

Next generation

FX decision data for treasuries

Welcome to your eBook “FX decision data for treasuries”.
Our Goal: to improve your business resilience and international competitiveness.

hedge ▶ go
Data-Driven FX Intelligence

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Global developments

Why inflation was so low in last 40 years

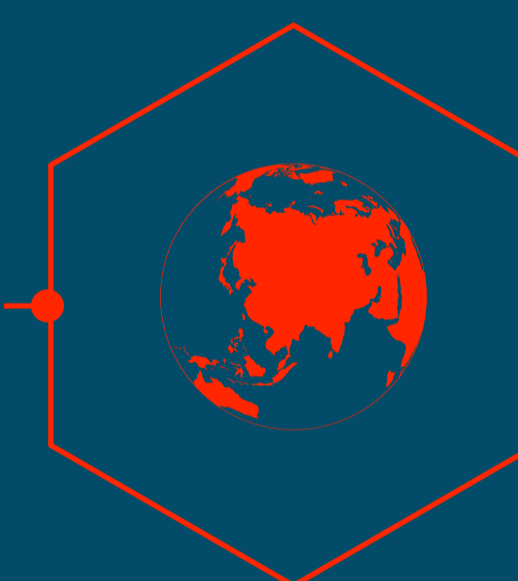
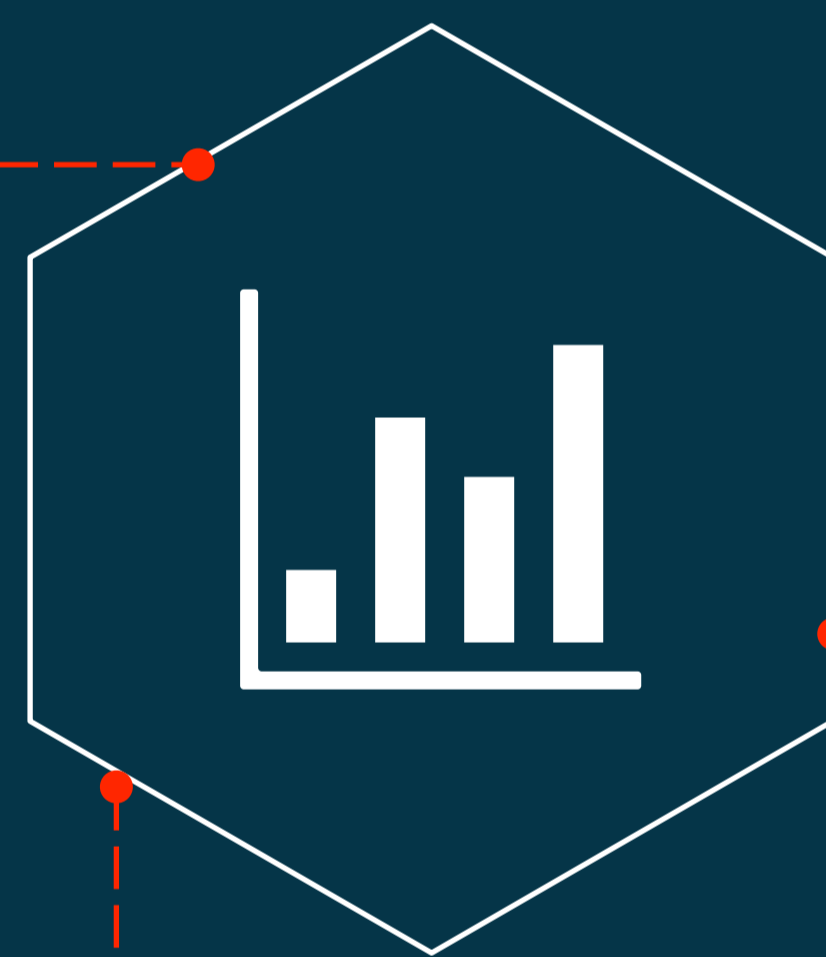
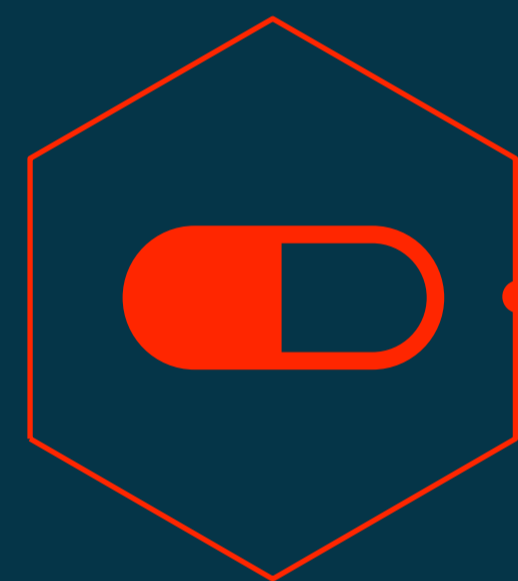


