Hedging in price risk management

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The article considers the hedging theoretical aspects. The types of risks are identified and the group or risks that can be hedged by futures contracts is highlighted. The expediency of using hedging in the conditions of price risks is substantiated. The main advantages and disadvantages of hedging in price risk management are given.

Modern conditions dictate many risks and uncertainties in all spheres of economic activity. They often change, so market players find management methods for some types of risks facing others and again need to find new methods and tools for managing them. Hedging in foreign practice is widely used in the management of price risks, while for the domestic market; the deepening of the theoretical and practical aspects study of this mechanism becomes important.

It was established that the main group of risks subject to hedging in the stock exchange market is a group of financial risks. It is all these risks can be optimized through the use of commodity and financial derivatives.

The lack of derivatives trading on domestic exchanges stimulates domestic market players to find intermediary services that can form hedging strategies based on the use of futures and options from leading global exchanges. Under such conditions, an important factor is the proper selection of derivatives, the price of which will most closely correlate with the domestic or export prices that hedgers want to hedge.