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BLOG EXPLAINER · REACTIVE FOREX

3 Signs Your Forex Strategy Is Reactive (And How to Spot Them Early)

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RED FLAGS TO WATCH

3

Last-minute conversions, no hedging policy, no performance tracking

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If currency moves keep catching you off guard, your strategy is reactive

Spot the warning signs early, and shift to a proactive approach

What this explainer covers

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Three warning signs and the fix for each

01

Sign 1

Last-minute conversions

02

Sign 2

No formal hedging strategy

03

Sign 3

No performance tracking

04

The shift

Four ways to become proactive

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01

Last-minute conversions

The most visible sign of a reactive strategy

Why rushed conversions cost money

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Converting under deadline pressure means taking whatever rate is on offer

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Missed opportunities

Without forecasting, you convert at whatever time the deadline dictates, not when rates favour you

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Higher costs

Banks often price rushed deals with wider spreads and less favourable rates

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Bottom-line hit

Accepting the rate of the moment repeatedly eats into margins

Spot it early, then fix it

Deadline pressure is the giveaway

Warning signs How to spot it	The fix What to do instead
Deadline pressure The finance team scrambles to convert before due dates	**Forecast and map exposure** Identify currency risks well ahead of time
No anticipation Currency moves are never prepared for	**Plan conversions in advance** Act when market conditions are favourable

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02

No formal hedging strategy

Leaves the business exposed to every swing

The impact of not hedging

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Without a policy, the market decides your margins

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Unprotected profits

Rate moves erode export earnings or raise import costs directly

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Increased exposure

Unhedged positions face unpredictable, potentially large losses

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No forecasting

Currency risk goes unanticipated, leaving you open to volatility

Spot it early, then fix it

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A policy that exists but is never used counts as no policy

Warning signs How to spot it	The fix A formal hedging strategy
No clear explanation The team can't describe the hedging strategy	**Decide what to hedge** Choose the exposures and set thresholds for action
Inconsistent use Hedging instruments are used only now and then	**Pick the instruments** Forwards and options lock in future rates

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03

No performance tracking

If you don't measure it, you can't improve it

The risks of not tracking

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Without measurement you are operating in the dark

RISK

Inefficient execution

Poor rates and higher costs go unnoticed over time

RISK

No insights

Missed chances to learn from past moves and refine strategy

RISK

Inconsistent outcomes

Unpredictable cash flows; successes can't be repeated

Spot it early, then fix it

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No benchmark means no way to know if you did well

Warning signs How to spot it	The fix Systematic tracking
No benchmarks Deals aren't judged against any reference rate	**Set execution benchmarks** Judge every deal against a reference rate
No reviews Past conversions are never analysed	**Review and automate** Analyse hedge results with tools that track them for you

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04

From reactive to proactive

A change of mindset, backed by tools and process

Reactive vs proactive at a glance

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The same business, managed two ways

Area	Reactive	Proactive
Conversions	Rushed before deadlines	Planned against forecasts
Hedging	Occasional or none	Formal policy with thresholds
Performance	Never measured	Benchmarked and reviewed
Forex role	Cost centre	Performance lever

Four tips to shift toward a proactive strategy

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From the blog's playbook

1

Adopt predictive tools

Real-time insights help you decide well before payment or receipt dates

2

Work with experts

Advisors build a strategy that fits your needs and risk appetite

3

Benchmark your performance

Track cost savings, hedging success and rate execution

4

Leverage digital platforms

The Myforexeye App offers execution support, real-time alerts and analytics

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Quick self-check

If you answer 'no' to any of these, your strategy is reactive

- **Do we plan conversions ahead of deadlines?**
  Forecasts and exposure maps, not last-minute calls
- **Do we have a written hedging policy?**
  With exposures, thresholds and instruments defined
- **Do we use it consistently?**
  Not just when markets turn scary
- **Do we benchmark every deal?**
  Achieved rate vs a reference rate
- **Do we review results regularly?**
  And refine the strategy from what we learn

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