Global developments

Why inflation will stay high

Drop in birthrates

The pill crunch is starting to take effect
The working population in Europe is shrinking
Labor is becoming more expensive

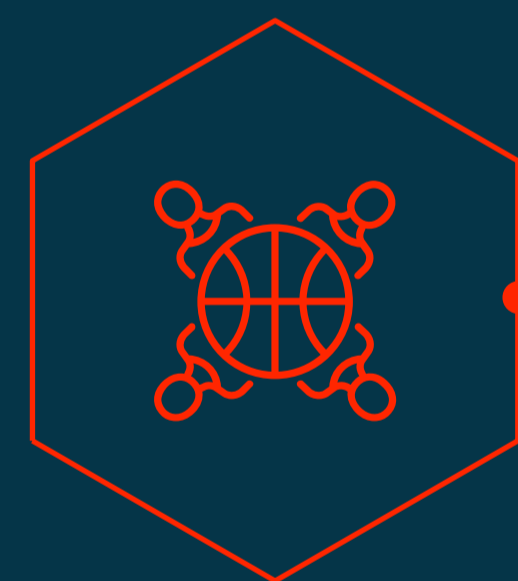


China

China is no longer a low-wage country and is positioning itself as a competitor

Block building

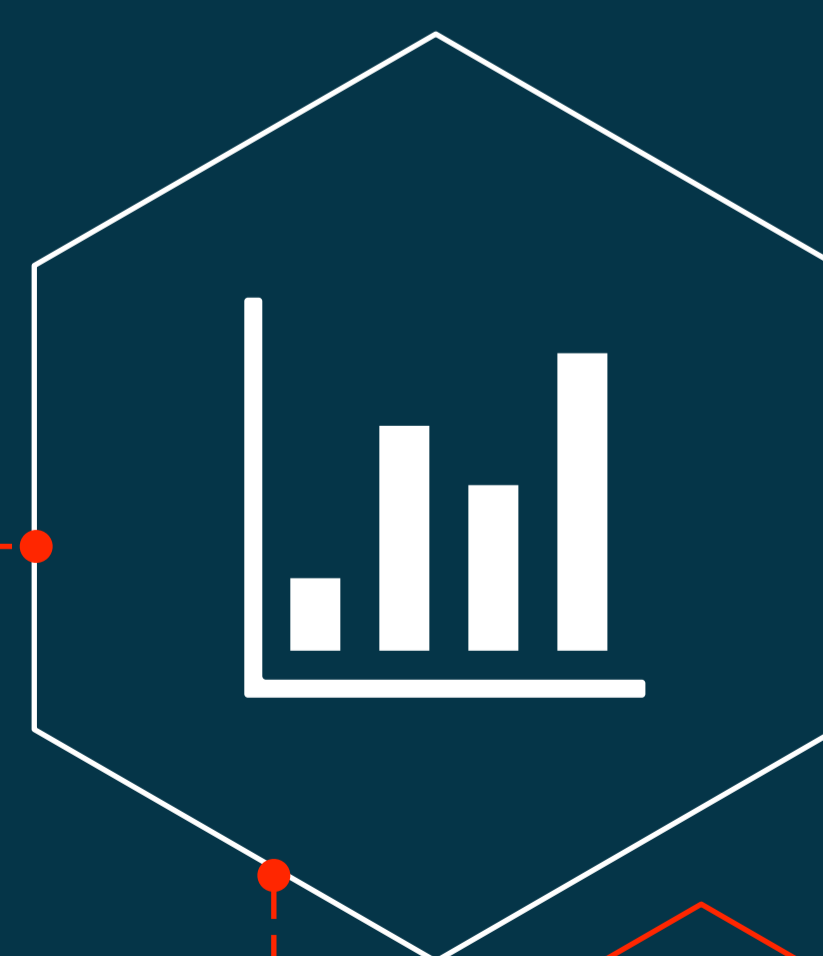
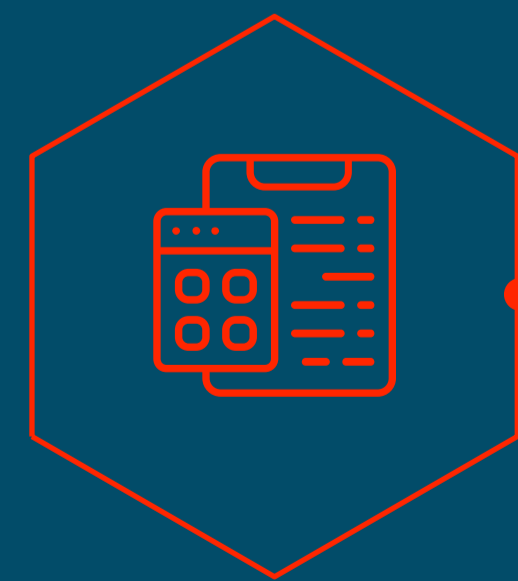
Less "borderless trade" cause higher prices



