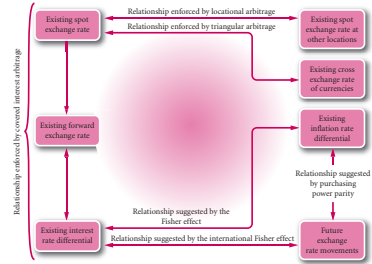


WALK THROUGH TOUR

PART II EXCHANGE RATE BEHAVIOUR

PART II (Chapters 6-8) focuses on the critical factors that affect exchange rates. Chapter 6 explains how governments can influence exchange rate movements and how such movements can affect economic conditions. Chapter 7 explores further the relationship between currency value and interest rates. Chapter 8 discusses prominent theories about the links between inflation, exchange rates and interest rates.



Part opening diagram A diagram at the beginning of each part illustrates how the key concepts relate to one another.

CHAPTER 6 EXCHANGE RATE HISTORY AND THE ROLE OF GOVERNMENTS

LEARNING OBJECTIVES

The specific objectives of this chapter are to:

- describe the exchange rate systems used by various governments;
- explain how governments can use direct intervention to influence exchange rates;
- explain how governments can use indirect intervention to influence exchange rates;
- explain how government intervention in the foreign exchange market can affect economic conditions; and,
- outline the history of government and intergovernmental organizations in the management of exchange rates.

The previous chapters have begun to explore the relationship between the economy and the exchange rate. Governments use the exchange rate as an economic policy instrument to affect the economy. Such policies can be determined directly by the government or indirectly through membership of the European Union or G8. Financial managers need to be able to appreciate the relationship between governments, intergovernmental organizations and the exchange rate policy to understand the stability in the financial areas and otherwise on the development of exchange rates. Informally by such a details, financial managers are then able to develop a policy on international finance relevant to their MNC. The complexities of exchange rate policy is illustrated by a brief history of notable events including the recent global financial crisis.

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Objectives These define what you can expect to achieve as you read the chapter and what will be assessed by the exercises and other assessments as the chapter proceeds.

CHAPTER 1 MULTINATIONAL FINANCIAL MANAGEMENT: AN OVERVIEW

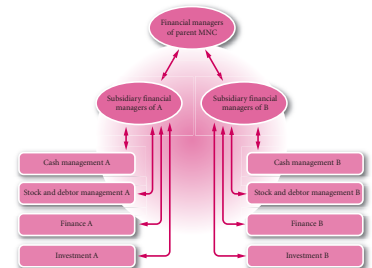
EXHIBIT 1.1

Financial management structures of MNCs

Centralized multinational financial management for subsidiaries A and B



Decentralized multinational financial management for subsidiaries A and B



Exhibits These give a visual representation of key concepts or data.

CHAPTER 9 FORECASTING EXCHANGE RATES

of the forecasts. Some forecasting services focus on technical forecasting, while others focus on fundamental forecasting.

USING THE WEB

Exchange rate forecasts

A portal for foreign exchange predictions by a range of world banks can be found at: <http://www.fxstreet.com/news/contingutoforecasts.asp?publicat1=cmesdy> the home site being <http://www.fxstreet.com>.

Forecasts are even provided for currencies that are not widely traded. Forecasting service firms provide forecasts on an currency for time horizons of interest to their clients, ranging from one day to ten years from now. In addition, some firms offer advice on international cash management, assessment of exposure to exchange rate risk, and hedging. Many of the firms provide their clients with forecasts and recommendations monthly, or even weekly, for an annual fee.

Performance of forecasting services

Given the recent volatility in foreign exchange markets, it is quite difficult to forecast currency values. One way for a corporation to determine whether a forecasting service is valuable is to compare the accuracy of its forecasts to that of publicly available and free forecasts. The forward rate serves as a benchmark for comparison here, since it is quoted in many newspapers and magazines.

Some studies have compared several forecasting services' forecasts for different currencies to the forward rate, and found that the forecasts provided by services are no better than using the forward rate. Such results are frustrating for the corporations that have paid substantial amounts for expert opinions.

