[Summary]

Arbitration

Subject:	Business Economics
Course:	B. A. (Hons.), 6th Semester, Undergraduate
Paper No. & Title:	Paper – 611 International Finance
Unit No. & Title:	Unit – 1 Introduction to the Foreign Exchange Market and Fundamental Issues
Lecture No. & Title:	Lecture – 3 Arbitration

Summary

Let us summarize today's session. Forex arbitrage is a risk-free trading strategy that allows retail forex traders to make a profit with no open currency exposure. The strategy involves acting fast on opportunities presented by pricing inefficiencies, while they exist. This type of arbitrage trading involves the buying and selling of different currency pairs to exploit any inefficiency of pricing. So we tried understanding two point arbitrage, three point arbitrage as well as challenges faced by arbitrage trader. These challenges included liquidity discounts/ premium, execution speed challenge, lending/borrowing costs and spread and trade costs.