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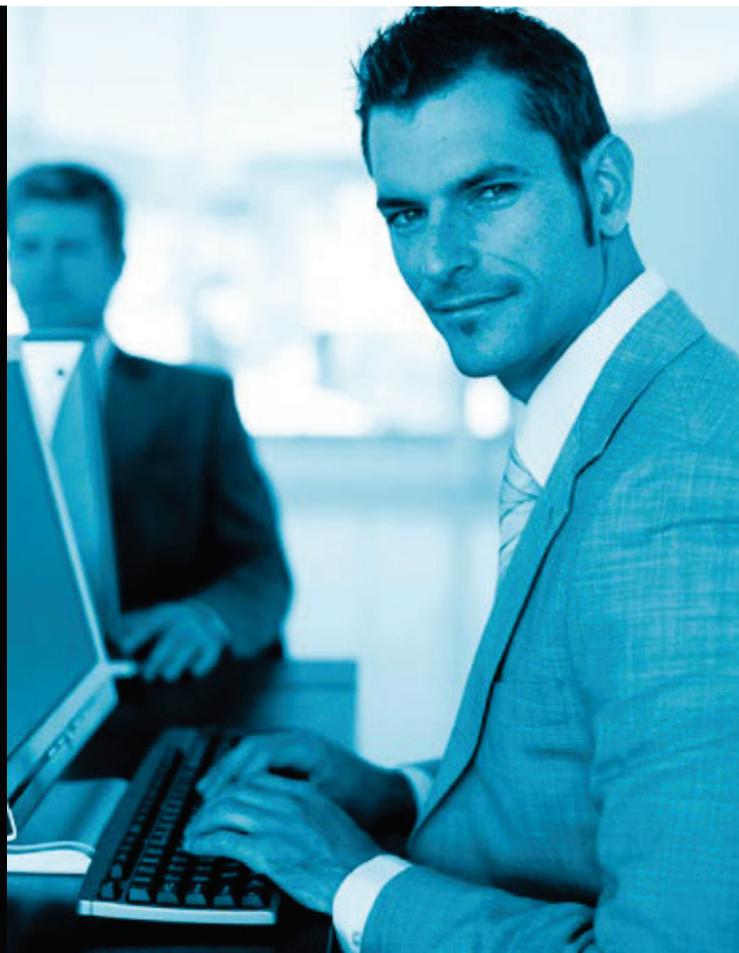


FOREX MAGNATES RETAIL FOREX MARKET QUARTERLY REPORT FOR Q1 2011

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In recent months, the blog has expanded to satiate the growing demand for the latest analysis and breaking news. This includes covering platform developments and upgrades, broker mergers and acquisitions, refuting the major scams and reviewing the major and pioneering undertakings in web forums, portals and trade publications.



Q1 2011

■ Forex Market overview and forecast:

The global Forex market has continued its overall growth in terms of volume in the past quarter. Although several brokers have reported lower/unchanged volumes (mainly public FXCM and Gain) other brokers (Oanda, Saxo Bank) have reported significant growth of their business. This was also complimented by the ever growing Asian and Middle East markets. It seems that the CFTC's and Japan's regulatory mandatory reduction in volume has taken its toll on some brokers.

The market was uneventful in terms of participants, unlike the previous quarter which saw two brokers (Gain and FXCM) going public. Another broker may have delayed/cancelled its IPO this quarter (FxPro) so there hasn't been any dramatic changes in the industry. Unsurprisingly both public brokers haven't exactly splashed around cash on acquisitions (leave alone FXCM buying GCI for only \$5 million) as they have suggested in their prospectuses and most cash received was used to either pay back existing investors or is still sitting in the bank. On the other hand, acquisitions in this market are anything but trivial for numerous reasons.

The IPO celebration however was marred by class action suits lodged against FXCM

and FXDD and several announced inquiries into FXCM's IPO pricing which some clients believe to have been inflated. This came to light after FXCM published its January trading data which missed analysts' expectations and subsequently FXCM's price was slashed by a Citi analyst – the market responded immediately with FXCM losing as much as 14% in a single day of trading. FXCM's stock has however regained most of the drop after better than expected 2010 year end results were unveiled.

This quarter also marked the second quarter that US brokers were obligated to publish their clients' profitability reports and we saw that not all brokers are equal. Many brokers seem to have complained to the CFTC about their peers' calculation methods (mainly blaming Oanda for cooking the numbers) and CFTC has issued a correction which now means brokers cannot include interest payments into their profitability calculations.

The market is also being driven by what used to be a marginal niche but now seems to be exponentially growing – binary and forex options. The binary trading market has literally exploded lately with dozens of various brokers (and platform providers) competing in this new arena. This trading is a draw to the unsophisticated trader, as it's as simple as trading/gambling can get, with most brokers offering a plain Up or Down option, which if correct earns you a 70% profit but wipes 100% of your position if incorrect. The only 'legal' such venue in the US is IG Market's controlled Nadex. Nadex however is still making its first appearance and hasn't gained much traction yet.

