

# Use a statistical bias to optimize your currency risk management

# OptionX

Free trial available exclusively on Bloomberg Terminal

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## How will OptionX give me a positive edge in hedging my currency exposure?

OptionX employs a proprietary computational model, which uses the holding periods of the underlying currency risk to measure the performance of a specified hedging strategy. This leaves the hedger with a clear answer to a key hedging question: *Are the statistical bias and odds* in favor of a profitable performance over the specified holding period of the hedging strategy or should an alternative approach, such as a forward outright, be undertaken.

## What is so special about OptionX?

The computation of the OptionX system delivers something, which currently does not exist in the market: the ability to measure an outcome, whereby the price of the relevant holding period as well as *the probability and the size of the payoff* are all taken into consideration in formulating the most optimum and beneficial hedging structures. This is done in a fast and easy-to-use software that gives access to 500+ currency pairs.

## Use OptionX's unconventional analytics to re-define your market risk

- OptionX provides an alternative insight into implied volatility, which we believe to be flawed insofar as much of the large-size changes in currencies tend to unfold in sharp moves and giving way to mispricing of tail risk.
- OptionX gives clear insight into what the trade-offs are between real time option strategies and currency forward outright contracts
- Risks posed by currencies tend to be most dangerous when they are difficult to observe through the bell-shape distribution. OptionX employs a unique mathematical model that deliver risk analytics that directly addresses this shortcoming
- In low volatility and negative rates markets, market participants tend to forget about the probability of rare events. OptionX delivers a more comprehensive statistical approach to tail risk

OptionX ApS

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## Corporate treasury

**Corporate treasury:** treasury specialist, CFO, risk management, executive management



## Banking

**Banks:** Rates and FX sales desks, strategy and research teams



## Pension funds and hedge funds

**Pension and hedge funds:** Portfolio Managers, desks with direct or indirect exposure to FX

### Risk Management

- Gain a concise and clear picture of tail risk involved in your specific currency hedge
- Reduce significantly time spent in making hedging decisions in various market conditions
- Incorporate a more objective and systematic approach to currency hedging
- Enhance risk monitoring and control procedures
- Lower overall costs by improving pricing from the banking and brokering community

### Unique hedging tool

- Employ a unique mathematical model that does not exclusively rely upon implied volatility sample paths in volatility estimations
- Benefit from optimized hedging levels that draw from near 5 decades of volatility and interest rate data
- Determines positive payoff paths with multiple time frames of the underlying currency risk exposure, as depicted on the Best Hedge table

The OptionX app is the only financial system that provides access to real-time, fully automated and rule-based multiple currency hedging strategies. OptionX benefits from several decades of historical data that includes 500+ currency pairs. OptionX generates –in just seconds - several alternative hedging strategies, all customized to the clients' own set of risk parameters and presented in a bank/broker-neutral delivery solution.

- Rule based
- Fully automated
- 500+ currency pairs
- Reduce time preparing hedging structures
- Lower fees by improving pricing and strategy

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Currency pair GBPUSD	DISTANCE	CLOSING BELOW STRIKE	TRADING BELOW STRIKE	IMPLIED PROBABILITY	OPTION PRICE (%)
Expiry 6 months 06/04/20	-1 %	95.65 %	100.00 %	44.76 %	2.47
Risk type Receivables	-3 %	76.09 %	95.65 %	34.50 %	1.83
Notional 1,000,000 GBP	-5 %	60.87 %	80.43 %	25.09 %	1.36
Max unfavourable move 6% 1.1499	-7 %	41.30 %	60.87 %	17.10 %	1.00
Max cost of structure 3%	-9 %	26.09 %	41.30 %	10.84 %	0.72
FX Forecast (Optional) 1.25	-11 %	15.22 %	26.09 %	6.35 %	0.49
Calculate	-13 %	13.04 %	15.22 %	3.41 %	0.32
Total Cost 9%	-15 %	10.87 %	13.04 %	1.67 %	0.20
	-17 %	6.52 %	10.87 %	0.73 %	0.11
	-19 %	6.52 %	6.52 %	0.29 %	0.06