(Mobile ebook) Introduction to Foreign Exchange Rates

Introduction to Foreign Exchange Rates

Thomas J. O'Brien
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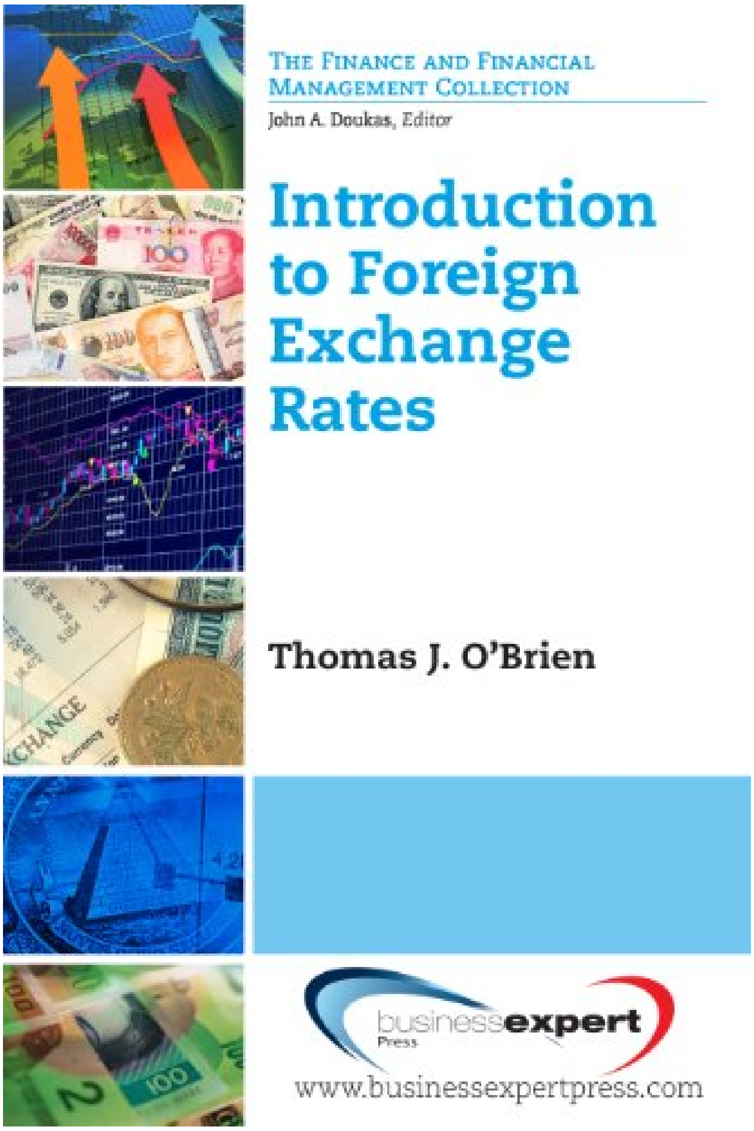

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Thomas J. O'Brien : Introduction to Foreign Exchange Rates before purchasing it in order to gage whether or not it would be worth my time, and all praised Introduction to Foreign Exchange Rates:

As managers expand their international business operations, they are confronted by the puzzling and vexing world of foreign exchange (FX) rates. This text is designed as a resource that can help managers quickly understand and navigate the FX market. The text may be used as an introductory module in a course in international finance, whether the course is oriented to international markets, international investments, or international corporate finance. The primary intended audience is an applied MBA course aimed at executives, managers, and would-be managers. After an introduction to foreign exchange (FX) rates, the text covers the important topic FX rate valuation. It is important for managers to understand when an FX rate is incorrectly valued, as this situation may have a bearing on strategic decisions to operate or invest overseas. The text also covers the mechanics of forward FX contracts, and their use in managing the risk of future foreign currency cash flows. In the case study included in the text, the case company is faced with FX exposure in the revenues of a proposed new foreign customer. The decision-maker applies the text material to evaluate whether the FX rate is over-, under-, or correctly valued. The final decision is whether to expand sales to the foreign market and whether to hedge the FX risk.

From the AuthorThere is an error in Chapter 4 in the section on Adjusted APPP that begins on p. 70. For the adjusted Big Mac approach to FX valuation, the text says that a currency's percentage misvaluation versus the US dollar is equal to the economy's Big Mac's residual in USDs, which is the BM price represented in USDs minus predicted BM price in USDs (on the "line of best fit"). This is incorrect This error was discovered by Santiago Ruiz de Vargas.The 2nd edition corrects this error. Santiago and I coauthored an explanation of how The Economist calculates a currency's correct percentage misvaluation versus the US dollar, which is published in the Journal of International Financial Management Accounting and is available for free at SSRN:nbsp; papers.ssrn.com/sol3/papers.cfm?abstract_id=2656881About the AuthorStorrs, Mansfield, CT; Professor University of Connecticut