Perhaps some corporate clients of these forecasting services believe the fee is justified even when the forecasting performance is poor, if other services (such as cash management) are included in the package. Alternatively, one may argue that the value of the services is not in necessarily being able to predict exchange rates on a day-to-day basis, but rather being able to anticipate high-risk situations and predict large changes in the exchange rate as with Black Wednesday 1992 in the UK, or the unpegging of the Argentine peso with the dollar in 2002 (see Chapter 6). It is also possible that a corporate treasurer, in recognition of the potential for error in forecasting exchange rates, may prefer to pay a forecasting service firm for its forecasts. Then the treasurer is not directly responsible for corporate problems that result from inaccurate currency forecasts. Not all MNCs use forecasting service firms to do their forecasting; some may have in-house economists, others may hedge as a matter of policy.

EVALUATION OF FORECAST PERFORMANCE

An MNC that forecasts exchange rates must monitor its performance over time to determine whether the forecasting procedure is satisfactory. For this purpose, a measurement of the forecast error is required. There are various ways to compute forecast errors. One popular measurement will be discussed here and is defined as follows:

$$\text{Absolute forecast error as a percentage of the realized value} = \frac{\text{Forecasted value} - \text{Realized value}}{\text{Realized value}}$$

The error is computed using an absolute value because this avoids a possible offsetting effect when determining the mean forecast error. If the forecast error is 0.05 in the first period and -0.05 in the second

Using the web Identifies websites that provide useful information related to key concepts.

SUMMARY

- **Locational arbitrage** may occur if foreign exchange quotations differ among banks. The act of locational arbitrage allows the foreign exchange quotations of banks to become regulated, and locational arbitrage will no longer be possible.
- **Triangular arbitrage** is related to cross exchange rates. A cross exchange rate between two currencies is determined by the values of these two currencies with respect to a third currency. If the actual cross exchange rate of these two currencies differs from the rate that should exist, triangular arbitrage is possible. The act of triangular arbitrage should force cross exchange rates to become regulated, at which time triangular arbitrage will no longer be possible.
- **Covered interest arbitrage** is based on the relationship between the forward rate premium and the interest rate differential. The size of the premium or discount exhibited by the forward rate of a currency should be about the same as the differential between the interest rates of the two countries of concern. In general terms, the forward

rate of the foreign currency will contain a discount (premium) if the interest rate is higher (lower) than the home interest rate. The forward premium should never exceed a substantial amount from the interest rate differential because that would imply a profit from covered interest rate arbitrage. In fact, this would be a riskless profit. Efficient markets should not allow a riskless profit to be made.

- **Interest rate parity (IRP)** is a theory that states that the size of the forward premium (or discount) on the spot rate should be equal to the interest rate differential between the two countries of concern. When IRP exists, the carry trade (based on one currency and lending in another and covering back at the prevailing spot rate of the end of the lending period) would not result in profits as any interest rate advantage in the foreign country will be offset by the discount on the prevailing spot rate in the future. However, profits could be made from the carry trade as IRP does not in general hold except in extreme circumstances.

that will remove any pricing discrepancy. If arbitrage did not occur, pricing discrepancies would become more pronounced. Consequently, firms and individuals who use the foreign exchange market would have to spend more time searching for the best exchange rate when trading in a currency. The market would become fragmented, and prices could differ substantially among banks in a region, or among regions. If the discrepancies became large enough, firms and individuals might even attempt to conduct arbitrage themselves. The arbitrage conducted by banks would tend to bring the market back to a state of equilibrium and which ensures that foreign exchange prices quoted by any institution are in line with the market.

With whom do you agree? State your reasons. Use IRP to search for arbitrage opportunities by your institution to access academic journals authorized by your institution. The information recommended by your institution is available in probably the best means of accessing relevant articles. Such articles often conduct statistical tests of some sophistication. It is the

CRITICAL DEBATE

Should arbitrage be more regulated?

