

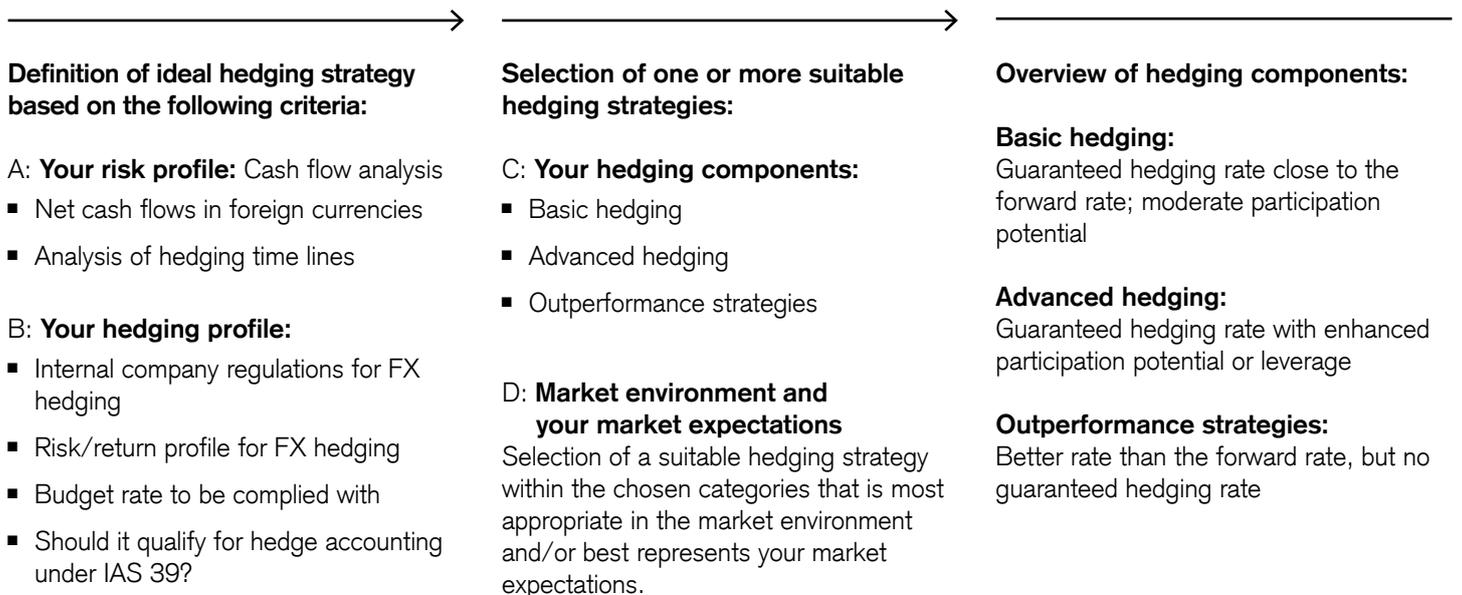
# Successful currency management

## Outperformance strategies

Does your company do business internationally? Those who maintain business relationships with foreign business partners are exposed to the risk of fluctuating exchange rates. These fluctuations can significantly reduce the margin on the operating business of importers and exporters.

Hedging is a key element of active currency management. Your foreign exchange risk can be reduced through the strategic use of hedging strategies. However, in a market environment with low interest rates and increasing volatility, there are also interesting investment opportunities in the foreign exchange market.

We provide you with the right solution for every situation.



### Definition of ideal hedging strategy based on the following criteria:

- A: **Your risk profile:** Cash flow analysis
- Net cash flows in foreign currencies
  - Analysis of hedging time lines
- B: **Your hedging profile:**
- Internal company regulations for FX hedging
  - Risk/return profile for FX hedging
  - Budget rate to be complied with
  - Should it qualify for hedge accounting under IAS 39?

### Selection of one or more suitable hedging strategies:

- C: **Your hedging components:**
- Basic hedging
  - Advanced hedging
  - Outperformance strategies
- D: **Market environment and your market expectations**
- Selection of a suitable hedging strategy within the chosen categories that is most appropriate in the market environment and/or best represents your market expectations.

### Overview of hedging components:

- Basic hedging:**  
Guaranteed hedging rate close to the forward rate; moderate participation potential
- Advanced hedging:**  
Guaranteed hedging rate with enhanced participation potential or leverage
- Outperformance strategies:**  
Better rate than the forward rate, but no guaranteed hedging rate

## Outperformance strategies (examples for a buyer)

### Ratio knock-out forward (example for a buyer)

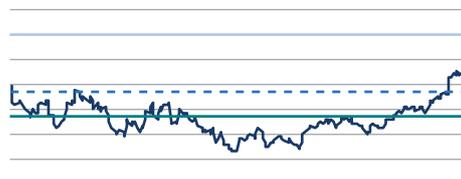
Better rate than the average forward rate. For maturities where the spot trades above the strike, the nominal is purchased at the strike price. For maturities where the spot trades at or below the strike, a multiple of the nominal is purchased (leverage). The strategy ceases once the barrier is reached or breached.

