

FX Week

Peso volatility pulls millennials to currency trading

Interest is incentivising local and international companies to invest in education initiatives to meet budding demand



Word of mouth: one marketing tactic for getting millennials into currency trading

Laura Matthews

12 Jul 2018

An escalating trade war between the US and Mexico saw the peso decline to 20.45 – the lowest it had been in a year. It was a reversal of the trend that had seen the currency become the best performer in emerging markets, rising almost 7% against the dollar as early as May.

The sell-off intensified when Mexico retaliated to the 25% tariff on steel and 10% on aluminium imports implemented by US President Donald Trump in an attempt to gain more favourable trade terms for his country. It was clear to the markets that a renegotiation of the North American Free Trade Agreement (Nafta) was not going

to happen before Mexico's July 1 election and peso volatility would continue, at least for the immediate future.

"I think, if anything, one of the biggest draws of FX in Mexico is the volatility of the currency," says Alfonso Esparza, a senior analyst at retail FX company Oanda. "It has always been a volatile currency, but now it is used as a proxy for other currencies in Latin America and the emerging markets just because it's one of the top 10 currencies in terms of liquidity. That makes it attractive."

Millennials in Mexico are increasingly interested in trading FX and cryptocurrencies. Their enthusiasm has, in turn, incentivised both local and international professionals to invest in setting up educational programmes that teach about these markets and how to trade them.

"This is like the gold rush. If you're not in the crypto world right now, if you're not in the market – you know from Darwinism that the species that survives is not necessarily the strongest; it's the one that evolves and adapts – you need to adapt," says Priscilla Del Rayo Lopez, aged 27, of Guadalajara, Mexico. She has been investing in FX and cryptocurrencies for at least two years.

But experts say the dearth of financial education among individuals about those markets remains a problem. In an effort to address it, some currency specialist like Jorge Gonzalez has created a training school geared toward individuals, called Entendiendo Forex.

“ We have a problem of financial education. I want my kids to know how to trade in any market, like Brazil or the US

Jorge Gonzalez, Entendiendo Forex

Gonzalez works for a currency specialist bank in Mexico. His near 20 years of experience in the market has resulted in individuals and companies referring friends or employees to his school for training.

"We have a problem of financial education. I want my kids to know how to trade in any market, like Brazil or the US," says Gonzalez, founder and director of

Entendiendo Forex. “A lot of people just earn money, drop it in the checking account, and they don’t even know what inflation is. They just know how much they need to pay to the credit card every month. We need to change the way the people think.”

Gerardo Eggleton, a 25-year-old man from Ciudad Valles in San Luis Potosi, was referred to Entendiendo by a colleague who wanted to offer him a job. Eggleton graduated from the Monterrey Institute of Technology and High Education with an industrial engineering degree, but now he is a treasurer at Escala Capital, a financial institution in Mexico, which gives loans to enterprises in various currencies. He hopes to be able to trade himself one day.

“It was different for me taking the course. Now I am working in the financial industry. I am in charge of buying dollars and selling dollars,” he tells *FX Week* by telephone. “For me, [the course] helped a lot. I went to try that because I know someone.”

You can lose everything

Demand for training from individuals has pushed Gonzalez to develop online courses, which he is in the process of finalising and expects to launch shortly at a cost of MXN 17,000 (a little more than \$800). For individuals who successfully pass the programme and wish to begin trading on their own, he acts as an introducing broker, recommending online providers such as FxPro, Swissquote and XTB.

Gonzalez does not mince words when it comes to the risks associated with the market. “If you are trying to invest \$100, this course is not for you. But if you’re trying to invest \$10,000 or \$100,000, this course may be for you because you can lose everything,” he tells *FX Week*.

About 40% of Mexico’s approximately 120 million people are aged between 15 and 39, according to government statistics. With the median age at 27.5 years, not everyone is sitting on \$10,000 or more that they can readily invest in trading on currency markets.

“ We started in the US just with equities, and as soon as we added forex to the programme, which was about two years ago, Mexico exploded

Annette Raynor, Kuvera

Those who hope to execute on a smaller scale are turning to providers such as Kuvera Global, a Utah-based education and research firm with an entity in Mexico, which is looking to expand to Colombia. Earlier this year, Wealth Generators, a provider of financial technology, education and research to individuals, rebranded as Kuvera and is now under the umbrella of a publicly owned company called Investview.

Under the motto ‘Find, Grow, Keep’, Kuvera tries to teach its participants how to get out of debt while educating them about markets such as equities, FX and cryptocurrencies. Courses cost \$199 a month. Kuvera does not act as an introducing broker.

“We started in the US just with equities, and as soon as we added forex to the programme, which was about two years ago, Mexico exploded. Right behind Mexico was the European Union. And so it became extremely clear to me that the opportunity for this, or the demand, was much greater beyond the border,” says Annette Raynor, the 54-year-old New Jersey-based founder and chief operating officer of Kuvera.

“We had about a solid base of 3,000 members in the US. Mexico was able to match that in six months. Not everyone stays with the programme, but whether they stay one month, two months or three months, they can never unlearn what they discovered with us,” she says.

A Trump hedge

Raynor says the combination of a low barrier to entry and technological progress is helping to increase demand from young people for the currency markets. Furthermore, millennials are showing a willingness to hustle, become their own bosses and manage their money as they see fit.

“There’s no other trading market that has such a low cost of entry – for you to be able to have as little as \$50 and be trading in the market,” Raynor says.

“Connectivity and the ability to deliver information quickly in real time changes the dynamic of delivering this type of education, and making it available to everyone.”

