
Video
International Financial Management
Currency risk
Operating exposure
Transaction exposure
Translation exposure
Exchange rate risk
Accounting practices
Risk challenges for REIT
Profits from leases and rents
Demand on industrial property
90% of dividends paid
No reinvestment
Worldwide company
Exchange risk
Different alternatives and currency risk
Forward contracts
Currency swaps
Currency options
Expected Proceeds
Thecasesolution.com
Image by Tom Mooring

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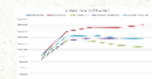

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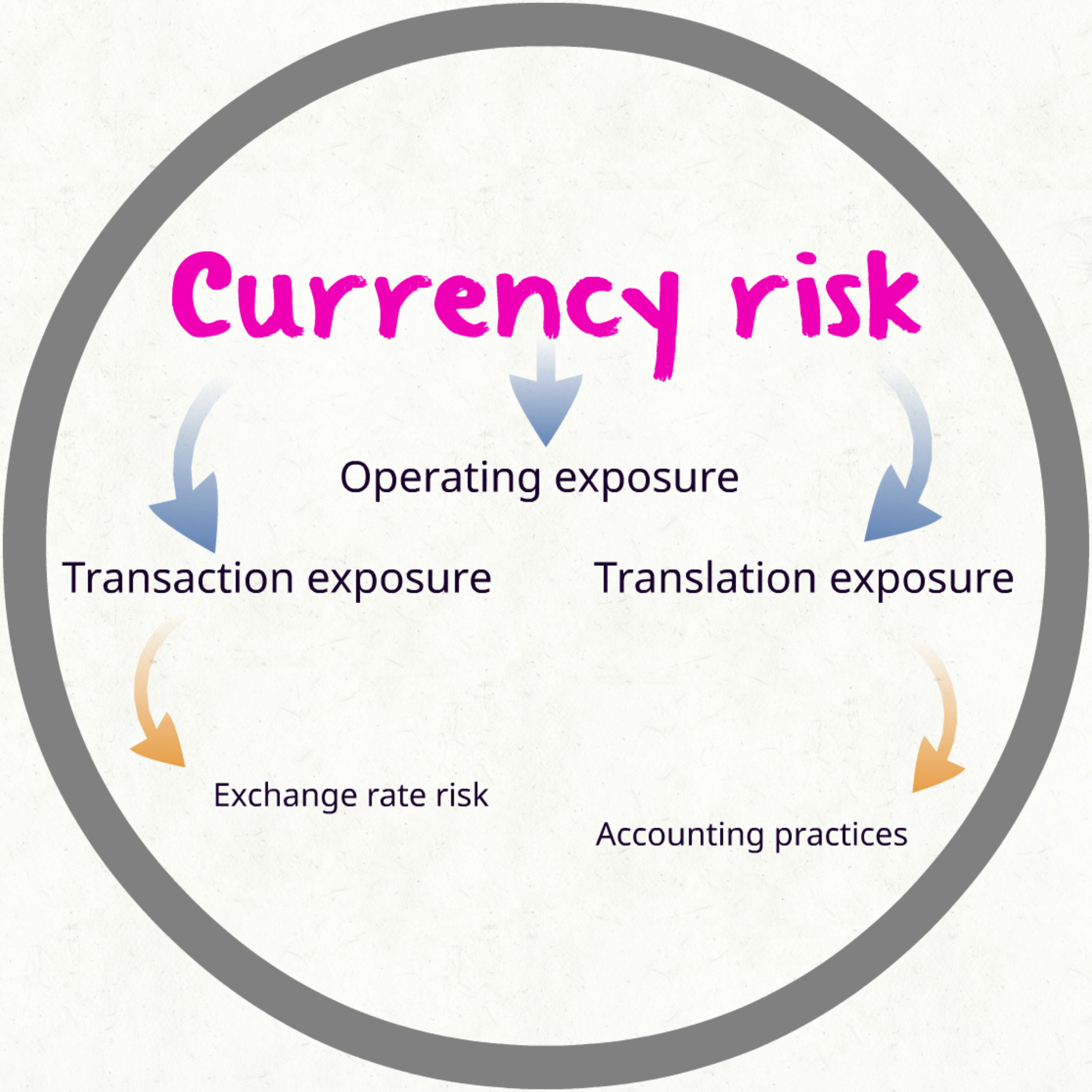
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Different alternatives and currency risk

Forward contracts

The forward contract allows Nodal logistics to lock in future exchange rates.

agree
- Quoted forward rates are weaker than John's predictions
- Would not benefit from appreciation in BRL

disagree
- Predictable cash flows = higher certainty in cash flows
- Hedged against depreciating exchange rate
- No cost for forward contract

Currency options

A tool that gives Nodal the right but not obligation to sell BRL currency

agree
- Initial outlay of upfront capital
- If exercised early, outlays may accumulate

disagree
- Allows Nodal to hedge a downward fluctuation
- Provides potential to benefit from BRL appreciation

Currency swaps

A contract where by Nodal pays Brazilian reals and receive US dollars. The swap could be used to take a loan with Nodal's bank, and to use it to finance the Brazilian subsidiarie's operations with debt. .

agree
- It is essentially the same as borrowing reals
- The quoted swap rates does not reflect credit risk (they were priced independently from risk)

disagree
- The rates are comparatively lower than in debt financing straight with an 'international loan'

* Total equity risk and exposure is reduced

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