

Fusion launches pioneering liquidity hedging service for corporates Tue, 18/10/2011 - 14:39

Fusion Asset Management has launched the Fusion FX Liquidity Hedge service for corporate clients. Fusion has been implementing this service for financial institutions since 2009 and is expanding into the corporate space due to demand from leading European corporations.



Kirill Ilinski, Fusion Managing Partner, says: "Several months ago I was approached by one of Europe's largest exporting companies to discuss overlay solutions for their FX hedges. They were not being offered what they needed by their banks and they asked us to develop a bespoke solution for them. Since then we have received further demand, and brought on new salespeople from investment banks specifically to cater to these clients."

The Fusion FX Liquidity Hedge offers currency hedgers a way to use option strategies to offset the impact of large FX moves on their liquidity positions. Companies often hedge their currency risk using FX forwards, but this exposes them to liquidity risk if a large adverse move occurs because their credit lines can be threatened.

Anushruthi Rai, Fusion Advisory Services, says: "There is currently a lot of volatility on the FX markets and it is sensible to make sure that your currency hedges are not in fact putting your liquidity at risk. The best way to do this is via a dynamic options strategy."

The Fusion FX Liquidity Hedge uses a combination of long vanilla and barrier options to ensure that downside risks are known and costs are limited. Since launching the service for financial institutions in 2009, the Fusion FX Liquidity Hedge has consistently outperformed simple downside puts to ensure that clients have liquidity available when they need it most.