# Trade Forex Online: Factors to consider

Factors That Influence Forex Trading

The value of a country's currency is influenced by a number of factors: The economics of the country, its trade deficit, political and social environment.

If the current government's deficit increases, its currency's value will fall. As the government decreases its deficit, the currency can begin to recover value and the exchange rate will become more favorable. The same relationship holds true with a country's trade deficit. If the country imports more goods and services than it exports it will have a negative influence on the currency.

Inflation lessens the ability of a unit of currency to buy less and less, so the currency loses value. If the inflation becomes rampant the currency is valued less because it's also viewed as unstable. As the rate of inflation begins to decline the currency begins to increase in value.

Politics and social changes can play havoc with the currency exchange rates. Changes in the regime that are viewed negatively can lower the value of the country's currency in the short term and continue into the long term. If the present government makes decisions that are looked at negatively it can decrease the currency value as well. The opposite can happen. Current government officials can make policy changes that are viewed positively by the rest of the world and that can increase the value of the currency.

For the United States, interest rates and the price of oil can have a major impact on the value of the US dollar.

Interest rates effect how much it's going to cost to borrow money and how much can be earned on investments. Historically if the US raises its interest rates it attracts foreign investors. Those investors have to sell their own currency in order to buy U.S. dollars to purchase treasury bonds. If the interest begins to drop, or the perception is that the rates won't rise any more, investors may purchase Euros as an alternative investment which lowers the value of the US dollar.

The United States is dependent on foreign oil production. Many US industries are dependent on oil and an increase in the price of oil means an increase in their expenses and a drop in profits. In a similar way, a country's dependency on oil influences how the country's currency is valued and will be impacted by changes in oil prices. The US's dependency on oil makes the dollar more sensitive to oil prices than countries who aren't so dependent. As the price of oil increases the value of the dollar drops.

## About the Author

More information about Trade Forex Online Dee Power is the author of several nonfiction books.  she writes about business and how to get out of debt now