The risk of trading in volatile markets, such as FX and virtual currencies, is somewhat amplified in Mexico because it is not supported by legislation. Oanda’s Esparza explains that, compared to the US, regulators in Mexico have taken themselves out of the equation, essentially passing on the full risk to the investor.

“That leaves the forex industry in Mexico in a bit of a grey area. It is not illegal, but it is also not backed by [any] sort of legislation or even regulated,” Esparza says.

“What a lot of investors have done is they seek out brokers who operate in heavily regulated countries, so brokers in the US, Europe and around the world, and whatever they feel is the best regulator or who offers the product mix.”

And because local regulators do not keep track of which brokers register or are operating in Mexico, it is hard to estimate the size of the retail space there, he says. “It’s more sort of IB operations or education, or even sales offices, that are the ones that have a presence. But there’s no big association or anything like that.”

“Everybody is doing something with their phones. The difference between us and them is that we use them in a productive way. Embrace the evolution. Embrace the market

Priscilla Del Rayo Lopez

“In Mexico, FX is really big just because it’s part of commerce. The size of Mexican exports is huge, so from corporates there has always been a lot of interest. But that also means there are individuals who work in those treasury departments who sort of get the type of information that prices are moving, and then retail forex offers an opportunity for them to sort of make investments based on that knowledge,” Esparza adds.

Others are simply drawn to the peso's volatility, especially in light of the ongoing contentious border dispute and trade war between the US and Mexico. Currencies are a way to bet on political outcomes.

"It became sort of a Trump hedge currency, so it moves against Trump. That has attracted some interest around the world, not just from Mexicans. Of course, living on the ground they get a lot of first-hand information and a lot of interesting topics they follow, like Nafta negotiations," Esparza says. "This year, in particular, just because of presidential elections this summer, expect the volatility is high. That means there's going to be opportunities for people who want to go long or short, depending on their estimates."

Data from the Bank for International Settlements shows that more than \$5 trillion was traded in the FX markets in 2016 – the most recent figures available. The Mexican peso was the 11th most-traded currency that year, with the USD/MXN pair trading a daily average of \$90 billion.

Meanwhile, the total market capitalisation for all cryptocurrencies in circulation is an estimated \$337 billion, according to data provider Coin Market Cap, with bitcoin, ethereum, ripple and bitcoin cash rounding out the top four.

"It's not a matter of if you want this market or you don't want this market. This is a matter of they're here, they are happening and they are here to stay. So, be a player in the game and learn that you have a money-making machine in your hand every day," Lopez says, alluding to her mobile device. "Everybody is doing something with their phones. The difference between us and them is that we use them in a productive way. Embrace the evolution. Embrace the market. Embrace everything that is happening because it's here to stay, whether you like it or not."

Building a movement

If currencies and digital coins are like the gold rush, then education programme providers such as Entendiendo and Kuvera may have found the next wave of newcomers. Little by little, they are coming down with a case of gold fever.

But breaking into the Mexican and Latin American markets, and at least gaining local trust, is not easy when you do not speak the language. To overcome such

obstacles, Kuvera has learned to depend on one of the oldest marketing tactics – word of mouth.

For the past two years, the company has aligned itself with Lopez and her group of friends, known as the Evo Movement. They have been on a campaign to encourage their peers to not only embrace the change happening in financial markets, but to evolve their mentality towards it, as well as how they make money.

By Lopez's best guess, Evo is nearly 10,000 members strong, the majority in Mexico. Others are scattered around Latin America – the biggest market for Kuvera. Such a wide group gives the firm the ability to network-market its courses. It is also a way for those members who believe in the programme to make some extra cash that they can use to trade on the signals they receive from Kuvera.

“We have come to understand that we're in the information era. People are coming to realise that you have a money-making machine in your hands because the information is out there,” Lopez says. “I think now what people are realising is that if you educate yourself about these couple of financial things, like the crypto market, you can become very profitable.”

Scepticism and competition

Still, there are sceptics and competition abounds, whether each provider knows it or not.

Andre Rodriguez, a 17-year-old high-school student in Monterrey learned of Kuvera through friends. At the time, he wanted to make some extra money and was intrigued that a company would send signals of when to buy and sell currencies.

“I wanted to start learning the basics and hopefully get some extra cash. I want to make my career in finance, so might as well start from now,” Andre tells *FX Week*, adding that he was encouraged by Kuvera having a local presence.

“ Having experience in forex and other areas when you're going to be a financier not only makes

you money you can spend with your friends, but gives you experience as well

Andre Rodriguez

But, before approaching Kuvera, Andre – who is too young to become a member of the firm because he is not 18 – approached his father, Alejandro, a 47-year-old wealth manager, for advice. Alejandro referred his son to Entendiendo instead, because he did not want him to engage the market too quickly. Moreover, compared to Gonzalez's Entendiendo, which has been around since 2013, Kuvera is the new kid on the block.

“Having experience in forex and other areas when you're going to be a financier not only makes you money you can spend with your friends, but gives you experience as well,” says Andre. “Monterrey and Guadalajara are very big cities that require a lot of experience for good jobs. It's what mainly attracts us to the[se] systems and to learn about these things.”

If Andre passes the programme at Entendiendo and decides that he still wants to trade currencies, Alejandro says he stands ready to help. “For me, it's wonderful,” he says. “I like that he wants to try to learn, and try to get some money in the financial markets.”

Copyright Infopro Digital Limited 2017. All rights reserved.

You may share using our article tools. Printing this article is for the sole use of the Authorised User (named subscriber), as outlined in our terms and conditions - <https://www.infopro-insight.com/terms-conditions/insight-subscriptions/>