Proposition: Yes. Large financial institutions have the technology to recognize when one participant in the foreign exchange market is trying to sell a currency for a higher price than another participant. They also recognize when the forward rate does not properly reflect the interest rate differential. They use arbitrage to capitalize on these situations, which results in large foreign exchange transactions. In some cases, their arbitrage involves taking large positions in a currency and then rearing about for a more regulated foreign exchange market and out of currencies can cause price adjustments of currencies and may result in a more regulated foreign exchange market. Regulations should be created that would force financial institutions to maintain their currency positions for at least one month. This would result in a more stable foreign exchange market.

Opposing view: No. When financial institutions engage in arbitrage, they create pressure on the price of a currency

that will remove any pricing discrepancy. If arbitrage did not occur, pricing discrepancies would become more pronounced. Consequently, firms and individuals who use the foreign exchange market would have to spend more time searching for the best exchange rate when trading in a currency. The market would become fragmented, and prices could differ substantially among banks in a region, or among regions. If the discrepancies became large enough, firms and individuals might even attempt to conduct arbitrage themselves. The arbitrage conducted by banks would tend to bring the market back to a state of equilibrium and which ensures that foreign exchange prices quoted by any institution are in line with the market.

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- **IRP exists.** It is not possible to benefit from covered interest arbitrage. Investors can still attempt to benefit from high foreign interest rates if they remain uncovered (do not sell the currency forward). But FE suggests that this strategy will not generate higher returns than what are possible domestically because the exchange rate is expected to decline, on average, by the amount of the interest rate differential.
- **IRP exists.** It is not possible to benefit from covered interest arbitrage. Investors can still attempt to benefit from high foreign interest rates if they remain uncovered (do not sell the currency forward). But FE suggests that this strategy will not generate higher returns than what are possible domestically because the exchange rate is expected to decline, on average, by the amount of the interest rate differential.

CRITICAL DEBATE

Does PPP eliminate concerns about long-term exchange rate risk?

Proposition: Yes. Studies have shown that exchange rate movements are related to inflation differentials in the long run. Based on PPP, the currency of a high-inflation country will depreciate against the home currency. A subsidiary in that country should generate virtual revenue from the inflation, which will offset the adverse exchange effects when its earnings are remitted to the parent. If a firm is focused on long-term performance, the deviations from PPP will offset over time. In some years, the exchange rate effects may exceed the inflation effects, and in other years the inflation effects will exceed the exchange effects.

Opposing view: No. Even if the relationship between inflation and exchange rate effects is consistent, it does not guarantee that the effects on the firm will be offsetting. A subsidiary in a high-inflation country will not necessarily

be able to adjust its price level to keep up with the increased costs of doing business there. The effects vary with each MNC's situation. Even if the subsidiary can raise its prices to match the rising costs, there are short-run deviations from PPP. The investors who invest in an MNC's stock may be concerned about short-term deviations from PPP because they will not necessarily reap the stock for the long term. Thus, investors may prefer that firms manage in a manner that reduces the volatility in their performance in short-run and long-run periods.

With whom do you agree? State your reasons. Examine the exchange rate policies of the major multinational corporations by referring to their annual reports. The Forbes list of major multinationals on the web is a good starting point. In particular, consult the reports of General Electric and Philips (France).

SELF-TEST

- Answers are provided in Appendix A at the back of the text.
- A UK importer of appliances can't compare payments paid for the appliances in yen. The importer is not concerned about a possible increase in Japanese prices (changed in yen) because of the likely offsetting effect caused by purchasing power parity (PPP). Explain what the means.
- Use what you know about tests of PPP to answer this question. Using the information in the first question, explain why the UK importer of appliances cannot compare payments should be concerned about its foreign payments.
- Use PPP to explain how the values of the composite of Eastern European countries might change if those countries experience high inflation, while the UK and the euro zone experience low inflation.

- Assume that the Canadian dollar's spot rate is 0.57 and that the Canadian and US inflation rates are similar. Then assume that Canada experiences 3% inflation, while the United Kingdom experiences 3% inflation. According to PPP, what will be the new value of the Canadian dollar after it adjusts to the inflation effects? Explain what the means.
- Assume that the Australian dollar's spot rate is 1.30 and that the Australian and UK one-year interest rates are initially 5%. Then assume that the Australian one-year interest rate increases by 5 percentage points, while the UK one-year interest rate remains unchanged. Using the information and the international Fisher effect (IFE) theory, forecast the spot rate for one-year ahead.

