Crypto Arbitrage: A low risk, high yield investment opportunity

CRYPTOCURRENCY is a hot topic in the modern financial sector, but there's still a veil of misunderstanding that shrouds what it is, how it works and what its investment opportunities are. With the volatility and high-risk associated with cryptocurrency, it's understandable that modern investors are nervous to make it commonplace in their investment portfolios.

There is, however, a low risk trading strategy which allows individuals to profit off of inefficiencies in the crypto space without being exposed to the associated cryptocurrency risks. Crypto arbitrage is the process of buying cryptocurrency (most commonly Bitcoin) on an offshore exchange, immediately transferring it to a South African exchange and selling locally at a profit. This is possible because Bitcoin typically trades at a 2 - 4% premium in South Africa relative to abroad – like the US.

"With Bitcoin arbitrage you're not directly investing in Bitcoin, but rather capitalising on inefficiencies that exist in the local market," says Josh Kotlowitz, Chief Technical Officer at Future Forex. "These inefficiencies exist because of South African capital controls which limit the flow of funds across South African borders."

In 2017 Future Forex founders, Harry (CEO) and Josh, discovered this arbitrage opportunity in the Bitcoin space. Motivated by their shared client-centric values, and empowered by their combined knowledge and complementary actuarial and engineering skill sets, they set out to remove the technical barriers associated with investing in Bitcoin arbitrage. And so, Future Forex was founded with the aim of making the same low-risk, high-yield returns easily accessible to discerning South African investors.

Thousands of hours of development, research, experimentation, and meetings with compliance and legal experts allowed Future Forex to develop a streamlined service that leverages their proprietary software and hands-on relationship management team to facilitate the entire investment process. While they have optimised this to minimise the overall risk in their arbitrage process, there is still risk involved – albeit very low.

Through the use of tracking software and data-driven insights, Future Forex determines the best time to initiate the arbitrage trades for clients. But processing times for Bitcoin means that client funds are temporarily exposed to Bitcoin fluctuations, resulting in the possibility of reduced returns or even losses.

A second risk-factor that needs to be considered is the fluctuation of the US Dollar to Rand exchange rate when funds are sent abroad to purchase Bitcoin. If there is a major exchange rate fluctuation on the day which funds are sent abroad, then the trade will be exposed to reduced returns or losses. For example, if the Rand significantly strengthens against the Dollar. Apart from these very minimal trading risks, there is a limitation to investing in crypto arbitrage under current regulatory conditions. The arbitrage makes use of an individual's foreign exchange allowance and is therefore limited to a maximum expected return of ~R200,000 over the calendar year.

Overall, the chances of making a loss off an arbitrage trade are extremely low. Future Forex has processed over R300 million worth of trades and boasts a 99% profitable trade track record while maintaining 100% client profitability due to Bitcoin and US Dollar/Rand fluctuations balancing out over multiple trades.

Future Forex has been able to help hundreds of customers generate exceptional profits from this market inefficiency which doesn't seem to be disappearing anytime soon.

Become a client or find out more about how Future Forex consistently generates exceptional returns at https://www.futureforex.co.za

Redefining insurance

COVID-19 has prompted great changes in society and business. Insurers must take this opportunity to re-imagine how they serve their clients, and ensure they continue to prosper.

By Jason Mellow, Head of MiWay Business Insurance

THE insurance industry has been in a state of disruption for the past few years as agile new fintech companies enter the sector and disturb long-standing business models. But it's safe to say that COVID-19 has been an even more profound disruptor because it has changed the way businesses see risk and shown just how rapidly firm ground turns to jelly.

SMEs, long recognised as the vital engine of growth and South Africa's best chance of creating inclusive economic growth, have arguably borne the brunt of the pandemic and the wide-ranging measures taken to curb it. The insurance industry's imperative to change how it approaches its clients is nowhere more important when it comes to these businesses.

Insurers have traditionally seen their role as basically confined to helping their clients recover from loss. Over the past several years, more innovative companies realised that clients were looking for a more proactive approach, and began piloting ways to help clients avoid losses, primarily by helping them to understand the particular risk landscape they must confront, and what mitigation measures they need to take. This kind of approach has subtly been altering the dynamics of the insurer/ client relationship – insurers have to become more informed about the nuances of their clients' businesses in order to provide this kind of help. I believe that this trend will strengthen as SMEs regroup and the economy returns to normal.

At this point, it's worth reminding ourselves that insurance is built on the legal concept of uberrima fides, utmost good faith. Trust is obviously crucial to a long-lasting relationship between the insurer and insured, and one way for insurers to build this is to show a commitment not only to understanding their clients' businesses but to developing the products and services they need, and at the right price. In so doing, one might add, insurers will go a long way towards repositioning themselves less as commodity providers (where price is the deciding factor) to true service providers or business partners.

