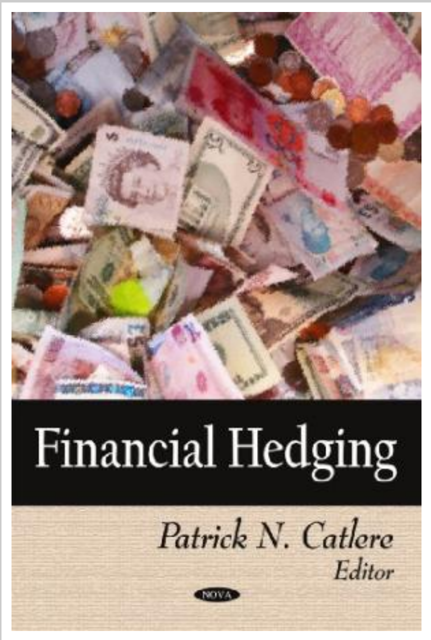

Financial Hedging

By Patrick N. Catlere

Nova Science Publishers Inc. Hardback. Book Condition: new. BRAND NEW, Financial Hedging, Patrick N. Catlere, Financial hedging refers to taking out investments in order to reduce or cancel the risk in another investment. Its purpose is to minimise unwanted business risk while still allowing the business to profit from investment activity. The problem of credit risk is one of the most important problems in finance. It consists of computing the probability of a firm defaulting on a debt. The time evolution of rating for credit risk models can be studied by means of Markov transition models. This book looks at the homogeneous and non-homogeneous semi-Markov backward credit risk migration models. A joint optimisation model for a firm's hedging and leverage decisions is also examined to help establish an integrated framework for value creation. Rather than artificially separating the two interrelated parts of the firm's financial policy, both corporate decision variables are treated as endogenous. Furthermore, the cross-sectional variation in indirect bankruptcy costs is discussed, possibly resulting from a deterioration of relationships with customers, suppliers or other stakeholders prior to the legal act of bankruptcy. The effect of probability weighting on hedging decisions is explored in this book. Observed hedge ratios...

Reviews

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