HEDGING WITH FORWARDS

Every business starts small but as you grow, so can your foreign exchange exposure.

If your business needs foreign exchange, perhaps you’re just buying currency on the day you need it.

But this strategy leaves you subject to the ups and downs of a volatile market.

Possibly you’ve explored another option and bought currency ahead of time, parking it in a foreign currency account?

Yet this ties up a big chunk of your cashflow, for limited to no return.

There is another alternative: a forward exchange contract or a Forward**.**

A Forward locks in an exchange rate, for a specific amount, on a date sometime in the future.

It’s something the majority of our larger corporate customers have used.

Just like fixing your interest rate locks in your interest costs, when you lock in a Forward, you’ll know exactly what your Australian dollar value will be on that specific date in the future.

Plus, there’s no upfront cashflow, so no need to send any funds to the bank until the day you use your contract.

Regardless of whether you’re an importer or exporter, Forwards can help remove market fluctuations, provide budgeting certainty and give you some protection.

You’ll know the exact Aussie dollar cost of your imports or revenue from your exports.

You’ll be protected if the Aussie Dollar rate moves against you.

You don’t need to pay until you use the contract.

The only thing to remember is that you’re committed to use your Forward by its expiry date, regardless of whether the market rate is higher or lower on the day,

Think about whether or not Forwards are right for you and your business.

Here are 3 questions you could consider:

What would be the impact on your profit margin if the currency moves?

What do you anticipate the currency will do over the next 12 months?

What is your budgeted exchange rate?

Volatility in exchange rate markets is a given.

Forwards allow you to take control and could help to target your budgeted exchange rate.

When it comes to navigating your foreign exchange risk, why not think like the big corporates?

The great thing is, there’s no cost to get set up with the ability to book Forwards.

If you would like more information, please contact the Foreign Exchange team on 1300 960 355.

The information provided in this video is intended to be of a general nature only. It has been prepared without taking into account your objectives, financial situation or needs. Before acting on any information in this video, National Australia Bank Limited (ABN 12 004 044 937, AFSL and Australian credit License 230686) (NAB) recommends you consider whether it is appropriate for your objectives, financial situation and needs. NAB recommends that you seek independent advice before acting on any information in this video.