Why inflation is driven by geopolitics

Pricing power

With Russia as a pariah, the Western states are missing an important supplier of many raw materials. Remaining suppliers gain more pricing power



Uncertainty

Uncertainty about supply chains and availability of raw materials & productions becomes an existential question for some industries

Rules of the game

China, Russia and their satellites no longer accept the Western dictate of the rules of the game for the global economy

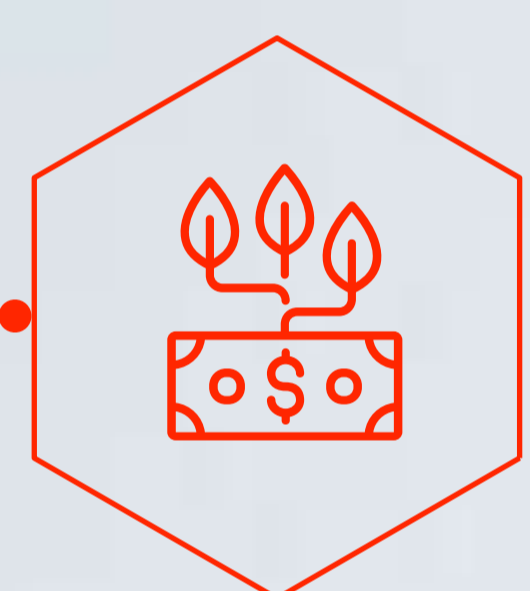


Observations and conclusions for FX monitoring



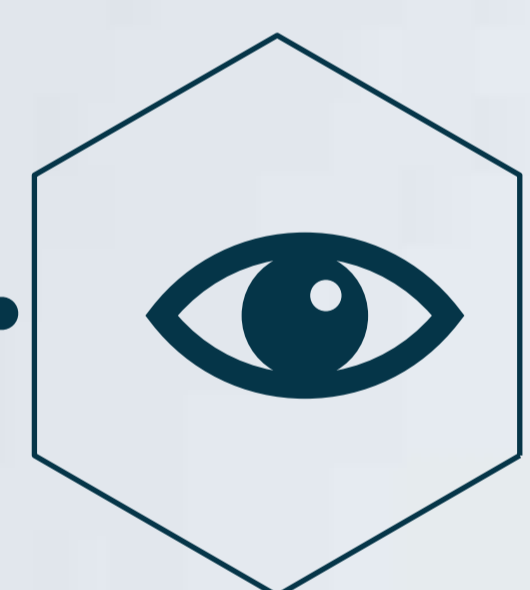
Central banks

Central Banks always respond with a delay to inflation surges and declines



Management of interest rates

Interest rate management will become much more important as in last 30 years



FX Intelligence

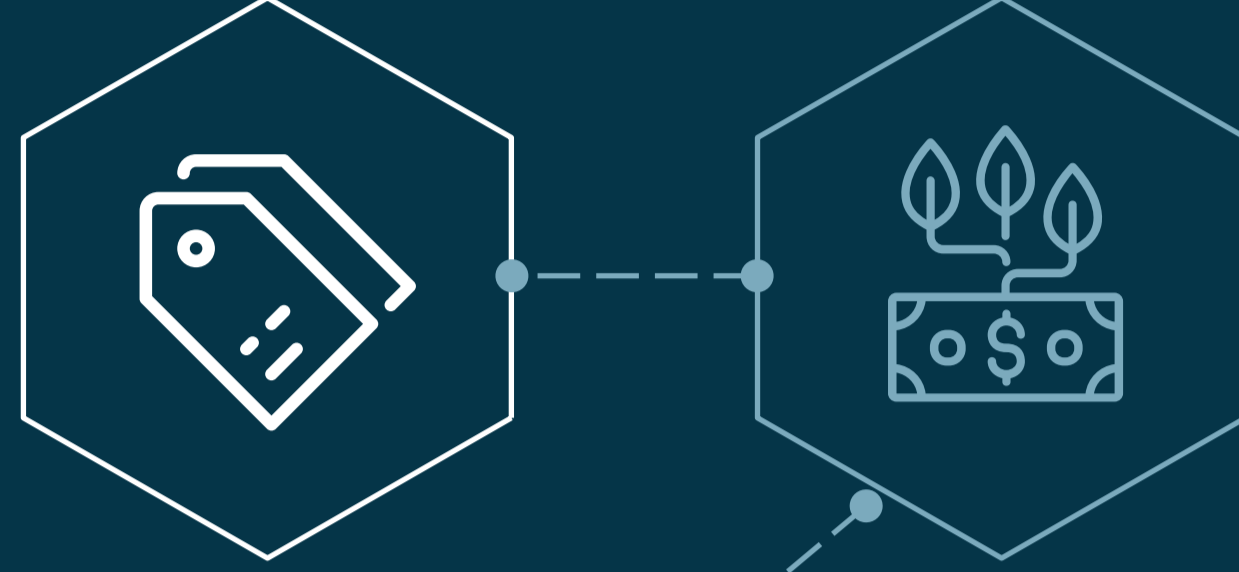
Currency management must become more agile as increased volatility must also be observed in core currencies