Summary Found at the end of each chapter, the summary offers a useful method of reviewing knowledge for exams by reminding students of what they have learned so far.

Critical debate A controversial topic is introduced, two opposing views are provided and students must decide which view they support and why.

Opposing view: MNCs should hedge. Foreign exchange variations are not really part of a business. Hedging its value is not in the interest of companies whose goal is to make profits through providing goods or services to both. It is also the duty of management to maintain steady profits so that shareholders who have to sell their shares, because they are faced with unexpected falls, do not have to do so when the company's price is low due to adverse currency conditions. Deferred payments

should also be kept as regular as possible for investors who want steady income. Large exchange rate losses could jeopardize such payments. Therefore, firms wishing to benefit from an arbitrage should take out future contracts instead.

With whom do you agree? Examine the arguments on both sides. How well do the points made support the case? Whom do you support and why?

SELF-TEST

- Answers are provided in Appendix A at the back of the text.
- Mentor plc, a UK firm, plans to use a money market hedge to hedge its payments of 2,000,000 Australian dollars for Australian goods in one year. The UK interest rate is 7%, while the Australian interest rate is 12%. The spot rate of the Australian dollar is 0.54, while the one-year forward rate is 0.544. Determine the amount of British pounds needed in one year if a money market hedge is used.
- Using the information in the previous question, would Mentor be better off hedging the payments with a money market hedge or with a forward hedge?
- Using the information about Mentor from the first question, explain the possible advantage of a currency option hedge over a money market hedge for Mentor. What is a possible disadvantage of the currency option hedge?

QUESTIONS AND APPLICATIONS

1 Consolidated exposures. Dairy Corp. estimates the following cash flows in 100 days of its subsidiaries as follows:

Net position in each currency measured in the parent's currency (in 100s of units)			
Subsidiary	Currency	Current	Future
A	USD	200	100
B	EUR	100	0
C	GBP	100	0

Determine the consolidated net exposures of the MNC to each currency.

2 Money market hedge on receivables. Assume that Tropical Fruit, an MNC, has net receivables of 100,000 Singapore dollars in 90 days. The spot rate of the US dollar is 0.20, and the Singapore interest rate is 2% over 90 days. Suggest how the UK firm could implement a money market hedge. Do this.

3 Money market hedge on payables. Assume that Belmont plc has net payables of 200,000 Mexican pesos in 180 days. The Mexican interest rate is 7% over 180 days, and the spot rate of the Mexican peso is 0.025. Suggest how the UK firm could implement a money market hedge. Do this.

4 Investing strategy. Assume that Global plc purchases stock in China that are denominated in Chinese pesos. It also sells goods denominated in

- US dollars. It usually generates about 20% of its total revenues. Compare the translation exposure of these two UK firms.

QUESTIONS AND APPLICATIONS

- Reducing economic exposure.** Barco plc is an UK-based MNC that obtains 10% of its supplies from US manufacturers. Of its revenues, 80% are due to exports to the US, where its product is sold in dollars. Explain how Barco can attempt to reduce its economic exposure to exchange rate fluctuations in the dollar.
- Reducing economic exposure.** UVA is a UK-based MNC that obtains 40% of its foreign supplies from Thailand. It also receives Thailand's currency (the baht) from Thai banks and converts the baht to pounds to support UK operations. It currently receives about 10% of its revenue from Thai customers. Its sales to Thai customers are denominated in baht. Explain how UVA can reduce its economic exposure to exchange rate fluctuations.
- Reducing economic exposure.** Wright is a UK-based MNC that has a large government contract with Australia. The contract will continue for several years and generates more than half of Albany's total sales volume. The Australian government uses Albany in Australian dollars. About 10% of Albany's operating expenses are in Australian dollars at other operations are in pounds. Explain how Wright can reduce its economic exposure to exchange rate fluctuations.
- Tradeoffs when reducing economic exposure.** When an MNC reduces its operations to reduce its economic exposure, it may sometimes forgo economies of scale. Explain.
- Exchange rate effects on earnings.** Explain how an MNC's consolidated earnings are affected when foreign currencies depreciate.
- Hedging translation exposure.** Explain how a firm can hedge its translation exposure.

