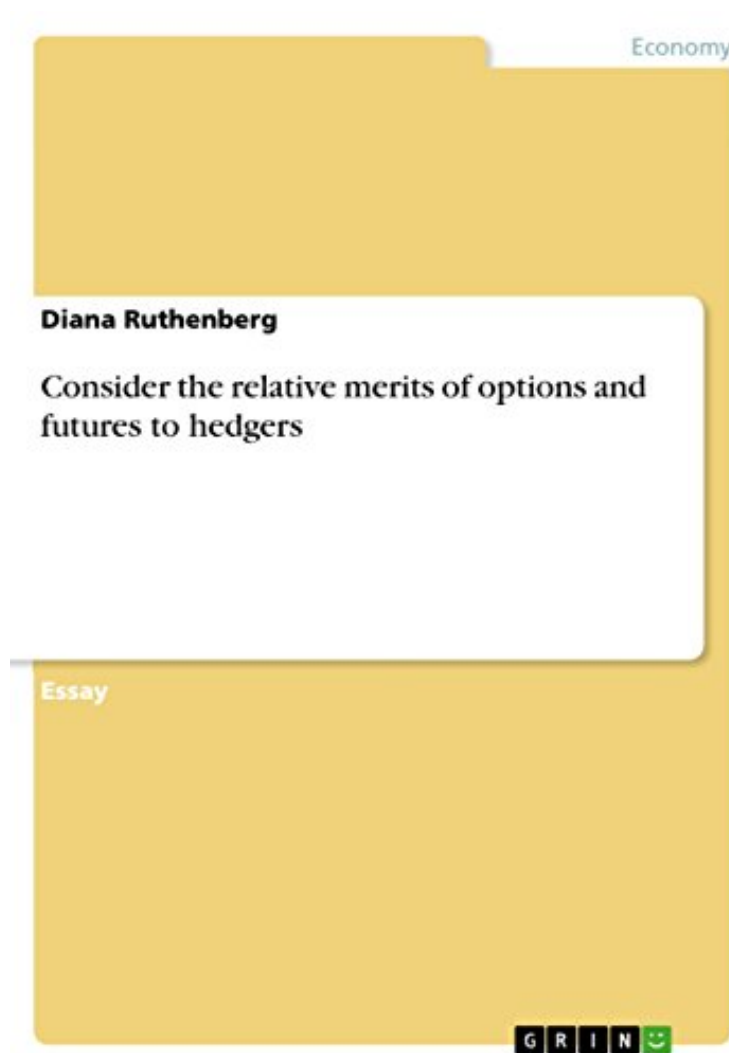


[PDF] Consider the relative merits of options and futures to hedgers

Consider the relative merits of options and futures to hedgers

Diana Ruthenberg

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Diana Ruthenberg : Consider the relative merits of options and futures to hedgers before purchasing it in order to gauge whether or not it would be worth my time, and all praised Consider the relative merits of options and futures to hedgers:

Essay from the year 2005 in the subject Business economics - Investment and Finance, grade: 1,7, University of Plymouth, course: Finance, language: English, abstract: Firstly, this report will depict briefly the notion of hedging and then emphasize the characteristics of a futures contract and an options contract. Then it aims to discuss the differences between both contracts and their role as an important risk management tool to remove risk. In the course of a globalised world, an increasing number of companies have trade partners not only on a national basis but also on an

international basis. This in turn has led to the fact that companies trading on an international basis have been concerned about fluctuations in all kinds of financial prices. Financial prices include foreign exchange rates, interest rates, commodity prices and equity prices, whereas the foreign exchange rate has become the biggest issue for many companies (Sooran, C., 2005). The effect of changes in these prices on reported earnings can be overwhelming, so that companies try to protect themselves against exchange rate fluctuations which entail exchange rate risk, by using options and futures