Inflation and interest rates will move wavelike

Long term impacts

Prices

Prices rise sustainably and cause inflation

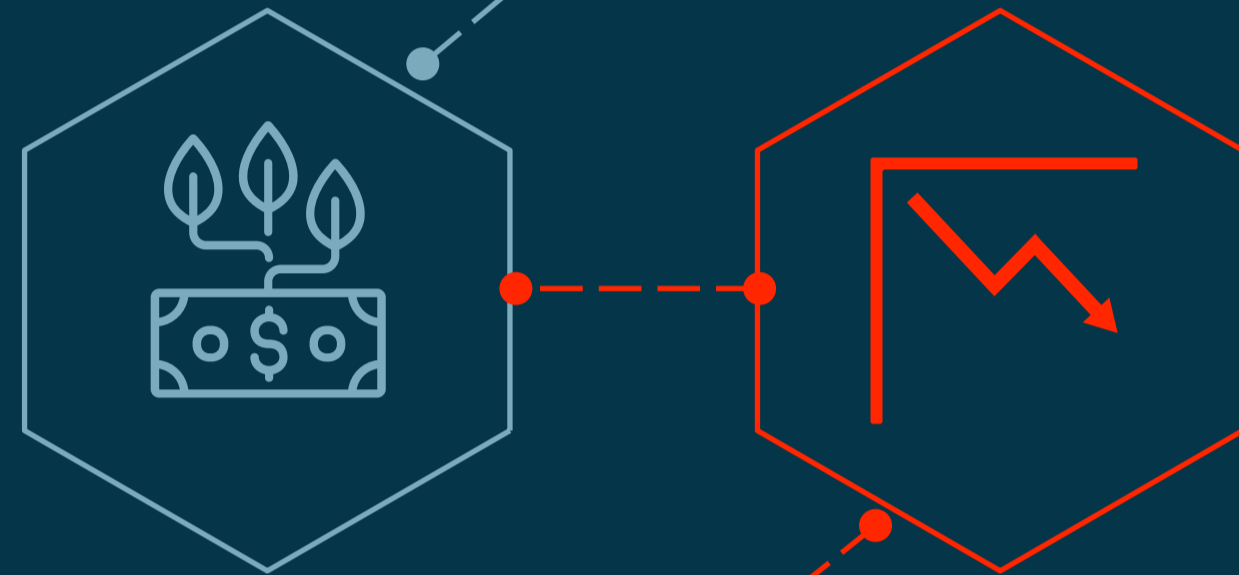


Interests

Interest rates are raised as a measure against inflation

Fighting inflation

Measures against inflation have side effects

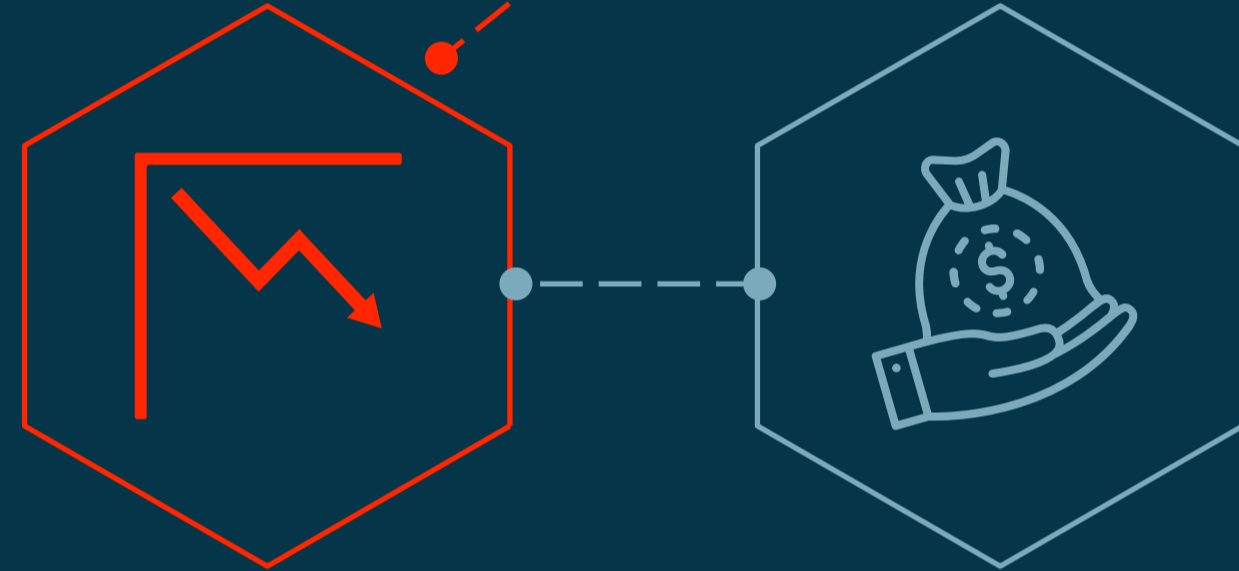


Shares, bonds and real estate

Stress leads to lower profits

Lower profits

Lower profits change sentiment for investments



Investments

Lowering the propensity to invest & the willingness to lend

Speed of innovation drops and decelerates development.