#### Advantages:

- Better rate than the average forward rate (fixed)

#### Disadvantages:

- Use of leverage
- Risk of barrier on the market (hedging does not apply if the barrier is reached or breached)



--- Forward rate  
--- Strike  
--- Barrier

### Target redemption forward (example for a buyer)

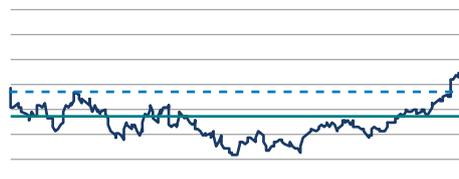
Better rate than the average forward rate. For maturities where the spot trades above the strike, the nominal is purchased at the strike price. For maturities where the spot trades at or below the strike, a multiple of the nominal is purchased (leverage). The strategy ceases once the profit cap is reached (no use of a barrier in the market).

#### Advantages:

- Better rate than the average forward rate (fixed)

#### Disadvantages:

- Use of leverage
- Hedging ceases once the profit cap is reached



--- Forward rate  
--- Strike

### Dual currency deposit – DCD (example for a buyer)

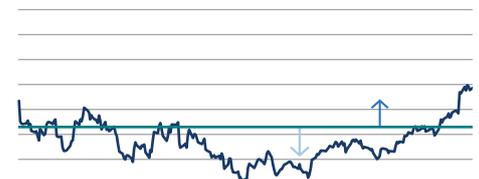
Structured deposit with a fixed coupon which is higher than the money market interest rate in the investment currency. Risk of conversion into the alternative currency at maturity.

#### Advantages:

- Short-term optimization strategy with attractive coupon
- Conversion can be used strategically through the choice of strike level

#### Disadvantages:

- No hedging, short-term investment strategy



--- Forward rate  
--- Strike  
--- Barrier  
↑ Redemption in investment currency  
↓ Conversion

## Outperformance strategies (examples for a seller)

### Ratio knock-out forward (example for a seller)

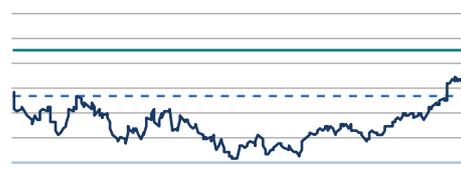
Better rate than the average forward rate. For maturities where the spot trades below the strike, the nominal is sold at the strike price. For maturities where the spot trades at or above the strike, a multiple of the nominal is sold (leverage). The strategy ceases once the barrier is reached or breached.

#### Advantages:

- Better rate than the average forward rate (fixed)

#### Disadvantages:

- Use of leverage
- Risk of barrier on the market (hedging does not apply if the barrier is reached or breached)



--- Forward rate  
--- Strike  
--- Barrier

### Target redemption forward (example for a seller)

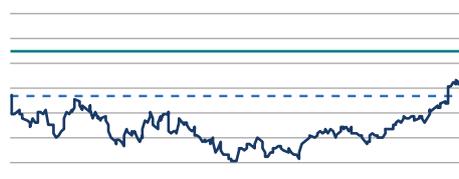
Better rate than the average forward rate. For maturities where the spot trades below the strike, the nominal is sold at the strike price. For maturities where the spot trades at or above the strike, a multiple of the nominal is sold (leverage). The strategy ceases once the profit cap is reached (no use of a barrier in the market).

#### Advantages:

- Better rate than the average forward rate (fixed)

#### Disadvantages:

- Use of leverage
- Hedging ceases once the profit cap is reached



--- Forward rate  
--- Strike

### Dual currency deposit – DCD (example for a seller)

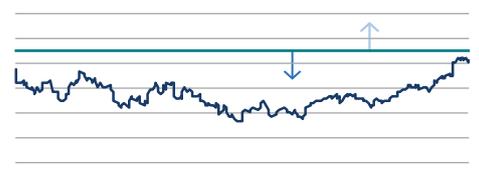
Structured deposit with a fixed coupon which is higher than the money market interest rate in the investment currency. Risk of conversion into the alternative currency at maturity.

#### Advantages:

- Short-term optimization strategy with attractive coupon
- Conversion can be used strategically through the choice of strike level

#### Disadvantages:

- No hedging, short-term investment strategy



--- Forward rate  
--- Strike  
--- Barrier  
↑ Redemption in investment currency  
↓ Conversion

For illustrative purposes only.

Source: Credit Suisse

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**Contact us**

Your advisor will be happy to arrange a personal consultation.

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From abroad: +41 31 358 64 90\*

Mon.–Fri., 8:00 a.m–6:00 p.m.

You can also find additional information on our internet page:

**[credit-suisse.com/fx](https://credit-suisse.com/fx)**

\* Telephone calls may be recorded.

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