



# Navigating FX Volatility

Understanding Currency  
Movements for  
Global Businesses



Managing  
Currency Risk



Understanding  
Market Drivers



Protecting  
Margins

# What is FX risk?

For businesses operating across borders, foreign exchange (FX) risk is an unavoidable reality. Whether you're a mid-market enterprise paying suppliers in Asia or a global firm repatriating profits, shifting exchange rates can dramatically impact your bottom line.

For Chief Financial Officers (CFOs) and treasury teams, understanding why these movements happen and having a proactive strategy to manage FX risk is essential for maintaining a stable balance sheet and predictable cash flow.

Here we'll explore how currency movements work, what can drive exchange rate fluctuations, and how finance leaders can make informed decisions to mitigate foreign exchange risk.

**“85% of treasury professionals identify FX risk as their top economic risk.”**

*PwC Global Treasury Survey (2023)*



# What Drives Currency Movements?

Currency values are rarely static. To effectively navigate the FX markets, finance leaders must look beyond daily tickers and understand the underlying macroeconomic drivers that influence currency valuation.

## Macroeconomic Indicators: Interest Rates and Inflation

Central bank policies are the primary engine of currency valuation. When a central bank raises interest rates, the respective currency generally strengthens. Conversely, if a country struggles with high inflation, its purchasing power decreases, typically leading to a depreciation of its currency. Monitoring monetary policy announcements (such as those from the Bank of England (BoE), Federal Reserve (Fed), or European Central Bank (ECB)) is crucial for anticipating market shifts.

## Geopolitical Events and Market Sentiment

Currencies are highly sensitive to political stability and global events. Elections, trade tariff disputes, and international conflicts can trigger immediate currency volatility. During times of global uncertainty, capital tends to flow toward "safe-haven" currencies, such as the US Dollar (USD) or Swiss Franc (CHF), while emerging market currencies can face sudden depreciation (International Monetary Fund, 2025).

## Economic Performance and Trade Balances

A country's balance of trade (the ratio of its exports to imports) also dictates currency demand. A nation that exports more than it imports can experience a high demand for its goods, and consequently, a high demand for its currency, driving up its global value.

### Key Monitoring Points:

- Federal Reserve policy announcements (USD)
- Bank of England Monetary Policy Committee decisions (GBP)
- European Central Bank governing council meetings (EUR)





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# Why Monitoring Currency Fluctuations Matters

Failing to keep on top of currency movements can expose global businesses to margin erosion. A sudden drop in the value of your base currency against your supplier's currency can wipe out projected profit margins.

## #1

### Improve Cash Flow Predictability

More accurately forecast international payment costs and treasury reserves.

## #2

### Protect Profit Margins

Shield commercial contracts from unexpected currency depreciation.

## #3

### Maintain Competitive Pricing

Avoid passing FX-related cost increases onto end consumers.



# Strategies to Manage FX Risk

Understanding market drivers is only the first step; executing a robust FX strategy is where true financial control can be achieved. Depending on your operational requirements, different payment mechanisms can mitigate exposure.



## Track the Markets

# 1

While finance managers are not expected to be full-time currency traders, keeping a close eye on market trends allows you to plan with greater confidence. Working with a dedicated currency expert can provide the insights needed to make informed decisions.

#2

## Spot Trades

For immediate payment requirements, spot transactions utilise the live exchange rate. This can be ideal for agile, day-to-day international payments where immediate settlement is necessary.



## Leverage Multi-Currency Accounts #3

Holding funds in the currencies you trade in frequently can naturally mitigate risk. Multi-currency accounts enable you to receive payments in a foreign currency and hold those funds to pay future invoices in the same currency.





# Empower Your Global Operations with Finseta

Managing global payments requires efficiency, control, and reliability. At Finseta, we provide a digital multi-currency ecosystem designed to simplify international payments for businesses worldwide. We understand that monitoring the complexities of the global financial market is a full-time endeavour.

That is why the Finseta platform is underpinned by a team of dedicated currency experts. Based in the City of London, our account managers provide vital support and strategies, helping you understand the FX markets so you can protect your business against currency fluctuations. With Finseta, you gain a partner equipped to help you understand currency risk and manage cross-border transactions with confidence.

## Sources

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info@finseta.com



+44 (0) 203 971 4865



14-18 Copthall Avenue, London, EC2R 7DJ



<https://finseta.com/contact-us/>