For businesses this means:
FX management must become more agile

Treasury challenge: become more agile



The analysis of FX markets

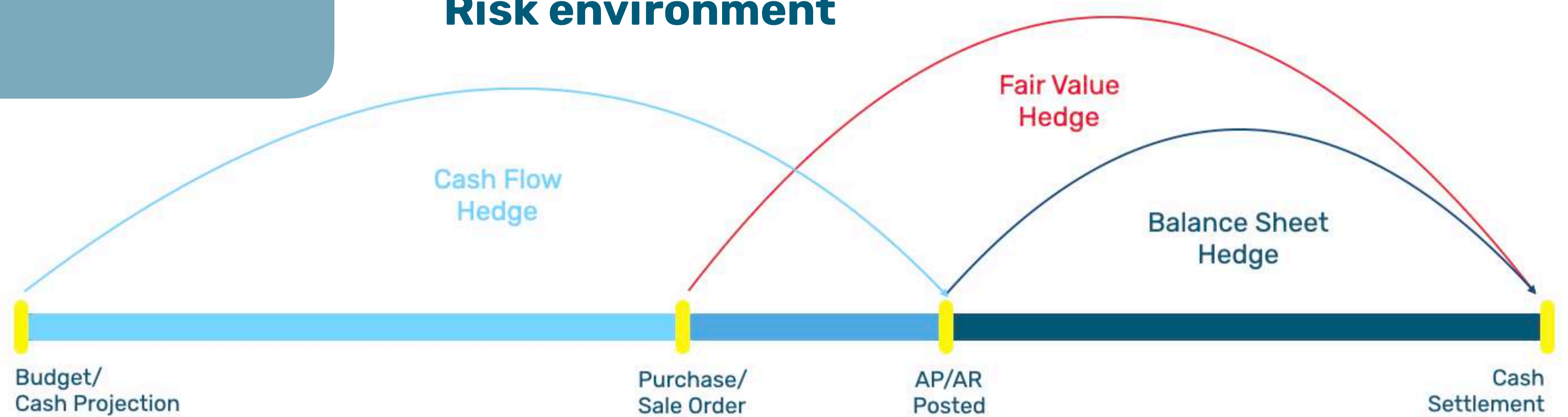
Anticipating short-, medium- and long-term exchange rates requires consistency and years of experience in charting, analysing fundamentals and macroeconomic factors, monitoring central bank decisions and finally analysing sentiment from relevant FX market participants. Rounded off by the rapid detection of geopolitical events and the correlation of various currency pairs, the FX world undoubtedly represents the Champions League of the financial market.

On the one hand, the expertise required and the time needed to derive resilient FX strategies for companies require a lot of effort and agile decision-making power. On the other hand, the consistent implementation of successful strategies opens up considerable potential for optimising cash flow and value creation. However, practice shows that such agile strategies hardly exist or are implemented on the basis of feelings, mainly due to complexity.

To do

1. Embrace technology
2. Streamline processes
3. Enhance data driven decisions
4. Develop agile risk management
5. Foster collaboration
6. Monitor market FX intelligence
7. Continuously evaluate and optimise

Risk environment



Exciting consequences

Develop new skills and use systematised data to be able to make better decisions.

More time for important decisions

Easy-to-implement automated decision data save time and foster timely processes.

The concept of FX decision data



Definition of decision data

The hardest decisions pop up when it comes to balance cash flow at risk (costs for hedging) and value at risk, protecting the balance sheet. Setting up clear policies is a good first step, but filling it with “educated” data and opinion is much more harder.

FX Decision data may help to speed up processes, hence saving time and balancing costs against appearing risks.

Hedging/non hedging

Remember that hedging is a risk management tool, and there is no one-size-fits-all approach. Each organization's hedging decisions should be based on its unique circumstances, risk profile, proper FX intelligence and strategic objectives.

Loss protection order (LPO)

If a trend breaks, loss protection orders (stop loss, take profit) limit your risk. However, it's important to understand the limitations, market conditions, and execution risks connected with such actions. LPOs are one of the most important decision data you must think of.

Short term trend prediction

It's important to note that short-term trend predictions are subject to inherent uncertainties and risks. The FX market is influenced by a multitude of factors, including economic indicators, geopolitical events, central bank policies, and market sentiment.

Budget rates

FX Bilanzkurs serve as a reference point or assumption for financial planning and analysis, enabling organizations to estimate and manage their exposure to foreign exchange risk. However, it's important to monitor actual market rates and adapt budgeted assumptions as market conditions and exchange rate dynamics evolve.

