1. Record Nr. UNINA9910956154303321

Autore	Lu Yinqiu
Titolo	Financial Instruments to Hedge Commodity Price Risk for Developing Countries / / Yinqiu Lu, Salih Neftci
Pubbl/distr/stampa	Washington, D.C. : , : International Monetary Fund, , 2008
ISBN	9786612840395 9781462397181 1462397182 9781452794501 1452794502 9781451868685 1451868685 9781282840393 1282840398
Edizione	[1st ed.]
Descrizione fisica	1 online resource (22 p.)
Collana	IMF Working Papers
Altri autori (Persone)	NeftciSalih
Disciplina	338.52091724
Soggetti	Prices - Developing countries Commercial products - Economic aspects - Developing countries Revenue - Developing countries Options (Finance) - Developing countries Banks and Banking Capital and Ownership Structure Commercial products Commodities Commodity Markets Commodity prices Credit default swap Credit Derivative securities Finance Financial Instruments Financial Risk and Risk Management Financial risk management Financial services law & regulation Financing Policy Goodwill Hedging Institutional Investors

Investment & securities
Investments: Commodities
Investments: Options
Macroeconomics
Monetary economics
Monetary Policy, Central Banking, and the Supply of Money and Credit: General
Money and Monetary Policy
Non-bank Financial Institutions
Options
Pension Funds
Prices
Value of Firms
Developing countries Economic policy
Developing countries Economic conditions
Chile

Lingua di pubblicazione: Inglese

Formato: Materiale a stampa

Livello bibliografico: Monografia

Note generali: "January 2008."

Nota di bibliografia: Includes bibliographical references (p. 19-20).

Nota di contenuto: Contents; I. Introduction; II. Smooth fluctuations in Commodity Revenue Collections-Option Transactions; A. Plain Vanilla Options; Figures; 1. A Put Option Structure; B. Risk Reversals; Tables; 1. Prices of ATM Options; 2. Prices of 20 Percent OTM Options; 2. A Zero Premium Risk Reversal Structure; C. Barrier Option Structures; 3. Prices of the Up-and-Out Put Options: H=120; 3. A Knock-out Option; III. Smooth Borrowing Cost-A Structured Product; A. The Instrument; B. Intermediary; 4. The Structure of the New Instrument; C. Pricing; 5 The Involvement of Investment Bank as an Intermediary

Sommario/riassunto: Many developing economies are heavily exposed to commodity markets, leaving them vulnerable to the vagaries of international commodity prices. This paper examines the use of commodity options-including plain vanilla, risk reversal, and barrier options-to hedge such risk. It then proposes the use of a new structured product-a sovereign Eurobond with an embedded option on a specific commodity price. By extracting commodity price risk out of the bond, such an instrument insulates the bond default risk from commodity price movements, allowing it to be marketed at a lower credit spread. The product is also designed to help developing countries establish a credit derivatives market, which would in turn enhance the marketability and liquidity of sovereign bonds.