CURRENCY RISK HEDGING

Kudrytska Zh.V.
Candidate of Economic Sciences,
Senior Lecturer at Department of Economic Cybernetics,
National Aviation University

Hnylytska A.Yu.
Student,
National Aviation University

Hedging of currencies is primarily a manipulation of investment instruments aimed at reducing financial risks that may arise due to non-contributing factors in the foreign exchange market. Any company whose income depends on fluctuations in exchange rates is interested in having tools for accurate prediction of change.

That is why in recent years, hedging of currency risks is becoming increasingly popular. In this paper, the analysis of financial instruments of the Ukrainian financial market, including the currency, and market regulation, including exchange rates, is done.

Any cash flows in foreign currencies have currency risks. If financial accounting is carried out in a single currency in a company, then in case of a revaluation of assets in foreign currency, losses or profit cannot be excluded.

Agreements in the foreign exchange market are based on the principles of margin trading, which has its undoubted advantages: transactions can take place at amounts that are several times higher than initial capital; Transactions are carried out without the delivery of real money, which accelerates and simplifies the implementation of transactions; Hedging does not reduce company turnover due to the diversion of significant sums of money; On Forex and futures exchanges, it is possible to sell the currency, receipt of which is planned in the future.

The main difference between hedging currencies from other operations in foreign exchange markets is the goals it pursues. The task of this tool is not to make a profit but to reduce possible risks. That is why hedging involves costs. From the numerical choice of evaluation techniques, the assessment procedure is also considered.

Hedging does not have the ability to exclude all risks associated with adverse changes in the foreign exchange market. Neglecting a careful development of a hedging strategy can increase the company's costs.

An effective hedging program is designed not to completely eliminate risk but to achieve an optimal balance between the benefits of this tool and the cost of its implementation. When deciding on the use of hedging, it is necessary to estimate the number of possible losses that may be incurred in the event of a hedge failure. If the cost of using the instrument is reasonable and the benefits of the implementation are significant, hedging is considered appropriate, otherwise, it is not rational. Hedge effectiveness is evaluated for each specific position.