Interest rate differential

FX interest rate differentials affect the risk assessment and management of currency exposure. Companies or investors with FX exposure consider interest rate differentials when evaluating the potential impact of currency fluctuations on their financial positions and cash flows.

Cash conversion

Ultimately, the timing of converting a risk currency into a base currency involves a combination of factors, including currency analysis, risk management objectives, cash flow requirements, and market conditions.

Receivables/payables

Overall, the timing of payables in FX involves evaluating exchange rate trends, managing costs and cash flows, considering contractual obligations, and aligning with risk management strategies.



Call to action

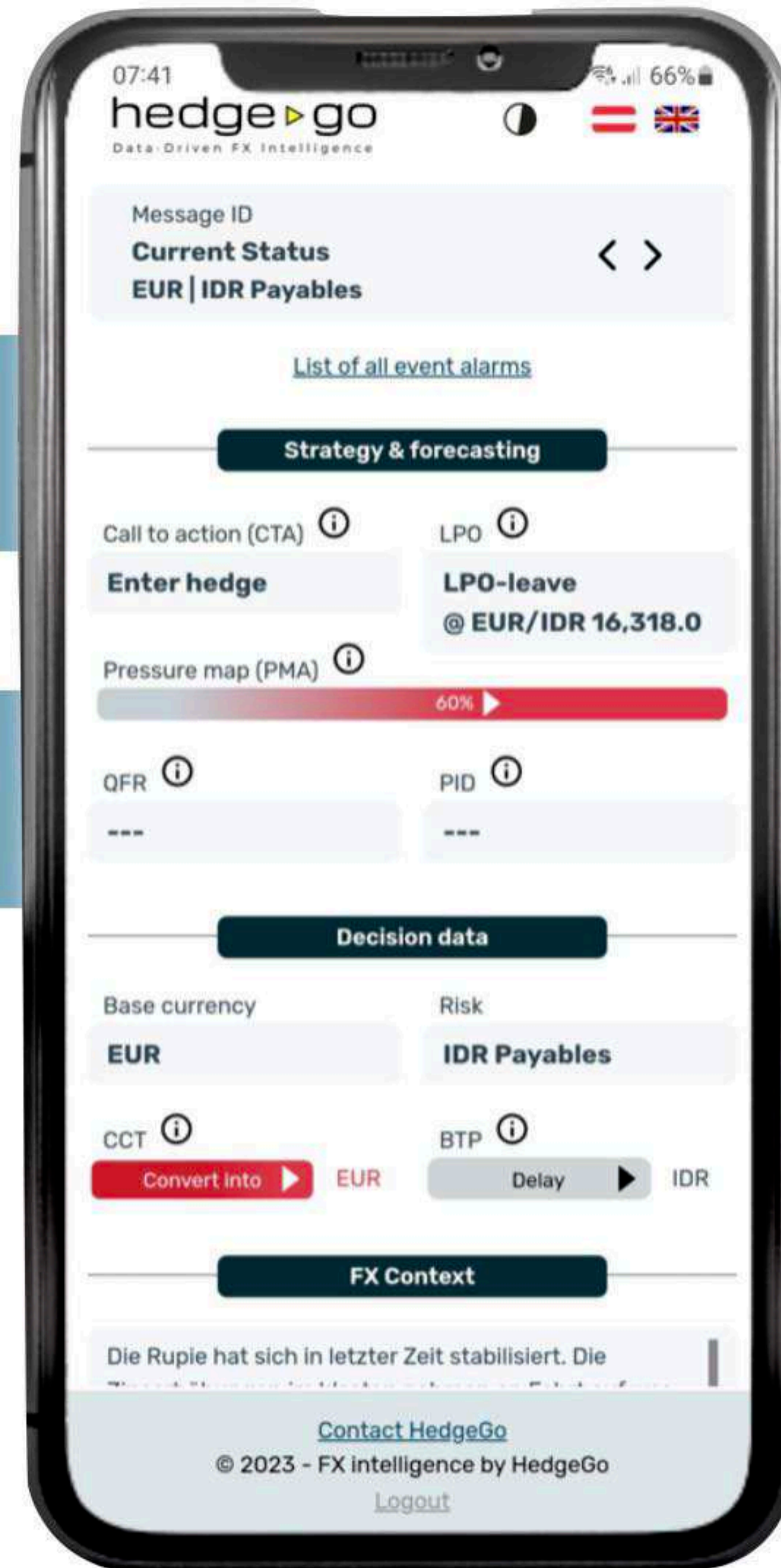
Well-timed call to action for FX strategies based on trends.
Goal: Balanced protection of cash flow at risk and value at risk.

