Currencies Direct

Case study: Performance Brakes

Let's look at an example of how rates can significantly affect your profit margin.

Performance Brakes is a UK-based manufacturer of brake components, and exports overseas. Its US client confirms a purchase order of $382,000.

On 10 July, the day the purchase order is agreed, the exchange rate GBP/USD is 1.5378 ($382,000 = £248,406.81).

1. Choose certainty

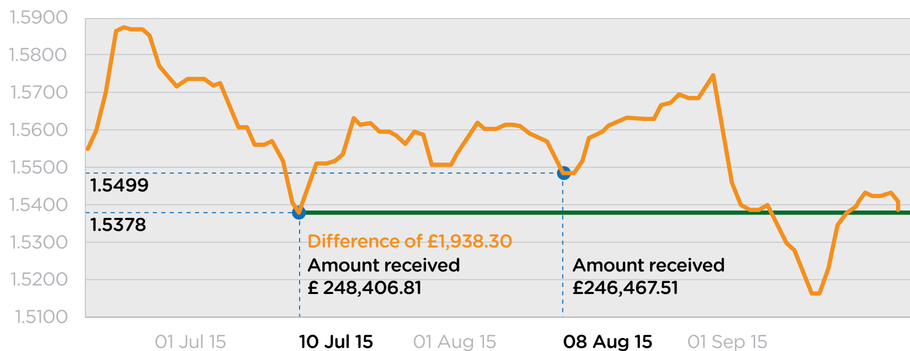
Performance Brakes raises an invoice for US$382,000 at the same time as the order is received, and books a forward contract to guarantee the rate of 1.53 for settlement in 30 days.

This secures the value and the company knows exactly how much to expect in its account in 30 days' time while being protected against any currency market fluctuations.

OR

2. Wait and see

Performance Brakes waits until the end of the 30-day credit term (8 August) to convert the amount, but by then the rate has moved to 1.55 – meaning the value of the purchase order dropped from the original £248,406.81 to £246,467.51, causing a loss of £1,938.30 and leaving itself vulnerable to market volatility.



Forward contracts are for businesses who want more security in their cashflow forecasting and the ability to plan for the long term; it helps them to **avoid relying on the chance** that markets might move in their favour at the right time.

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Corporate foreign exchange risk management:

Define, measure and manage your foreign exchange risk exposures

About us

With over two decades of experience in international payments and foreign exchange, we are one of Europe's leading international payment providers.

Our clients range from SMEs to large corporates and we use our extensive experience to enable businesses from all sectors to mitigate risk and achieve substantial foreign exchange savings.

We will support your growth through conscious planning, forecasting, and execution.

Credit rating

Dun & Bradstreet Level 1

Your money is safe. Currencies Direct Ltd has the highest possible Dun & Bradstreet credit rating. Currencies Direct Financial Markets Ltd (CDFM) is a wholly owned subsidiary of Currencies Direct Ltd. All funds are held in client segregated accounts.

Authorised

by the Financial Conduct Authority

CDFM is authorised and regulated by the Financial Conduct Authority (FCA) for the conduct of designated investment business, which includes currency options and options-based hedging solutions (firm reference number (FRN) 495699).

£2 billion

Annual foreign exchange volumes

Every year, we move more than £2 billion in aggregate client volumes through the global foreign exchange spot, forward and options markets.

Expertise

Corporate foreign exchange risk management expertise

CDFM have strategically hired top talent from the brokerage and corporate and investment banking industries to give you high value, suitable and appropriate foreign exchange risk management solutions.

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Currencies Direct Ltd is a UK brokerage firm with almost 300 employees. It provides private, corporate and institutional clients with foreign exchange products through its 15 offices across Europe, the Middle East, Africa, the Asia Pacific region and North America.

Currencies Direct Financial Markets Ltd (CDFM) is a wholly owned subsidiary of Currencies Direct and offers foreign exchange options and derivative solutions. CDFM is authorised and regulated by the Financial Conduct Authority for the conduct of designated investment business (firm reference number 495699).

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