – Кваліфікаційна бакалаврська робота. Сумський державний університет, Суми, 2021.

Кваліфікаційна бакалаврська робота присвячена дослідженню національного валютного ринку, особливостей його функціонування та проблем розвитку. Проведено аналіз валютного ринку за останні роки, його перспективи та вплив різноматних факторів на нього, в тому числі пандемії. Визначено основні напрямки, що впливають на результативність фінансових та кредитних інструментів в Україні

Ключові слова: фонд, валюта, фондові ринки, біржа, валютні біржі.