Gambling operators who are monitoring the forex market closely are slowly entering although with no remarkable success. The latest attempt is by William Hill with its Day Trader which is far from being competitive with any other similar binary platforms. It's only natural given the simplistic nature of binary trading (or gambling as some may call it) that casino operators would pick this product over more complicated forex trading.

Volume

Overall the volumes have grown in the past quarter albeit not at a very high rate. Some of the brokers reported lower or steady volumes while others have reported significant growth. Below is a summary of volumes as officially/unofficially reported by some brokers or estimated when there was no available data.

Major changes are mainly in the addition of iForex, a major Israeli/Middle Eastern broker, little known in the US or Europe though it should be known given its volume. Dukascopy and ACM had their volume slashed mainly because they were

overestimated in the previous reports. ACM reported its volumes through its acquirer – Swissquote Bank. This report excludes many small brokers and the whole Japanese market which is both undergoing many changes now and is not as transparent in terms of disclosing volume numbers. Brokers in bold have disclosed their volumes in their IPO or official end of year reports.

	Monthly	Daily
Oanda	300	15
Saxo Bank	292	15
FXCM	258	13
GFT	200	10
Gain (forex.com)	130	7
Alpari	100	5
Dukascopy	80	4
dbFX	80	4
Citi FXPro	80	4
Interbank FX	80	4
FXOpen	65	3
FX Solutions	60	3
FXDD	60	3
IG Markets	60	3
iForex	60	3
FXPro	55	3
Ava FX	50	3
CMC	50	3
MIG	50	3
Interactive Brokers	40	2
London Capital Group	40	2
MB Trading	40	2
MF Global	30	2
AC Markets	30	2
Advanced Markets	25	1
PFG Best	25	1
HY Markets	25	1
Easy Forex	21	1
Barclays FX	20	1
thinkorswim	20	1
Forex Club	15	1
ActivTrades	10	1
City Credit Capital	10	1
Total daily volume		123



Status: Private.

Year Established: 1995

Shareholders and Funding: \$100 in 2007 from New Enterprise Associates, Legg Mason, Cascade Investment, T. Rowe Price and Index Futures.

Investments and M&As: Unknown.

Estimated Net Profit: \$60-\$80 million.

Estimated value: \$900 million - \$ 1.1 billion.

Estimated monthly volume: \$300 billion.

Number of clients: 48,866 in the US.

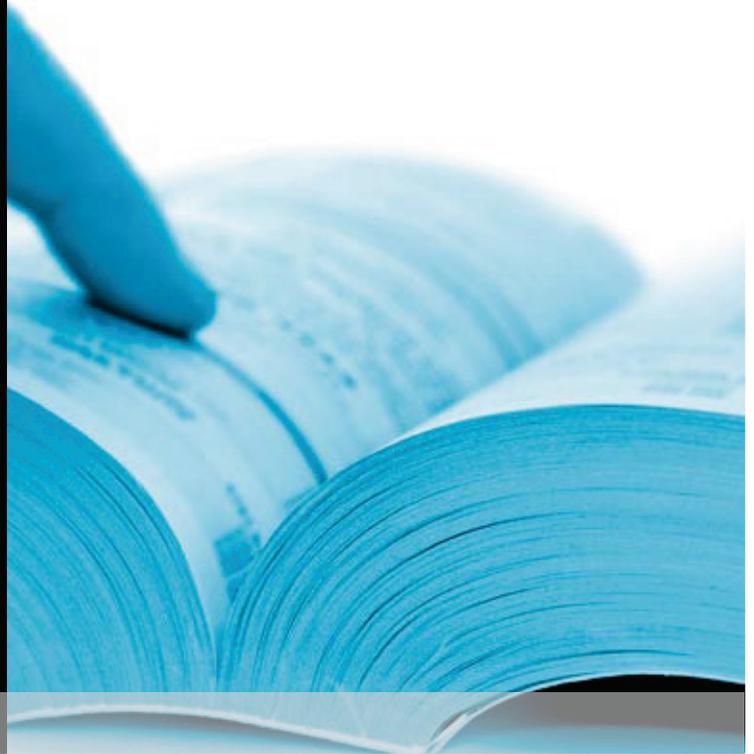
Regulation: RFED in the US, Hong Kong, Dubai. Very likely to be undergoing a FSA/MiFID license process.

Description: Oanda, primarily operating out of Canada, is one of the world's largest brokers in terms of volume. Oanda has recently disclosed the number of its US accounts and their profitability.

Oanda news in the past quarter:

- Oanda adds MT4. [*Read more about it here.*](#)
- Oanda leads in accounts profitability. [*Read more about it here.*](#)

Yellow Pages



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