

Case 6: Currency Risk Management in Global Finance

Scenario: A manufacturing firm, MetalCraft Inc., imports raw materials from Europe but faces fluctuating exchange rates between the U.S. dollar and the Euro, impacting its profit margins.

Analysis Focus:

Evaluate MetalCraft's exposure to currency risk.

Analyze different hedging techniques available.

Recommend a risk management strategy.

Guidelines:

Provide a detailed assessment of historical exchange rate trends.

Compare forward contracts, options, and other hedging instruments.

Develop a comprehensive hedging strategy.