CTA

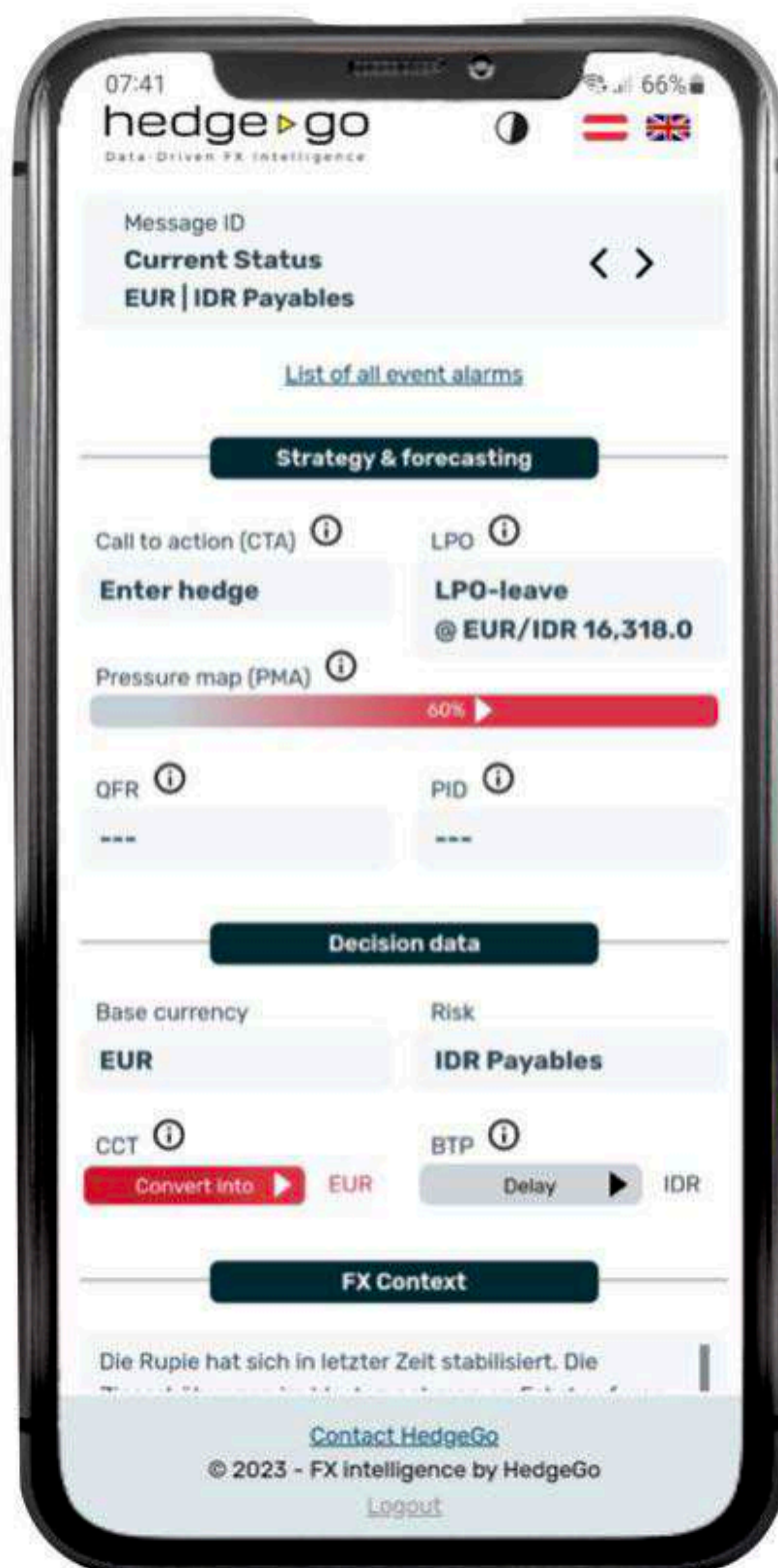
Loss protection order

Hedging for opposing trends.
Goal: Balanced protection of cash flow at risk and value at risk.

LPO



HedgeGo's decision data



QFR

Quarter Forecast Rate

Forecast of the next quarterly FX rate.
Goal: Market-oriented valuation of balance sheet rates.

PID

Predicted Interest Differential

Forecast of the interest rate differential for the next quarter. **Goal:** Decision support for hedging transactions.

PMA

Pressure Map

Shows how likely a currency pair is to change its trend within the next 5 business days. **ToDo:** Check positions, volumes and maturities at PMA>80%.

CCT

Cash Conversion Timing

Proposal for the next 30 days to hold cash in risk currency or convert it to base currency. **Goal:** Avoid negative currency effects for cash positions.

BTP

Best Timing Payables

Timing suggestion for the next 5 working days to settle outstanding debts promptly or to wait with it. **Goal:** Profit optimization of payables.

FX decision data in practice



Gerhard Massenbauer
CEO HedgeGo

Welcome to the next generation of FX management!

We run an automated analysis environment to deliver relevant decision data to FX treasuries. Our Goal: to improve business resilience and competitiveness. The automated information, which is constantly improved by algorithms, provides a condensed view of relevant developments, reduces the effort required for decisions and enables an improved balance between cash flow at risk and value at risk.

