



Foreign currency risks & solutions

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Agenda



- **Currency risks for airline industry**
- **Euro/Sterling/Dollar/Oil. What is driving prices?**
- **The next 12 months**
- **Solutions**

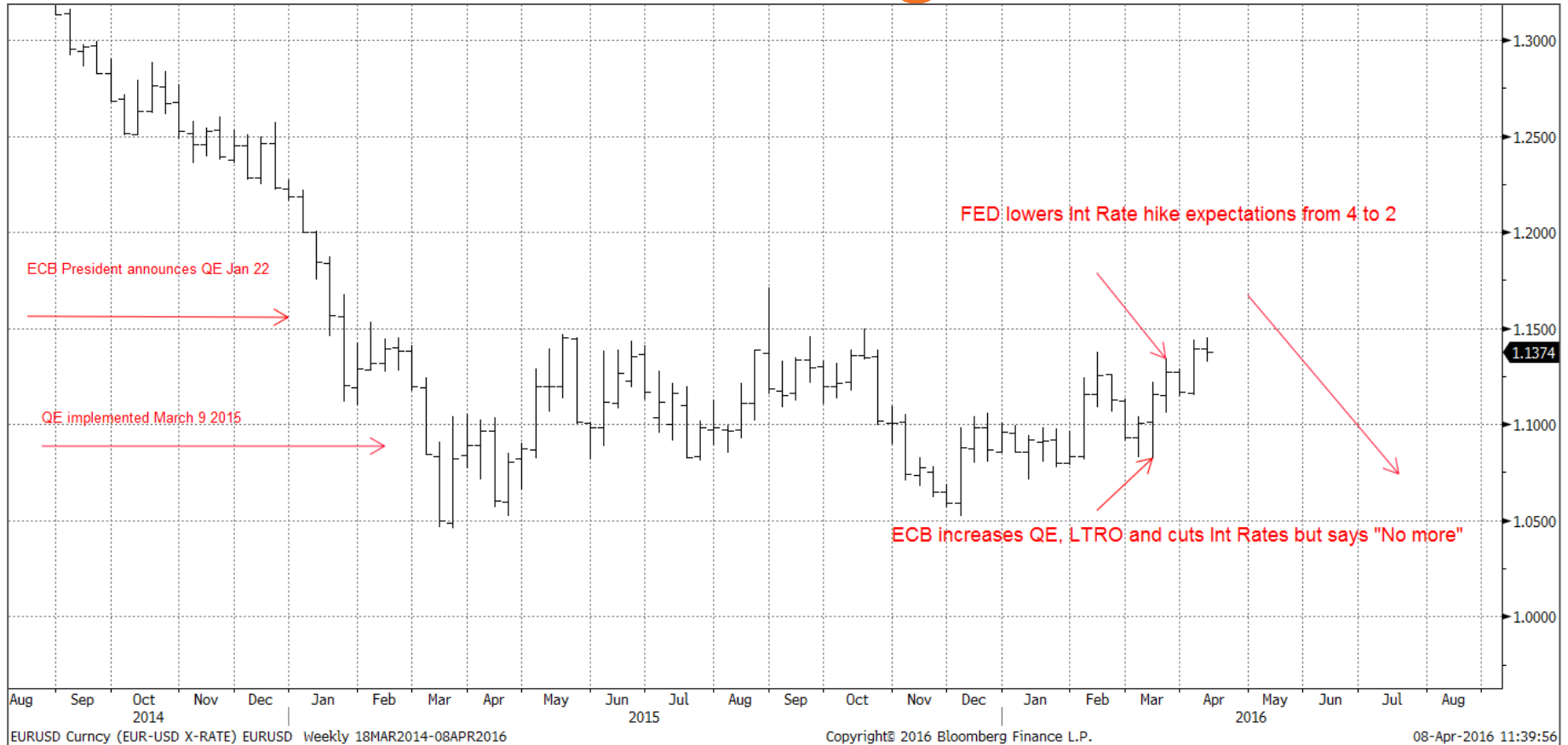
Foreign Exchange Risk



...is the exposure of a company's financial strength to the potential impact of movements in foreign exchange rates.

The amount at risk is a function of the magnitude of potential exchange rate movements and the size and the duration of the foreign currency exposure.

EUR/USD What is driving it?



EUR/USD Fundamentals

- Euro Negative Deposit Rates -0.4%
- Quantitative Easing €80 billion per month
- Euro zone Inflation and Growth stubbornly low
- Fed preparing for 2 interest rate hikes 2016
- US experiencing patchy recovery-
But still recovery



GBP/USD What is driving it?



GBPUSD Fundamentals

- UK and US economies both expanding
- Fed preparing for 2 interest rate rises 2016
- UK interest rates on hold for EU referendum
- £/\$ fallen 10% since Dec 2015



Oil What is driving it?



- Finally a bounce from \$30 per barrel
- OPEC members Russia and Saudi Arabia announce production limits
- Iran pumping with target 4 million bpd
- US fracking price sensitive-Can turn on pumps at higher levels, already has done at \$40 bpd
- Result-range trading expected

The Next 12 Months

- US Fed on target to hike rates twice in 2016
- FOMC Lockhart “rate hike possible in April”
- ECB No more easing until fundamental situation change
- EU referendum vote critical
- Range trading oil



Next Steps....

Scenario 1 – Cover everything.

Scenario 2 – Cover nothing.

Scenario 3 – Manage the risk.



Hedging Instruments

Forward contracts:

- Full protection
- No cost
- No participation in favourable moves

Vanilla Options:

- Full protection
- Up front premium
- Full participation in favourable moves

Zero premium Options / Structured products:

- All of the above..!



Contact Us



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Questions

