Foreign Exchange Hedging Strategies At General Motors

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Foreign Exchange Hedging Strategies At General Motors ***2023-05-07***

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Corporate Foreign Exchange Risk Management John Wiley & Sons Domestic-currency invoicing and hedging allow internationally active firms to reduce their exposure to exchange rate variations. This paper discusses exchange rate exposure in terms of transaction risk (the risk of variations of the value of committed future cash flows), translation risk (the risk of variations of the value of assets and liabilities denominated in foreign currency) and broader economic risk (which takes into account the impact of exchange rate variations on competitiveness). The paper argues that domestic-currency invoicing and hedging with exchange rate derivatives allow a fairly straightforward management of transaction and translation risk and discusses under which circumstances their use is optimal. Economic risk is by its very nature harder to manage, but the paper argues that natural hedging provides possibilities for doing so. The discussion of management techniques for exchange rate exposure is complemented with an analysis of their actual use. This draws on data on the invoicing currencies of euro-area exports and on previous empirical work on hedging, which has, however, focussed largely on firms in the US and a small number of EU Member States. A novelty of this paper is a survey of actual hedging strategies and techniques of large corporations from a euro-area perspective. The paper finds that euro-area exporters have instruments at hand to limit the adverse impact of euro appreciation and that they make ample use of them.
The Use of Hedging Strategies by Non-financial Corporations to Offset Foreign Exchange Risk Exposure Irwin Professional Publishing Inhaltsangabe:Abstract: The paper deals with foreign currency translation under IAS/IFRS considering hedging strategies that help to

minimize foreign currency exposures. It is broadly described, which currency exposures companies face, which basic hedging strategies exist and how they are accounted for in consolidated financial statements of international groups. After the foreign currency exposures are introduced and basic hedging strategies for each of these exposures are provided, the procedure of foreign currency translations according to IAS 21 (revised 2003) is introduced. The paper deals with the translation of transactions denominated in currencies other than the company s home currency as well as with the inclusion of foreign subsidiaries in the consolidated financial statements. Therefore, various examples are provided. As the topic of the thesis is foreign currency hedging, a closer look is taken on IAS 39 (revised 2003) which includes introduction of the three kinds of hedging and their accounting as required by IAS 39. Especially the links between IAS 21 and IAS 39 are pointed out and analyzed. Also the section dealing with IAS 39 provides various examples that make the reader understand the accounting and consolidation procedures. At the end, exposure drafts of the IASB dealing with IAS 39 are introduced and the possible effects are briefly mentioned. This paper also includes a case study, based on the example of a big Chilean incorporated Company. This case study provides the problems and possible solutions of foreign currency risks a real company faces as well as the related accounting issues. Furthermore, the case study shows, how foreign currency hedges are accounted for using other accounting principles (here Chilean GAAP) and which steps have to be taken to perform a reconciliation from Chilean GAAP to IFRS. As the thesis has been presented at a German university, all questions and important points are seen from both, a theoretic view and a practical view. It provides the reader a comprehensive knowledge of currency translation and hedge accounting and makes him able to understand where these two topics are linked and which problems related to this topic companies face when preparing (consolidated) financial statements under IFRS. Inhaltsverzeichnis:Table of Contents: AcknowledgementsI AbbreviationsV List of TablesVII 1.ntroduction1 2.Management of Foreign Currency Risks5 2.1Currency Exposures5 2.1.1General [...]

The International Diversification of Bond Portfolios John Wiley & Sons

This book describes one of the first applications of management science to the field of international finance: the development of an operational technique to determine international financing and hedging strategies.

Foreign Currency Hedging John Wiley & Sons

A practical and accessible guide that demystifies ForEx risk for managers in all areas of business Virtually any organisation active in the global economy is impacted by fluctuations in foreign exchange (FX or ForEx) markets. Managers need to understand this increasingly complex issue and measure their firm’s exposure to risk. Corporate Foreign Exchange Risk Management is an in-depth yet accessible guide on effective ForEx exposure management. Designed for professionals responsible for managing a profit & loss or balance sheet influenced by ForEx fluctuations, it enables risk managers to navigate the interconnected worlds of financial management and economics. This innovative guide integrates academic discussion of the economics of risk management decisions and pragmatic advice for various situations in which performance measures affected by accounting standards are paid considerable attention. Readers are provided with the tools and knowledge required to handle a broad range of issues related to ForEx risk management. Clear, non-technical chapters demystify concepts that often appear complicated and confusing to managers. Written by globally-recognised experts in corporate finance, risk management and international business, this book: Employs a reader-friendly narrative style to explain complex concepts Provides a clear, actionable risk management strategy which can be used in a variety of businesses Places all concepts in relatable, real-world contexts Explains important academic research to practitioners in plain English Includes effective pedagogical tools and explanations, straightforward examples and end-of-chapter summaries which highlight key points Corporate Foreign Exchange Risk Management is a must-read for any manager who deals with corporate exposure to ForEx risk, as well as analysts wishing to better understand the relation between corporate performance and ForEx fluctuations and students of corporate risk management.

