New report reveals how developing AI technology can benefit Forex markets

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New research from Alpari has analysed the benefits and limitations of AI technology within Forex markets, as the AI revolution continues to expand.

The rapid, widespread popularity and use of AI over the past 12 months have led to tools, such as ChatGPT, being integrated into a range of industries – with seemingly limitless potential to aid people in all sectors.

Forex is an industry that is constantly evolving and changing over time, with masses of data analysis and trend prediction allowing traders to potentially turn over a profit. With this being said, is there scope for AI integration in FX markets?

To find out more, the market experts at Alpari have composed a report on the potential benefits and limitations of AI technology within the Forex sphere.

Alexey Efimov, market analyst at Alpari comments:

“Artificial intelligence has the potential to transform the trading experience, helping to automate trading and provide data analysis on a larger scale within a much shorter time frame.

“Of course, while there are a significant number of possible uses for AI within Forex, this doesn’t necessarily mean that AI is able to ensure all traders participating in FX markets will be successful – it is ultimately still a zero-sum game, and there is still a level of skill required on the trader’s part.

“Where this becomes interesting going forward is that this skill may transition to who is able to utilise AI technology the best to garner the most substantial results. In this way, we could expect to see a fair degree of change in FX markets going forward.”

Alpari’s report opens with some of the main benefits that the integration of AI technology into Forex can offer traders. These benefits include allowing traders to automate their trades – effectively ensuring they can trade anytime, anywhere, on a pre-established schedule within the AI.

Additionally, AI can assist traders in navigating risk management – making use of predictive analytics by breaking down massive quantities of data from historical trades and exchange rates to establish patterns and help traders identify the best time to trade.

One of the key areas in which AI is taking the lead across all sectors is education. Programmes, like ChatGPT, are invaluable learning tools that enable traders to ask questions and get definitions, breakdowns of market terminology, types of analysis, and even key historical events – all of which make for a better-educated trader.

However, while there are undoubtedly many benefits to using AI within Forex, there are also some potential drawbacks. These include the use of old, potentially outdated information to generate trading suggestions. Most AI programmes utilise historical data in order to make identify patterns. While this can be beneficial, there is always the risk that this data may no longer be relevant, which could make the AI’s predictions inaccurate.

Another key risk factor is the potential for error. AI is not absolved from making mistakes, and in any financial market – including FX – these mistakes can quickly become very costly for traders. This risk is significantly reduced if these AI applications are kept regularly updated, however, this doesn’t remove the risk entirely.

There is always the chance that AI can produce an incorrect prediction or suggestion, which is why traders should still have good market knowledge individually that they can cross-reference with the AI.

In terms of the impact the current era of AI technology has had on the Forex market, the key difference is the development of FX ‘trading bots’ – algorithmic software that can automate trades using predetermined logic, which is based on historical market data and current currency values.

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Additionally, Alpari's report states that market analysts are currently trialling the use of AI as a way to effectively predict rises and falls in the market, utilizing large quantities of historical data to draw conclusions and recognize patterns.

While much of the current AI technology is still in its infancy – having been developed within the past year – Alpari's report is largely optimistic about the future of this AI-enhanced Forex market.

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Notes to editors

The full piece can be found here: https://alpari.com/en/company/news/128308_08082023

About Alpari

Alpari is a long-established leader in online financial trading. They pioneered online forex trading for retail clients 25 years ago, and remain focused on enabling individuals to access the potential of global financial markets

Alpari clients are individuals with an appetite to generate financial returns through self-directed trading. They are comfortable taking risks in order to generate returns and are willing to invest time to build the skills needed to succeed

Alpari's promise to these clients is to enable them to "access global trading opportunities securely". They believe that individuals anywhere in the world should be able to access opportunities in financial markets - where local political environments do not support domestic regulation, they provide solutions for individuals to access our services offshore, but offering the same service standards and client protections as a regulated business.

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