Here are some of the factors that are shaping these trends in the insurance industry:

Better products. The risk landscape has become far more volatile as the world has globalised and digitalised. Insurers need to be much more active in developing new products in line with where business is going. A good example is the fact that digital businesses need proper advice and protection against system outages. Compliance risk relating to data privacy is also another key area.

Promote understanding of products. SMEs are often short of resources, both in terms of money and talent – a surprising number simply don't have the time or skills to understand the cover they have in depth. This gap between what is assumed to be covered and what is actually covered is a significant contributor to the negative perception of insurance companies. Helping clients align their risks and cover is a great builder of trust.

Expand the service offering. One way of positioning the insurer as a true business partner is for it to offer value-added services that are not directly related to risk identification or management, but that contribute to the business's viability. Innovative insurers have already begun to construct such offers, often in partnership with the third-party supplier. Examples include offering financial, legal and labour advice, office emergency assistance and an IT help desk. Basic marketing services (such as setting up Facebook and Web pages, and a direct e-mail marketing campaign), as well as a telephonic concierge-type service for procuring goods and services, arranging bookings and making calls. In the current circumstances, guidance about how to apply for COVID-19 relief is an obvious service.

Jason Mellow.

A final point is that in order to respond to new market imperatives, insurers are also going to have to collaborate more widely with other members of the financial services – and other – value chains. In particular, brokers, with their intimate knowledge of their clients' businesses look like natural allies for insurers and could really be coming into their own.

Six common financial mistakes to avoid in your retirement years

RETIREMENT is of one of the greatest age milestones and financial transitions one can achieve after many years of employment service or of running their own business.

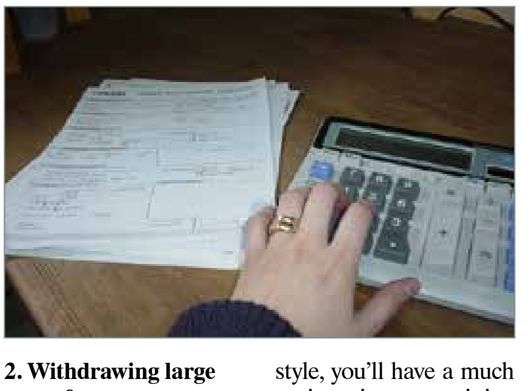
Himal Parbhoo, FNB CEO of Cash Investments says, "When entering retirement, you are shifting to measured spending and retirees need to have a clear game plan in mind on how they will manage their money and stretch it till the end. Even though many have planned and saved for years, entering retirement is not a time to set autopilot on your finances, but a time to understand your finances and develop a personal relationship with your money".

Parbhoo shares six common mistakes retirees make during their golden years:

1. Overspending in retirement

Many retirees start by pursuing all the things they didn't get to do while working such as traveling, picking up a new hobby or renovating their homes. Retirees underestimate the amount of money they'll spend in those first few years of retirement.

To avoid this mistake, create a detailed but realistic budget and stick to it. Be sure to work with your financial advisor to find a withdrawal rate that will stretch your money for as long as possible.



2. Withdrawing large sum of money

Withdrawing large sums of money from your pension can put your portfolio in jeopardy of running dry. If you withdraw large amounts of money frequently, you may suddenly need to make major changes in your lifestyle and spending just to get by. On the contrary, if you start out with a modest retirement lifestyle, you'll have a much easier time sustaining it without the need for drastic cutbacks.

3. Investing in high risk investment solutions

Retirees need to consider their risk profile when looking at suitable investments post retirement. Unfortunately, time is limited to make up capital losses should they occur in high risk investments. Investing in a diverse range of medium to low risk investments is the key to success when looking to grow wealth sustainably into your golden years. Having a basket of asset classes that move in different directions to each other is one way to shelter wealth against market volatility. Retirees should look to spread risk through a well-balanced and diversified portfolio of assets.

4. Falling prey of scams

Retirees unfortunately are amongst the most targeted for scams. Fraudsters are always on the prowl, eagerly waiting and looking for ways to scam retirees of their pension pay out and contributions. Always know who you are dealing with, sometimes people claiming to be phoning from the bank might not be from the bank. For instance, FNB will never ask you to share your username, password or OTP (one-time pin).

5. Cashing out pension too soon

South Africans can retire from as early as 55, 60 or 65. However, the biggest drawback to an early pension is that it will reduce the amount of money you receive each month. At the age of 65, when others are enjoying a higher monthly pay-out, you may regret the decision to start taking payments early especially if you did not save enough. It is essential to talk to a financial planner to help you break down how much you'll get each month if you take your pension now versus waiting till you are 65.

6. Misconception about paying tax

Most forms of retirement income are taxable. Many retirees are of the impression that their money does not get taxed when they retire leading them to withdraw large sums of money frequently. Speak with a financial planner or tax advisor about creating a tax-efficient distribution strategy for retirement. This professional will look at your tax bracket, retirement accounts, tax free accounts, and pension funds to help you withdraw money in the most tax-efficient way.