ADVANCED QUESTIONS

- Managing economic exposure.** Do Plaid (a UK company) does business in the United Kingdom and

Spain that usually generates about 20% of its total revenues. Compare the translation exposure of these two UK firms.

QUESTIONS AND APPLICATIONS

- Limitations of hedging translation exposure.** Barntek Co is a US-based MNC that has European subsidiaries and needs to hedge its translation exposure to fluctuations in the euro's value. Explain some limitations when it hedges translation exposure (provide an example). Explain why?
- Effective hedging of translation exposure.** What is a more established MNC or a less established MNC better able to effectively hedge its gross level of translation exposure? Why?
- Comparing degrees of economic exposure.** Carlton and Palmer are two UK-based MNCs with subsidiaries in about the identical supply industries (produced in the United Kingdom) to customers throughout Latin America. Both subsidiaries purchase the products at cost and sell the products at 80% markup. The other operating costs of the subsidiaries are very low.
- Comparing degrees of translation exposure.** Nelson is a UK firm with annual export sales to Singapore of about £20 million. Its main competitor is Hamilton, also based in the United Kingdom, with a subsidiary in Singapore that also generates about £20 million in annual sales. Any earnings generated by the subsidiary are remitted to support its operations.

Based on the information provided, which firm is subject to a higher degree of translation exposure?

New Zealand. In attempting to assess its economic exposure, it compiled the following information:

BLADES PLC CASE STUDY

Consideration of foreign direct investment

For the last year, Blades plc has been exporting to Thailand in order to implement its 'diversify UK sales' strategy. Under the existing arrangement, Blades sells 150,000 pairs of roller blades annually to Entertainment Products. The retailer, for a fixed price (determined in Thailand), has agreed to buy for another two years. Furthermore, to diversify manufacturing and to take advantage of an attractive offer by shops in the US, Blades has recently begun exporting to the United States. Under the resulting agreement, 'Jogs' will purchase 200,000 pairs of 'Speedo' Blades' primary product, annually at a fixed price of \$80 per pair.

Blades' suppliers of the needed components for its roller blade production are located primarily in the United Kingdom, when Blades incurs the majority of its cost of goods sold. Although prices for jogs remain fairly constant, roller blades vary in retail costs which have run approximately £70 per pair. Blades also imports components from Thailand because of the relatively low price of rubber and plastic components and because of their high quality. These imports are decreasing in the past, and the recent price falls depend on prevailing market prices for these components in Thailand. Currently, jogs sufficient to manufacture a pair of roller blades cost approximately 300% the tariff cost of roller blades.

Although Thailand had been among the world's fastest growing economies, recent events in Thailand have increased the level of economic uncertainty. Specifically, the Thai baht, which had been pegged to the dollar, is now a freely floating currency and has depreciated substantially in recent months. Furthermore, the recent levels of inflation in Thailand have been very high. Hence, there are economic conditions in Thailand that are highly uncertain.

Ben Holt, Blades' financial director, is seriously considering FDI in Thailand. He believes that this is a perfect time to either establish a subsidiary or acquire an existing business in Thailand because the uncertain economic conditions and the depreciation of the baht have substantially lowered the initial costs required for FDI. Holt believes the growth potential in Asia will be extremely high once the Thai economy stabilises.

Although Holt has also considered FDI in the United States, he would prefer that Blades invest in Thailand as opposed to the United States. Forecasts indicate that the demand for roller blades in the United States is similar to that in the United Kingdom, since Blades UK sales have recently declined because of the high price of jogs. Holt expects that FDI in the United States will yield similar results. Furthermore, both domestic and foreign roller blade manufacturers are relatively well established in the United States, so the growth potential there is limited. Holt believes the roller blade market offers more growth potential in Thailand.