Foreign Exchange Hedging with Synthetic Options and the Interest Rate Defense of a Fixed Exchange Rate Regime International Monetary Fund

The IMF Working Papers series is designed to make IMF staff research available to a wide audience. Almost 300 Working Papers are released each year, covering a wide range of theoretical and analytical topics, including balance of payments, monetary and fiscal issues, global liquidity, and national and international economic developments.

Hedging Foreign Exchange Risk with Portfolio Insurance Strategies GRIN Verlag

Foreign currency hedging provides certainty of cash flow, because it reduces the risk associated with the volatility of currency exchange rate. The hedging has become important element in these last months, given the strong volatility that is undergoing the euro against the dollar, as consequence of the severe financial crisis which is affecting Europe. On this basis, the main objective of the paper is to give an analysis of the principal instruments that firm can use in its strategies of currency hedging, highlighting the most important elements in choosing the hedging policy. Indeed, the managers choose the hedging policies, considering on the characteristics of cash flow exposed to currency risk and given their forecast on the exchange. It is aid that, the paper examines the different effects that the hedging instruments may determine on a given numeral example of firm exposed to foreign exchange risk. In order to demonstrate that, the optimization of the hedging strategies depends on the ability of managers to forecast the future trend of the exchange rate and to adapt the most appropriate hedging instruments to these forecasts.

International Equity Investment with Selective Hedging Strategies Ifr Publishing

This is an expanded and enhanced edition of the popular Managing Foreign Exchange Risk which first appeared in 1990. Students of finance, traders, institutional investors and corporate treasurers commend the book for its even balance between theory and applications. Practitioners praise its clear explanation of currency derivatives theory. Students of finance appreciate that the book is infused with actual foreign exchange market conventions and real-world numerical examples. This second edition has been greatly expanded with materials on the mechanics of the foreign exchange and options markets. The sections on the international monetary system have been updated, especially with respect to the European monetary system. New sections have been added on exotic currency options, specifically on barriers, average rate, basket and quantos options. There are two new chapters, one on currency option applications and another on currency overlay management.

Exchange Hedging Strategies at General Motors FT Press

How can a multinational firm analyze and manage currency risks that arise from competitive exposures? General Motors has a substantial competitive exposure to the Japanese yen. Although the risks GM faces from the depreciating yen are widely acknowledged, the company's corporate hedging policy does not provide any guidelines on managing such competitive exposures. Eric Feldstein, treasurer and vice-president of finance, has to quantify GM's yen exposure and recommend a way for GM to manage the risks that arise from its competitive exposure. Students must analyze the impact of a yen depreciation on GM sales and profits.

Corporate Hedging Strategies in the Foreign Exchange Forward Markets Springer

This dissertation examines the use of portfolio insurance strategies to manage foreign exchange risk faced by investors domiciled in the United States. The investors manage their foreign exchange exposure by purchasing foreign exchange traded options in the futures market, the spot market, or in both markets. Option investment has been analyzed in the domestic stock option literature as part of portfolio insurance strategies. These portfolio insurance strategies examine the impact on the payoff pattern of adding options to a well-diversified portfolio of stock. The addition of foreign exchange call options to a portfolio that contains only the domestic riskless asset adds limited foreign exchange risk. Alternatively, the addition of foreign exchange put options to a foreign exchange holding limits foreign exchange risk. The degree of foreign exchange risk added depends on the relative quantities and terms of the assets and the options in the portfolio. This dissertation examines several hypotheses about the value of three alternative portfolio insurance strategies implemented in the spot market and in the futures market. This research addresses the following research question: which portfolio insurance method is optimal for an investor? The question is examined by testing hypotheses using paired historical returns. The returns are calculated using traded fiduciary calls, traded protective puts, and dynamic replication of fiduciary calls in the spot market and in the futures market. The tests of the hypotheses indicate that the mean returns for strategies in the spot market are greater than mean returns for strategies in the futures market for premium fiduciary calls and discount protective puts, but that futures protective put mean returns are greater than spot protective put mean returns for discount currencies. The fiduciary call strategy has greater mean returns than the protective put strategy in the spot market for premium currencies but the spot protective put strategy has greater mean returns for the discount currency ...

Protecting Shareholder Value John Wiley & Sons

Written from the practitioner's point-of-view, this book provides a comprehensive treatment of financial market risk exposure & its impact on the value of the firm. Readers will find detailed, practical guidance on wide range of related subjects including the currency, eurocurrency, & bond markets, defining & quantifying risk exposures, hedging instruments & operational issues. George offers corporate finance professional: Tools to estimate risk exposure; Considerations in making hedging decisions & tactics for implementation; Guidelines for implementing a comprehensive exposure management program, including performance & evaluation standards.