Now I and my team are ready to deliver fully automated FX decision data for your daily challenges

50 bn €

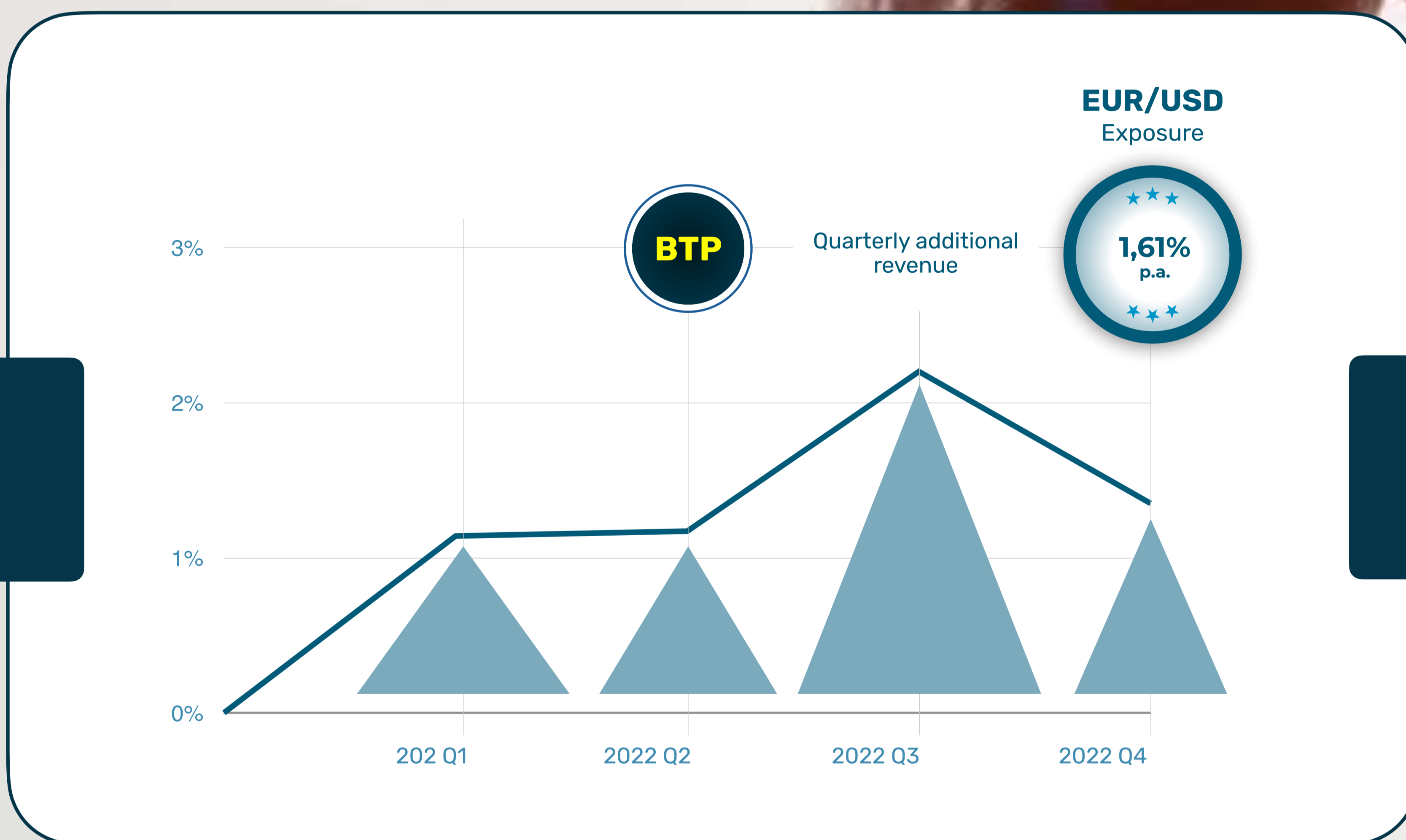
controlled by FX decision data

20

currency pairs available

4%

higher profitability p.a.



The real value

Our "X-Factor" reveals your return on investment when using HedgeGo's decision data for educated FX management.



The calculation is based on 10.000.000 € EUR/USD Receivables exposure for the time period of 2014-2022. The return on investment "The X Factor" is shown p.a.

Recommended by:
Latest resilience technology available for your treasury

The innovation lab powered by TMI and set in motion in partnership with J.P.Morgan aims to discover the FinTech and Digital Banking stars of tomorrow. HedgeGo is honoured to be mentioned by such an empowering platform, delivering measurable impact to the treasury world.

[Read more about us here](#)



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HedgeGo GmbH
Promenadegasse 51,
A-1170 Wien

Company reg.no.: FN 573560x

W. [hedgego.com](https://www.hedgego.com)
E. info@hedgego.com

P. +43 1 3155472