

Foreign Currency Exchange

What are currency ETFs?

Currency ETFs (exchange-traded funds) may track a single currency or a basket of currencies.

The simplest currency ETFs are backed by bank deposits in a foreign currency. However, there are also more complex currency ETFs that purchase currency derivatives (primarily forward and swap contracts, which are agreements to exchange an asset at a predetermined date) to achieve foreign currency exposure.

5 Best Currency ETFs Of November 2023

Forbes ADVISOR

Invesco DB US Dollar Index Bullish Fund (UUP)



Expense Ratio

0.75%

1-Year Annual Return

2.51%

3-Year Avg. Ann.
Return

6.39%

[Why We Picked It](#)

WisdomTree Bloomberg U.S. Dollar Bullish Fund (USDU)



Expense Ratio

0.50%

1-Year Annual Return

1.99%

3-Year Avg. Ann.
Return

4.98%

[Why We Picked It](#)

Invesco CurrencyShares Japanese Yen Trust (FXJ)



Expense Ratio

0.40%

1-Year Annual Return

-2.99%

3-Year Avg. Annual
Return

-11.82%

Invesco CurrencyShares Euro Trust (FXE)



Expense Ratio

1-Year Annual Return

3-Year Avg. Annual
Return

0.40%

7.23%

-3.86%

[Why We Picked It](#)

ProShares Bitcoin Strategy ETF (BITO)



Expense Ratio

1-Year Annual Return

Avg. Ann. Return Since
Inception (October 2021)

0.95%

58.23%

-37.03%

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Methodology

The world of currency ETFs is very small, with only 16 funds available. Of those, five are bitcoin funds. Among the 11 non-crypto funds, only ones that were long the U.S. dollar have seen positive returns recently, due to the enduring strength of the greenback versus global currencies.

Currency investors need to understand the concepts of “long” and “short” positions. Long means buying and holding an asset outright. It’s an appropriate strategy when you believe an asset will rise in value.

Short means borrowing an asset, in exchange for a modest fee, and then selling the asset. Short sellers believe that their target asset will decline in value, so that the investor can buy it back later at a lower price, and thereby make a profit.

For this list, we selected the five largest currency ETFs by assets under management. It includes two long dollar funds: The Invesco UUP is long the U.S. dollar and short a basket of G10 countries, while the WisdomTree USDU is long the U.S. dollar and short a smaller basket of global currencies. These were the only currency ETFs with positive three and five year performance.

The remaining three funds—a Bitcoin fund, a long euro fund and a long yen ETF—have seen losses recently thanks to dollar strength. Should the current trends reverse, they could be poised to profit.