LIBFBBAEIF01

Foreign Exchange Exposure and Management

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Course Description

The financial management of multinational enterprises (i.e., corporations with operations in more than one country whose business is conducted via branches, subsidiaries, or joint-ventures) is quite challenging, particularly in terms of currency risk. This course examines international corporate finance in terms of understanding foreign exchange markets and managing foreign exchange exposures.

Contents

1.

Foreign exchange (FX) markets and exchange rate determination help to understand the key players and their roles and influence on exchange rates as well as the key theories of how exchange rates are determined.

2.

International parity conditions are used to analyze how inflation affects FX rates and the implications from One Price theory for relative purchasing power parity for international companies.

3.

Identification of corporate FX risks to help understand the types of exposure (transaction, translation, and operating exposures) and to explore the strategies used by multinational enterprises to manage FX risks.

4.

Understand hedging techniques based on internal to external hedging methods and appreciate why corporations use different hedging strategies for their exposures.



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