The roller blade market offers more growth potential in Thailand because it is a lower price that generates higher profit margins in Thailand than in the United Kingdom. This is because the Thai customer has committed itself to purchase a fixed number of these products annually only if it can purchase Speedos at a substantial discount from the UK price. Nevertheless, since the cost of goods sold in Thailand is substantially below that in the United States, Blades has managed to generate higher profit margins from its Thai exports and imports than in the United Kingdom.

As a finance analyst for Blades plc you generally agree with Ben Holt's assessment of the situation. However, you are concerned that Thai consumers have not been affected yet by the unfavourable economic conditions. You believe that they may reduce their spending on leisure products within the next year. Therefore, you think it would be best to wait until next year, when the unfavourable economic conditions in Thailand may subside, to make a decision regarding FDI in Thailand. However, if economic conditions in Thailand improve over the next year, FDI may become more expensive both because target firms will be more expensive and because the baht may appreciate. You are also aware that several of Blades' UK competitors are considering expanding into Thailand in the next year.

If Blades acquires an existing business in Thailand or establishes a subsidiary there by the end of next year, it would still fit its agreement with Entertainment Products for the subsequent year. The Thai retailer

SMALL BUSINESS DILEMMA

Developing a multinational sporting goods industry

In every chapter of this text, some of the key concepts are illustrated with an application to a small sporting goods firm that conducts international business. These 'Small Business Dilemma' features also discuss to recognize the dilemma and possible solutions that firms such as this sporting goods firm may face in a global environment. For this chapter, the application is on the development of the sporting goods firm that would conduct international business.

Last month, Jim Logan from Ireland completed his undergraduate degree in Finance and decided to pursue his dream of managing his own sporting goods business. Jim had worked in a sporting goods shop while going to university in Ireland, and he had noticed that many customers wanted to purchase a low-priced basketball. However, the sporting goods store where he worked, like many others, sold only top-of-the-line basketballs. From his experience, Jim was aware that top-of-the-line basketballs had a high markup and that a low-cost basketball could possibly penetrate the UK market. He also knew how to produce soccer balls. His goal was to create a firm that would produce low-priced basketballs and sell them on a wholesale basis to various sporting goods stores in the United Kingdom. Unfortunately, many sporting goods stores began to sell low-priced basketballs just before Jim was about to start his business. The firm that began to produce the low-cost basketballs already produced many other products to sporting goods stores in the United Kingdom and therefore had already established a business relationship with those stores. Jim did not believe that he could compete with that firm in the UK market.

Rather than pursue a different business, Jim decided to implement his idea on a global basis. While basketball has not been a traditional sport in many countries, it has become more popular in other countries in recent years. Furthermore, the expansion of cable networks in many countries would allow for much more exposure to basketball games in those countries in the future. Jim asked many of his foreign friends from college days if they recalled seeing basketballs sold in their home countries. Most of them said they rarely noticed basketballs being sold in sporting goods stores but that they expected the demand for basketballs to increase in their home countries. Consequently, Jim decided to start a business of producing low-cost basketballs and exporting them to sporting goods distributors in foreign countries. These distributors would then sell the basketballs at the retail level. Jim planned to export his product the over time once he identified other sports products that he might sell to foreign sporting goods stores. He decided to call his business 'Sports Experts Company'. To avoid any rent and labour expenses, Jim planned to produce the basketballs in his garage and to perform the work himself. Thus, his main business expenses were the cost of the material used to produce basketballs and expenses associated with finding distributors in foreign countries who would attempt to sell the basketballs to sporting goods stores.

- 1 Is Sports Experts Company a multinational corporation?
- 2 Why are the agency costs lower for Sports Experts Company than for most MNCs?
- 3 Does Sports Experts Company have any comparative advantage over potential competitors in foreign countries that could produce and sell basketballs there?
- 4 How would Jim Logan decide which foreign markets he would attempt to enter? Should he strictly focus on one or many foreign markets?
- 5 The Sports Experts Company has no immediate plans to conduct direct foreign investment. However, it might consider other less costly methods of establishing its business in foreign markets. What methods might the Sports Experts Company use to establish its presence in foreign markets by working with one or more foreign companies?