FX Option Performance

Routledge

Get the little known – yet crucial – facts about FX options Daily turnover in FX options is an estimated U.S. $ 207 billion, but many fundamental facts about this huge and liquid market are generally unknown. FX Option Performance provides the information practitioners need to be more effective in the market, with detailed, specific guidance. This book is a unique and practical guide to option trading, with the courage to report how much these contracts have really made or lost. Breaking free from the typical focus on theories and generalities, this book gets specific – travelling back in history to show exactly how options performed in different markets and thereby helping investors and hedgers alike make more informed decisions. Not overly technical, the rigorous approach remains accessible to anyone with an interest in the area, showing investors where to look for value and helping corporations hedge their FX exposures. FX Option Performance begins with a quick and practical introduction to the FX option market, then provides specific advice toward structures, performance, rate fluctuation, and trading strategies. Examine the historical payoffs to the most popular and liquidly traded options Learn which options are overvalued and which are undervalued Discover surprising, generally unpublished facts about emerging markets Examine systemic option

trading strategies to find what works and what doesn't On average, do options result in profit, loss, or breaking even? How can corporations more cost-effectively hedge their exposure to emerging markets? Are cheap out-of-the-money options worth it?
FX Hedge Strategies Cambridge, Mass. : M.I.T. Press
The volatility in foreign exchange risk is influenced by change in economic performance of various economies in terms of their GDP, inflation rate, fiscal deficit, employment rate, position in world trade etc. The business firms having international operations are directly affected by change in currency exchange rate. The currency risk or Forex risk is understood as possible loss to payment of international transactions due to unfavorable exchange rates. Ideally, companies of all sizes (small, medium and big) are equally affected by Forex rate fluctuations. But there is diversity in this opinion too. Likewise, Yeo and Lai (2004) stated in their research that SMEs having international exposure are more exposed to foreign exchange risk in comparison to large sized firms. While Doidge, Griffin, & Williamson argued that the Forex risk exposure of SMEs is less in comparison to large firms. The Forex risk exposure may vary from country to country and also vary for specific types of firms, i.e., small, medium and large.
Hedging Strategies in Indian SMEs and Non-Financial Firms John Wiley & Sons
The definitive, practical guide to sound currency risk management.
Hedging Currency Exposures Global Professional Publishi
The study empirically investigates the strategic foreign exchange risk management practice by Danish medium-sized non-financial, not-listed companies that are involved in international activities. The study focuses on the interaction between financial and operational hedges in the management of operating exposure and reveals significant company specific factors that explain the importance and application of the various hedging strategies.
Risk Management diplom.de
In the end-game of a fixed exchange rate regime, increases in interest rates to defend the currency may lead to an apparently perverse market response: further downward pressure on the exchange rate. This may result if a large proportion of investors` foreign exchange exposure is dynamically hedged. This paper describes the trading operations involved in implementing dynamic hedges and the impact of these operations on central bank policy. The success of an interest rate defense hinges on the size and timing of the funding operations of those who are being squeezed relative to those engaged in dynamic hedging.
Strategic Approaches to Foreign Exchange Risk Management LAP Lambert Academic Publishing
� Fully updated version of text formerly used for training by BPP � Diagrammatic representation of deal structures, pricing, and modeling � Full glossary of terms � International perspective, examples in US$ � Clear logical explanation of processes, markets, and products This manual explains the techniques for identifying and covering exposure to

adverse movements in foreign exchange rates. It provides practical examples of transaction, translation, and economic risk and shows how a hedging strategy can be arrived at. The hedging strategy will depend upon whether the attitude to risk is adverse, seeking, or neutral. This book examines these attitudes in turn and compares these hedging methods through worked examples. Also included is an analysis of accounting and tax implications. This expansive new range of risk management texts has undergone extensive re-writing to give each book in the series an international perspective. Each explains and analyses core aspects of risk assessment and management in a way invaluable to students and useful to practitioners. All of these titles adopt a practical and clear approach to their subject. All are fully updated versions of a series of books previously produced by training experts at BPP.

Managing Foreign Exchange Risk

This title provides a forum for the discussion surrounding the use of currency hedging for portfolio managment and examines the arguments for the different hedging techniques. The main arguments are outlined with contributions from both academics and practitioners. The evidence on the performance of various funds is examined in detail.

Handbook of Exchange Rates

This book provides an overview of Chinese RMB exchange markets and its risk management strategies. The view that RMB is playing an increasingly international role has been widely accepted by practitioners as well as scholars worldwide. Moreover, the Chinese government is opening the control of RMB exchange market step by step. However, some related topics are under heated debate, such as how to manage and warn of the currency crisis, what the trend of RMB exchange rate in the future is, and how to hedge the exchange risk in the process of RMB internationalization. In this book, we will give distinct answers to the above questions.

Foreign Exchange Exposure Management:A Portfolio Approach

The manual explains how to use some hedging strategies in a profitable way. It also contains concepts of statistics, moneymanagement and backtest.

Managing Foreign Exchange Risk in Pakistan

The study was conducted in order to disclose the Foreign Exchange (FX) rate risk faced by every importer company. The paper investigates FX risk hedging strategy using forwards versus floating strategy in terms of minimizing total importing costs. The study exposes real-life costs of hedging strategies using forwards comprising theoretical foundations as well as practical implementation example based on real company data. The main question to be answered in the paper is whether it is beneficial to hedge with FX forwards or it is better to float FX exposure.