

**PROJECT REPORT ON  
“CURRENCY FUTURE AND EXCHANGE RATE VOLATILITY: A  
HEDGING STRATEGY FOR INTERNATIONAL TRADE”**

**Submitted By**

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**Submitted To**



**VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELAGAVI**

**In partial fulfillment of the requirements for the award of the degree of**

**MASTER OF BUSINESS ADMINISTRATION**

**Under the guidance of**

**DR. VISHNU PRASANNA K N**

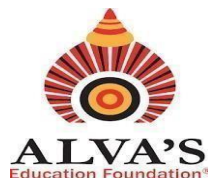
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# ALVA'S INSTITUTE OF ENGINEERING & TECHNOLOGY

(A Unit of Alva's Education Foundation @ Moodbidri)

Affiliated to Visvesvaraya Technological University, Belagavi

Approved by AICTE, New Delhi & Recognised by Government of Karnataka

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Date: 10/09/2024

## CERTIFICATE

This is to certify that **Chaitra** bearing **USN 4AL22BA014**, is a bona-fide student of Master of Business Administration course of Alva's Institute of Engineering and Technology, Moodbidri for the batch 2022-2024, affiliated to Visvesvaraya Technological University, Belagavi. The Project report on "**Currency Futures and Exchange Rate Volatility: A Hedging Strategies for International Trade**" is prepared by her under the guidance of **Dr. Vishnu Prasanna K N**, Professor of Finance, in partial fulfilment of the requirements for the award of the degree of Master of Business Administration of Visvesvaraya Technological University, Belagavi Karnataka.

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## DECLARATION

I, **Ms Chaitra (USN: 4AL22BA014)** hereby declare that the project report on **"Currency Futures and Exchange Rate Volatility: A Hedging Strategy For International Trade"** is prepared by me under the guidelines of Dr Vishnu Prasanna K N, Professor of Finance, PG Departments of Business Administration, Alva's Institute of Engineering and Technology, Mijar, Moodbidri.

I also declare that this project work is towards the partial fulfilment of the university regulations for degree of MASTER OF BUSINESS ADMINISTRATION by Visvesvaraya Technological University, Belgaum.

I have undergone a project for a period of 6 weeks. I further declare that this project is based on the original study undertaken by me and has not been submitted for the award of any degree/diploma from any other University/Institution

Date: 09/09/2024

Place: Moodbidri

  
signature of the student

## **ACKNOWLEDGEMENT**

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With regards,

CHAITRA

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## **EXECUTIVE SUMMARY**

This research explores the utilization of currency futures as a hedging mechanism to counteract the risks posed by exchange rate volatility in international trade. Exchange rate volatility, characterized by frequent and significant changes in currency values, can greatly affect the financial outcomes of businesses engaged in cross-border transactions. These fluctuations impact the cost of imports and exports, altering pricing strategies, profit margins, and overall financial stability.

Currency futures are standardized financial contracts traded on exchanges, allowing the purchase or sale of a specific amount of a currency at a predetermined price on a set future date. These contracts enable businesses to lock in exchange rates for future transactions, thus hedging against potential adverse movements in currency values. The primary purpose of this strategy is to provide businesses with a tool to mitigate the risks associated with currency fluctuations, ensuring that their costs and revenues remain stable over time.

The benefits of using currency futures are substantial. They provide a cost-effective means of managing currency risk without the need for upfront payments, unlike options. Also they help stabilize profit margins by avoiding unexpected expenses due to adverse currency movements. However, there are also challenges to consider.

In conclusion, currency futures offer a robust solution for managing exchange rate volatility in international trade. By hedging against currency risks, businesses can protect their profit margins and ensure greater financial stability. This strategy, despite its complexities, provides significant advantages for companies operating in global markets, enabling them to navigate the uncertainties of currency fluctuations effectively and maintain consistent financial performance.