Case studies Allow students to apply chapter concepts to a specific situation of an MNC.

Small business dilemma Students use the knowledge they have learned so far to make decisions about a small MNC.

PART 1 Integrative Problem

THE INTERNATIONAL FINANCIAL ENVIRONMENT

Meza Co. specialises in the production of small fancy picture frames, which are exported from the United States to the United Kingdom. Meza receives the exports in pounds and converts the pounds to dollars when they are received. The British demand for these frames is positively related to economic conditions in the United Kingdom. Assume that British inflation and interest rates are similar to the rates in the United States. Meza believes that the US balance of trade deficit from trade between the United States and the United Kingdom will adjust to changing price levels in the two countries, while capital flows will adjust to interest rate differentials. Meza believes that the value of the pound is very sensitive to changing international capital flows and is moderately sensitive to changing international trade flows. Meza is considering the following information:

- The UK inflation rate is expected to decline, while the US inflation rate is expected to rise.
- British interest rates are expected to decline, while the US interest rates are expected to increase.

Questions

- 1 Explain how the international trade flows should initially adjust in response to the changes in inflation (holding exchange rates constant). Explain how the international capital flows should adjust in response to the changes in interest rates (holding exchange rates constant).
- 2 Using the information provided, will Meza expect the pound to appreciate or depreciate in the future? Explain.
- 3 Meza believes international capital flows shift in response to changing interest rate differentials. Is there any reason why the changing interest rate differentials in this example will not necessarily cause international capital flows to change significantly? Explain.
- 4 Based on your answer to question 2, how would Meza's cash flows be affected by the expected exchange rate movements? Explain.
- 5 Based on your answer to question 4, should Meza consider hedging its exchange rate risk? If so, explain how it could hedge using forward contracts, futures contracts, and currency options.

PART 1 Essays/discussion and academic articles

- 1 Dargatzis, M., M. Manoyeva and J. Thornton (2005) 'Corporate Governance: Convergence evidence from take-over regulation reforms in Europe', *Oxford Economic Review*, 25 (2), 243-68.
- 2 Fatas, M. (2005) 'The international monetary system and the euro: a perspective on the challenges ahead', *Journal of Economic Surveys*, 19 (2), 133-41. A discussion of the problems facing these institutions.
- 3 Fatas, M. (2005) 'The international monetary system and the euro: a perspective on the challenges ahead', *Journal of Economic Surveys*, 19 (2), 133-41. A discussion of the problems facing these institutions.
- 4 Fatas, M. (2005) 'The international monetary system and the euro: a perspective on the challenges ahead', *Journal of Economic Surveys*, 19 (2), 133-41. A discussion of the problems facing these institutions.
- 5 Fatas, M. (2005) 'The international monetary system and the euro: a perspective on the challenges ahead', *Journal of Economic Surveys*, 19 (2), 133-41. A discussion of the problems facing these institutions.
- 6 Fatas, M. (2005) 'The international monetary system and the euro: a perspective on the challenges ahead', *Journal of Economic Surveys*, 19 (2), 133-41. A discussion of the problems facing these institutions.
- 7 Fatas, M. (2005) 'The international monetary system and the euro: a perspective on the challenges ahead', *Journal of Economic Surveys*, 19 (2), 133-41. A discussion of the problems facing these institutions.
- 8 Fatas, M. (2005) 'The international monetary system and the euro: a perspective on the challenges ahead', *Journal of Economic Surveys*, 19 (2), 133-41. A discussion of the problems facing these institutions.
- 9 Fatas, M. (2005) 'The international monetary system and the euro: a perspective on the challenges ahead', *Journal of Economic Surveys*, 19 (2), 133-41. A discussion of the problems facing these institutions.
- 10 Fatas, M. (2005) 'The international monetary system and the euro: a perspective on the challenges ahead', *Journal of Economic Surveys*, 19 (2), 133-41. A discussion of the problems facing these institutions.

Integrative problem Found at the end of each part, this feature integrates the key concepts across chapters in that part.

Essays/discussion and academic articles At the end of each Part, a list of articles allows students access to the literature and get essay practice.